

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Infinity Financial Group (Holdings) Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Stock Exchange of Hong Kong Limited and Hong Kong Exchanges and Clearing Limited take no responsibility for the contents of this Composite Document, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document.

**TRIUMPH HOPE LIMITED**

*(Incorporated in British Virgin Islands with limited liability)*



**新融宇集團(控股)有限公司**  
**Infinity Financial Group (Holdings) Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1152)**

**COMPOSITE DOCUMENT  
RELATING TO  
UNCONDITIONAL MANDATORY CASH OFFER BY**



**Pacific  
Foundation**

**PACIFIC FOUNDATION SECURITIES LIMITED  
FOR AND ON BEHALF OF  
TRIUMPH HOPE LIMITED FOR ALL THE ISSUED SHARES IN  
INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY TRIUMPH HOPE LIMITED,  
MR. CHAN AND THE CONCERT PARTIES)**

**Financial adviser to Triumph Hope Limited**



**長城環亞融資有限公司**

**GREAT WALL PAN ASIA CORPORATE FINANCE LIMITED**

**Joint financial advisers to the Company**



**國元融資(香港)有限公司**  
**GUOYUAN CAPITAL (HONG KONG) LTD**



**ZHAOBANGJI  
INTERNATIONAL**

**Independent Financial Adviser to the Independent Board Committee**



**中國農信財務顧問有限公司**  
**China AF Corporate Finance Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Pacific Foundation Securities is set out on pages 7 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 20 of this Composite Document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 23 to 38 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance and Transfer. Acceptance of the Offer should be received by the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by no later than 4:00 p.m. on Friday, 5 January 2018 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

15 December 2017

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## EXPECTED TIMETABLE

*The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. All time and date references contained in this Composite Document and accompanying Form of Acceptance and Transfer refer to Hong Kong time and dates.*

Despatch date of this Composite Document and the accompanying Form of Acceptance and Transfer ( <i>Note 1</i> ).....	Friday, 15 December 2017
Offer opens for acceptance ( <i>Note 1</i> ).....	Friday, 15 December 2017
Latest time and date for acceptance of the Offer ( <i>Notes 2, 4, 5 and 6</i> ).....	by 4:00 p.m. on Friday, 5 January 2018
Closing date ( <i>Notes 2, 4 and 6</i> ) .....	Friday, 5 January 2018
Announcement of the results of the Offer on the website of the Stock Exchange ( <i>Notes 2, 4 and 6</i> ) .....	by 7:00 p.m. on Friday, 5 January 2018
Latest date of posting of remittances in respect of valid acceptances received under the Offer ( <i>Notes 3 and 6</i> ) .....	Tuesday, 16 January 2018

*Notes:*

- 1 The Offer, which is unconditional in all respects, is made on Friday, 15 December 2017, the date of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
- 2 In accordance with the Takeover Code, the Offer must be open for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time for acceptance of the Offer is 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice by way of announcement will be given before the Offer are closed to those Independent Shareholders who have not accepted the Offer.
- 3 Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the date of receipt by the Registrar of all the duly completed and signed Form of Acceptance and Transfer and the relevant documents of title of the Offer Shares in respect of such acceptance to render the acceptance under the Offer complete and valid.
- 4 Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "4. Right of Withdrawal" in Appendix I to this Composite Document.

## EXPECTED TIMETABLE

- 5 Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.
  
- 6 The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the Closing Date for acceptance of the Offer, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time and date for acceptance of the Offer and the latest date for posting of remittances will be rescheduled to 4:00 p.m. on the next following Business Day on which neither of those warnings is in force at any time between 9:00 a.m. and 4:00 p.m..

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

## DEFINITIONS

*In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associates”	has the meaning ascribed to it under the Takeovers Code
“Billion Mission”	Billion Mission Limited, a company incorporated in Anguilla with limited liability and is wholly-owned by Mr. Zheng Qiang
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for transaction of business
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“China AF” or “Independent Financial Adviser”	China AF Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to their acceptance
“Closing Date”	5 January 2018, the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
“Company”	Infinity Financial Group (Holdings) Limited (stock code: 1152), a company incorporated in Bermuda with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange since 28 October 2011
“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company, setting out, among others, details of the Offer
“Concert Parties”	parties acting in concert with any of the Offeror and Mr. Chan (including the Money Lender and its ultimate beneficial owner), as determined in accordance with the Takeovers Code
“connected person”	has the meaning ascribed to it under the Listing Rules

## DEFINITIONS

“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates
“Form of Acceptance and Transfer”	the form of acceptance and transfer of Shares in respect of the Offer which accompanies this Composite Document
“Great Wall Corporate Finance”	Great Wall Pan Asia Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Group”	the Company and its subsidiaries
“Guoyuan Capital”	Guoyuan Capital (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Company in respect of the Offer
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua, established to give recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to their acceptance
“Independent Shareholders”	Shareholders other than the Offeror, Mr. Chan and the Concert Parties
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and connected persons of the Company
“Integrated Asset Management”	Integrated Asset Management (Asia) Limited, a company incorporated in British Virgin Islands with limited liability and is wholly-owned by Mr. Yam Tak Cheung
“Joint Announcement”	the announcement jointly published by the Company and the Offeror dated 2 November 2017 in relation to, among other things, the S&P Agreements and the Offer

## DEFINITIONS

“Last Trading Day”	25 October 2017, being the last trading day of the Shares immediately prior to the trading halt of the Shares on the Stock Exchange at 9:00 a.m. on 26 October 2017
“Latest Practicable Date”	12 December 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information in this Composite Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Money Lender”	Grand Harbour Finance Limited, a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and its ultimate beneficial owner is Mr. Ng Kwok Fai, each being an Independent Third Party
“Money Lender Loan Agreement 1”	the loan agreement entered into between Mr. Chan (as borrower) and the Money Lender (as lender) for a loan of HK\$300 million dated 24 October 2017
“Money Lender Loan Agreement 2”	the loan agreement entered into between Mr. Chan (as borrower) and the Money Lender (as lender) for a loan of HK\$100 million dated 25 October 2017
“Money Lender Loan Agreements”	the Money Lender Loan Agreement 1 and the Money Lender Loan Agreement 2
“Mr. Chan”	Mr. Chan Chung Shu (陳仲舒), being the sole shareholder and sole director of the Purchaser; and the sole shareholder of Power Grand
“Offer”	the unconditional mandatory cash offer to be made by Pacific Foundation Securities on behalf of the Offeror for the Offer Shares in accordance with the Takeovers Code
“Offer Period”	the period from 2 November 2017, being the date of the Joint Announcement, to 4:00 p.m. on the Closing Date or such later time and/or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
“Offer Price”	the price of HK\$0.37 per Offer Share payable by the Offeror to the Shareholders for each Offer Share accepted under the Offer

## DEFINITIONS

“Offer Share(s)”	all the issued Share(s) not already owned by the Offeror, Mr. Chan and the Concert Parties
“Offeror” or “Purchaser”	Triumph Hope Limited, a company incorporated in British Virgin Islands with limited liability
“Overseas Shareholders”	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is/(are) outside Hong Kong
“Pacific Foundation Securities”	Pacific Foundation Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror
“PG Loan Agreement 1”	the loan agreement entered into between the Offeror (as borrower) and Power Grand (as lender) for a loan of HK\$300 million dated 24 October 2017
“PG Loan Agreement 2”	the loan agreement entered into between the Offeror (as borrower) and Power Grand (as lender) for a loan of HK\$100 million dated 25 October 2017
“PG Loan Agreements”	the PG Loan Agreement 1 and the PG Loan Agreement 2
“Power Grand”	Power Grand Investments Limited, a company incorporated in British Virgin Islands with limited liability and is ultimately wholly-owned by Mr. Chan
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong, located at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period commencing six months immediately prior to 2 November 2017 (being the date of the Joint Announcement) up to and including the Latest Practicable Date
“Sale Shares”	an aggregate of 501,210,000 Shares acquired by the Offeror from the Vendors pursuant to the terms of the S&P Agreements

## DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.005 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreements”	the sale and purchase agreements dated 25 October 2017 entered into between the Offeror (as purchaser) and each of Billion Mission, Top Star and Integrated Asset Management (as vendors) in relation to the sale and purchase of the Sale Shares
“S&P Completion”	completion of the S&P Agreements in accordance with their terms
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Top Star”	Top Star Group Holdings Limited, a company incorporated in British Virgin Islands with limited liability and is ultimately wholly-owned by Mr. Sit Yau Chiu
“Vendors”	collectively, Billion Mission, Top Star and Integrated Asset Management
“Zhaobangji International”	Zhaobangji International Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being one of the financial advisers to the Company in respect of the Offer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*Notes:*

- 1. All time and date references contained in this Composite Document refer to Hong Kong times and dates;*
- 2. Certain amounts and percentage figures in this Composite Document have been subject to rounding adjustments;*

## DEFINITIONS

3. *The singular includes the plural and vice versa, unless the context otherwise requires;*
4. *References to any appendix, paragraph and any sub-paragraphs of them are references to the appendices to, and paragraphs of, this Composite Document and any sub-paragraphs of them respectively;*
5. *References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Composite Document;*
6. *Reference to one gender is a reference to all or any genders; and*
7. *All terms marked with asterisk “\*” are for identification purpose only.*



太平基業證券有限公司

PACIFIC FOUNDATION SECURITIES LIMITED

15 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY**



Pacific  
Foundation

**PACIFIC FOUNDATION SECURITIES LIMITED  
FOR AND ON BEHALF OF  
TRIUMPH HOPE LIMITED FOR ALL THE ISSUED SHARES IN  
INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY TRIUMPH HOPE LIMITED,  
MR. CHAN AND THE CONCERT PARTIES)**

**1. INTRODUCTION**

On 25 October 2017 (after trading hours of the Stock Exchange), the Purchaser and each of the Vendors entered into the S&P Agreements pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire a total of 501,210,000 Sale Shares at a total cash consideration of HK\$185,447,700 (equivalent to HK\$0.37 per Sale Share). The Sale Shares represented approximately 51.04% of the total issued share capital of the Company as at the date of the Joint Announcement. The S&P Agreements are unconditional and S&P Completion took place on 27 October 2017.

It was further announced that pursuant to Rule 26.1 of the Takeovers Code, upon S&P Completion, the Offeror will be required to make the Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties).

As at the Latest Practicable Date, the Offeror held 501,210,000 Shares, which represented approximately 51.04% of the issued share capital of the Company based on the latest published information of the Company available to the public.

This letter forms part of this Composite Document which sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

## LETTER FROM PACIFIC FOUNDATION SECURITIES

The Independent Shareholders are encouraged to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

### 2. THE OFFER

#### Principal terms of the Offer

Pacific Foundation Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share . . . . . HK\$0.37 in cash

The Offer Price of HK\$0.37 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreements.

As at the Latest Practicable Date, the Offeror held 501,210,000 Shares, representing approximately 51.04% of the entire issued share capital of the Company. Save for the aforesaid, the Offeror, Mr. Chan and the Concert Parties do not have any other interests in the share capital or voting rights of the Company.

#### *Comparison of value*

The Offer Price of HK\$0.37 represents:

- (i) a discount of approximately 18.68% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.55% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.428 per Share;
- (iii) a discount of approximately 8.19% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.403 per Share;
- (iv) a premium of approximately 270% over the unaudited consolidated net asset value of the Company of approximately HK\$0.10 per Share as at 30 June 2017, based on the unaudited consolidated net assets of the Company of approximately HK\$99,525,000 as at 30 June 2017 and 982,000,000 Shares in issue as at the Latest Practicable Date; and
- (v) a discount of approximately 13.95% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

## LETTER FROM PACIFIC FOUNDATION SECURITIES

### *Highest and lowest Share prices*

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.65 per Share (4 May 2017, for the period from 8 May 2017 to 11 May 2017, 31 May 2017, 12 June 2017 and 13 June 2017) and HK\$0.355 per Share (on 20 October 2017) respectively.

### **Total consideration of the Offer**

On the basis of the Offer Price of HK\$0.37 per Offer Share and 982,000,000 Shares in issue as at the Latest Practicable Date, of which the Offeror holds 501,210,000 Shares immediately after the S&P Completion and as at the Latest Practicable Date, the Offer, based on the Offer Price, is valued at HK\$177,892,300.

### **Financial resources available for the Offer**

The maximum cash consideration payable under the Offer, other than the Shares already held by the Offeror, Mr. Chan and the Concert Parties, is approximately HK\$177,892,300. The Offeror intends to finance the total consideration payable under the Offer through loans obtained from Power Grand pursuant to the PG Loan Agreements which in turn obtained loan from Mr. Chan who obtained loans from the Money Lender, pursuant to the Money Lender Loan Agreements.

In accordance with the Money Lender Loan Agreement 1, Mr. Chan (as chargor) and the Money Lender (as chargee) entered into a share charge agreement pursuant to which (i) Mr. Chan charged one share in Power Grand (representing its then entire issued share capital) to the Money Lender during the continuance of the Money Lender Loan Agreement 1; and (ii) until the charges have become enforceable, the chargor shall be entitled to exercise or direct the exercise of the voting and other rights attached to the charged share as it sees fit provided that: (a) it does so for a purpose not inconsistent with the share charge; and (b) the exercise or failure to exercise those rights would not have an adverse effect on the value of the charged share and would not otherwise prejudice the interests of the chargee.

In accordance with the PG Loan Agreement 1, (i) Mr. Chan (as chargor) and Power Grand (as chargee) entered into a share charge agreement dated 24 October 2017 pursuant to which Mr. Chan charged one share in the Offeror (representing its then entire issued share capital) to Power Grand during the continuance of the PG Loan Agreement 1; and (ii) the Offeror (as chargor) and Power Grand (as chargee) entered into a share charge agreement dated 25 October 2017 pursuant to which (a) the Offeror charged all 501,210,000 Sale Shares and all other Shares acquired by the Offeror and deposited with the security trading account of the Offeror with Pacific Foundation Securities to Power Grand during the continuance of the PG Loan Agreement 1; and (b) until the charges have become enforceable, the chargor shall be entitled to exercise or direct the exercise of the voting and other rights attached to the charged shares as it sees fit provided that: (1) it does so for a purpose not inconsistent with

## LETTER FROM PACIFIC FOUNDATION SECURITIES

the share charge; and (2) the exercise or failure to exercise those rights would not have an adverse effect on the value of the charged shares and would not otherwise prejudice the interests of the chargee.

As at the Latest Practicable Date, neither Great Wall Corporate Finance, Guoyuan Capital, Zhaobangji International, Pacific Foundation Securities nor the Money Lender is a beneficial owner holding any Shares. Great Wall Corporate Finance, being the financial advisor to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptances of the Offer.

The Offeror confirms that the payment of interest on, repayment of or security for any liability in relation to the PG Loan Agreements will not be dependent on the business of the Group.

### **Effect of accepting the Offer**

By accepting the Offer, Independent Shareholders will sell their Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including but not limited to all rights to any dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of the despatch of this Composite Document.

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made. Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

### **Stamp duty**

Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong); or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Independent Shareholders who accept the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

## **LETTER FROM PACIFIC FOUNDATION SECURITIES**

### **Settlement**

Settlement of the considerations for the Offer Shares will be made in cash as soon as possible but in any event within seven (7) Business Days following the date on which the relevant documents of title are received by or on behalf of the Offeror (or its agent) to render each such acceptance complete and valid.

### **Tax implications**

None of the Company, the Offeror, Mr. Chan and the Concert Parties, Pacific Foundation Securities, Great Wall Corporate Finance, the Registrar or any of their respective ultimate beneficial owners, directors, officers, professional advisers, agents or associates or any other person involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Company, the Offeror, Mr. Chan and the Concert Parties, Pacific Foundation Securities, Great Wall Corporate Finance, the Registrar or any of their respective ultimate beneficial owners, directors, officers, professional advisers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **Overseas Shareholders**

Shareholders who have registered addresses outside Hong Kong and wish to accept the Offer should satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such accepting Shareholders in respect of such jurisdiction).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

### **3. INFORMATION OF THE OFFEROR**

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chan. Each of the Offeror and Mr. Chan is a third party independent of, and not connected with, either the Company or any of its connected persons, save that the Offeror will become a controlling shareholder of the Company following the S&P Completion. The Offeror is an investment holding company and it has not carried on any business since incorporation. Immediately upon the S&P Completion and as at the Latest Practicable Date, the Offeror held a total of 501,210,000 Shares, representing approximately 51.04% of the entire issued share capital of the Company.

## LETTER FROM PACIFIC FOUNDATION SECURITIES

The sole director of the Offeror is Mr. Chan who aged 27, had been a director of 海南正和實業集團股份有限公司(Hainan Zhenghe Industrial Group Co. Ltd.\*) (the name of which was changed to 洲際油氣股份有限公司 (Geo-Jade Petroleum Corporation\*) in 2014), being a company listed on Shanghai Stock Exchange (stock code: 600759) from June to December 2013. As confirmed by Mr. Chan, he is not a substantial shareholder of any listed companies in Hong Kong.

#### **4. INFORMATION OF THE GROUP**

Your attention is drawn to the section headed “Information on the Group” in the “Letter from the Board” on pages 15 to 20 of this Composite Document.

#### **5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP**

It is the Offeror’s intention to further consolidate its interest in the Company pursuant to the Offer. The intention of the Offeror is that the Company’s existing principal activities will be maintained, and at the same time after completion of the Offer, the Offeror will assist the Company in reviewing its business and operations and seek for new investment opportunities. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror’s intention regarding the Group as set out above and subject to the review on existing business and operations, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The Offeror will, depending on the business operations and development of the Group in the future, review the composition of the Board and senior management. The Offeror has no intention to appoint any new directors to the Board before the close of the Offer. Any changes to the Board composition will be made in the best interests of the Group and the Shareholders as a whole and in compliance with the Takeovers Code and the Listing Rules. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group.

#### **6. MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the Board have jointly and severally undertaken and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

## LETTER FROM PACIFIC FOUNDATION SECURITIES

Pursuant to the Listing Rules, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

### **7. COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

### **8. GENERAL**

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold any Offer Share as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. The attention of Independent Shareholders with registered addresses outside Hong Kong is also drawn to the paragraph headed “6. Overseas Shareholders” in Appendix I to this Composite Document.

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon. The Form of Acceptance and Transfer forms part of the terms of the Offer. The duly completed and signed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar and marked “Infinity Financial Group (Holdings) Limited — Offer” on the envelope to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

None of the Offeror, Pacific Foundation Securities, Great Wall Corporate Finance, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### **9. ADDITIONAL INFORMATION**

Your attention is drawn to the additional information regarding the Offer set out in the Appendices to this Composite Document and the accompanying Form(s) of Acceptance and Transfer, which form part of this Composite Document.

**LETTER FROM PACIFIC FOUNDATION SECURITIES**

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

For and on behalf of  
**Pacific Foundation Securities Limited**  
**Lo Tak Wing, Benson**  
*Director*

LETTER FROM THE BOARD



新融宇集團(控股)有限公司  
Infinity Financial Group (Holdings) Limited

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1152)

*Executive Directors:*

Mr. Yu Xueming (*Chairman*)  
Mr. Yu Chuanfu (*Chief Executive Officer*)  
Mr. Zheng Qiang  
Mr. Ng Hoi

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton  
HM11  
Bermuda

*Independent non-executive directors:*

Mr. Ho Man  
Mr. Yeh Tung Ming  
Mr. Zhang Hua

*Head Office and principal place  
of business in Hong Kong:*

Room 2407, 24th Floor  
China Resources Building  
26 Harbour Road  
Wan Chai  
Hong Kong

15 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
PACIFIC FOUNDATION SECURITIES LIMITED  
FOR AND ON BEHALF OF TRIUMPH HOPE LIMITED  
FOR ALL THE ISSUED SHARES  
IN INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
TRIUMPH HOPE LIMITED, MR. CHAN  
AND THE CONCERT PARTIES)**

**INTRODUCTION**

Reference is made to the Joint Announcement in relation to, among other things, the S&P Agreements and the Offer. On 25 October 2017, the Offeror as Purchaser entered into the S&P Agreements with each of the Vendors pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire a total of 501,210,000 Sale Shares at a total cash consideration of HK\$185,447,700 (equivalent to HK\$0.37 per Sale Share).

## **LETTER FROM THE BOARD**

Immediately upon the S&P Completion that took place on 27 October 2017 and as at the Latest Practicable Date, the Offeror, Mr. Chan and the Concert Parties were interested in 501,210,000 Shares, representing approximately 51.04% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties).

The purpose of this Composite Document is to provide you with, among other things, (i) details of the Offer (including the expected timetable); (ii) a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Offer; and (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Offer.

### **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee which comprises all the independent non-executive Directors, namely, Mr. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua, has been established to advise the Independent Shareholders in respect of the Offer. As at the Latest Practicable Date, no member of the Independent Board Committee has any direct or indirect interest in the Offer.

### **UNCONDITIONAL MANDATORY CASH OFFER**

Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties).

As at the Latest Practicable Date, there were 982,000,000 Shares in issue. The Company has no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of any options, warrants or securities convertible or exchangeable into Shares.

The Offer Price of HK\$0.37 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreements. As stated in the “Letter from Pacific Foundation Securities”, as the Offeror holds 501,210,000 Shares as at the Latest Practicable Date, 480,790,000 Shares are subject to the Offer and the total consideration of the Offer would be HK\$177,892,300 based on the Offer Price.

## LETTER FROM THE BOARD

### **Principal terms of the Offer**

As disclosed in the “Letter from Pacific Foundation Securities”, Pacific Foundation Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, hereby unconditionally make the Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties) in accordance with Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share . . . . . HK\$0.37 in cash

The Offer Price of HK\$0.37 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreements. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, encumbrances, rights of preemption and any other third party rights of any nature and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of despatch of this Composite Document.

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all encumbrances whatsoever together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer is made, i.e., the date of this Composite Document. Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Your attention is drawn to the further details regarding the Offer, including among others, the terms and conditions and the procedures for acceptance of the Offer, settlement and acceptance period as set out in the “Letter from Pacific Foundation Securities”, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **INFORMATION ON THE GROUP**

The Company is a company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board (stock code: 1152). The Group is principally engaged in the finance leasing and trading business.

## LETTER FROM THE BOARD

The following table is a summary of (i) certain audited financial information of the Group for the financial years ended 31 December 2015 and 31 December 2016 extracted from the Company's annual report for the year ended 31 December 2016; and (ii) the unaudited financial information of the Group for the six months ended 30 June 2016 and 30 June 2017 as extracted from the Company's interim report for the six months ended 30 June 2017:

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	52,243	57,593	61,742	103,171
Gross Profit	3,916	6,294	11,306	16,310
Loss before taxation	(1,972)	(18,594)	(42,371)	(60,017)
Loss for the period/ year	(3,369)	(19,672)	(42,944)	(77,410)
		<b>As at</b>		
		<b>30 June</b>	<b>As at 31 December</b>	
		<b>2017</b>	<b>2016</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)	(audited)
Total assets		254,474	277,914	359,824
Total liabilities		154,949	180,132	211,579
Net assets		99,525	97,782	148,245

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial information and general information of the Group.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structures of the Company (i) immediately before the S&P Completion and (ii) immediately after the S&P Completion and as at the Latest Practicable Date are as follows:

	<b>Immediately before the S&amp;P Completion</b>		<b>Immediately after the S&amp;P Completion and as at the Latest Practicable Date</b>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Billion Mission <sup>1</sup>	208,000,000	21.18	—	—
Top Star <sup>2</sup>	208,000,000	21.18	—	—
Integrated Asset Management <sup>3</sup>	85,210,000	8.68	—	—
The Offeror, Mr. Chan and the Concert Parties	—	—	501,210,000	51.04
Mr. Yu Xueming <sup>4</sup>	9,830,000	1.00	9,830,000	1.00
Public Shareholders	<u>470,960,000</u>	<u>47.96</u>	<u>470,960,000</u>	<u>47.96</u>
<b>Total</b>	<u><u>982,000,000</u></u>	<u><u>100.00</u></u>	<u><u>982,000,000</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Mr. Zheng Qiang, executive Director, is the beneficial owner of 100% of the issued share capital of Billion Mission and is deemed to be interested in the 208,000,000 Shares held by Billion Mission under the SFO.
2. Mr. Sit Yau Chiu is the beneficial owner of 100% of the issued share capital of Top Star and is deemed to be interested in the 208,000,000 Shares held by Top Star under the SFO.
3. Mr. Yam Tak Cheung is the beneficial owner of 100% of the issued share capital of Integrated Asset Management and is deemed to be interested in the 85,210,000 Shares held by Integrated Asset Management under the SFO.
4. Mr. Yu Xueming is the chairman of the board of directors of the Company and an executive Director.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed “Information of the Offeror” in the “Letter from Pacific Foundation Securities” contained in this Composite Document.

### INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” and “Intention of the Offeror in relation to the Group” in the “Letter from Pacific Foundation Securities” as set out in this Composite Document, which set out more information on the intention of the Offeror in

## **LETTER FROM THE BOARD**

relation to the Group. The Board is aware of the intentions of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) with the Offeror about any disposal/termination/ scaling-down of the current business of the Group.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the Board have jointly and severally undertaken and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

The Stock Exchange has stated that, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market; it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

### **RECOMMENDATION**

Your attention is drawn to the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” as set out in this Composite Document respectively, which set out their recommendation and advice in respect of the Offer and the principal factors considered by them.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully this Composite Document together with the accompanying Form of Acceptance and Transfer in respect of the procedures for acceptance and settlement of the Offer.

Yours faithfully,  
For and on behalf of  
**Infinity Financial Group (Holdings) Limited**  
**Ng Hoi**  
*Executive Director*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



新融宇集團(控股)有限公司  
Infinity Financial Group (Holdings) Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1152)

15 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
PACIFIC FOUNDATION SECURITIES LIMITED  
FOR AND ON BEHALF OF TRIUMPH HOPE LIMITED  
FOR ALL THE ISSUED SHARES  
IN INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
TRIUMPH HOPE LIMITED, MR. CHAN  
AND THE CONCERT PARTIES)**

We refer to this Composite Document dated 15 December 2017 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed by the Board to form the Independent Board Committee to consider and advise you whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and to give a recommendation to the Independent Shareholders as to whether or not to accept the Offer.

China AF has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and to give a recommendation to the Independent Shareholders as to whether or not to accept the Offer. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out in the “Letter from the Independent Financial Adviser” on pages 23 to 38 of this Composite Document.

**RECOMMENDATION**

Having considered the terms of the Offer and the advice from China AF, we concur with China AF advice and consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders who would like to realise part or all of their investments, are reminded to monitor the trading price and liquidity of the Shares during the Offer Period and should, having regard to their own circumstances, consider selling their Shares in the open market instead of accepting the Offer if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than the net proceeds from accepting the Offer.

Furthermore, Independent Shareholders are reminded that their decisions to realise or hold their investment in the Shares are subject to their individual circumstances and investment objectives. If the Independent Shareholders are in doubt as to the decisions to dispose of or hold their investment in the Shares, they should consult their own professional advisers for advice.

We also wish to draw your attention to the “Letter from the Board”, the “Letter from Pacific Foundation Securities” and the additional information set out in the appendices to this Composite Document.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms of the Offer and the “Letter from the Independent Financial Adviser” in this Composite Document.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
**Infinity Financial Group (Holdings) Limited**  
**Ho Man                      Yeh Tung Ming                      Zhang Hua**  
*Independent Non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from the Independent Financial Adviser in connection with the Offer which has been prepared for inclusion in this Composite Document.*



中國農信財務顧問有限公司  
China AF Corporate Finance Limited

China AF Corporate Finance Limited  
Units 2303–2306, 23/F.,  
Great Eagle Centre  
23 Harbour Road  
Wanchai  
H.K.  
中國農信財務顧問有限公司  
香港灣仔港灣道23號鷹君中心  
23樓2303–2306室

15 December 2017

*To the Independent Board Committee and Independent Shareholders of  
Infinity Financial Group (Holdings) Limited*

Dear Sirs and Madams,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
PACIFIC FOUNDATION SECURITIES LIMITED  
FOR AND ON BEHALF OF TRIUMPH HOPE LIMITED  
FOR ALL THE ISSUED SHARES  
IN INFINITY FINANCIAL GROUP (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
TRIUMPH HOPE LIMITED, MR. CHAN  
AND THE CONCERT PARTIES)**

### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the Composite Document dated 15 December 2017, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement in relation to, among other things, the S&P Agreements and the Offer. On 25 October 2017, the Offeror as Purchaser entered into the S&P Agreements with each of the Vendors pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to acquire a total of 501,210,000 Sale Shares at a total cash consideration of HK\$185,447,700 (equivalent to HK\$0.37 per Sale Share).

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Immediately upon the S&P Completion that took place on 27 October 2017 and as at the Latest Practicable Date, the Offeror, Mr. Chan and the Concert Parties were interested in 501,210,000 Shares, representing approximately 51.04% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror (the Purchaser) will therefore be required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties).

Pacific Foundation Securities is making the Offer for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For every Offer Share . . . . . HK\$0.37 in cash

As at the Latest Practicable Date, there were 982,000,000 Shares in issue. The Company has no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of any options, warrants or securities convertible or exchangeable into Shares.

The Offer Price of HK\$0.37 per Offer Share is the same as the price per Sale Share paid by the Purchaser under the S&P Agreements. The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Offer Shares or any other conditions.

**INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua, has been established to give recommendation to the Independent Shareholders as to whether the terms of the Offer are fair and reasonable as far as the Independent Shareholders are concerned and as to acceptance of the Offer.

We, China AF, have been appointed by the Company with the approval from the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, Vendors, the Offeror and the Concert Parties that could reasonably be regarded as relevant to the independence of China AF. In the last two years, no engagement has been performed between the Group, Vendors, the Offeror, or the Concert Parties and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, there are no arrangements which we will receive any fees or benefits from the Company, Vendors, the Offeror and the Concert Parties, any of their subsidiaries or their respective associates.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, the Joint Announcement, the annual reports of the Company for the years ended 31 December 2015 and 2016, the interim report of the Company for the six months ended 30 June 2017, and the information contained in this Composite Document. We have also enquired with and reviewed the information provided by the management of the Company regarding the business and outlook of the Group.

We have relied on the above information and representations supplied, and the opinions expressed by the Directors and management of the Company, and have assumed that such information and statements, and representations made to us or referred to in the Composite Document are true, accurate and complete in all material respects as at the Latest Practicable Date. We have also relied on our discussions with the Directors regarding the Group and the Offer, including the information and representations contained in the Composite Document. Should there be any subsequent material change in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material change to such information provided in the Composite Document and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We have also assumed that all statements of belief, opinions and intentions made by the Directors and the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document or to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company and/or the Offeror.

In formulating our opinion, our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions in effect and the information made available to us as at the Latest Practicable Date. We have also enquired with the management of the Company to ensure that information provided from the Company are true, accurate and complete in all materials respects.

Because of the variations in individual circumstances of Independent Shareholders, we have not taken the tax implications on Independent Shareholders into account in formulating our opinion in respect of the Offer. We are not responsible for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, Independent Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

### 1. Information and financial performance of the Group

The Company was incorporated in the Bermuda with limited liability and the Shares are listed on the Main board of the Stock Exchange. The Group's principal activities comprised finance leasing business and trading of metal and equipment.

Set out below are extracts of consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the Group for (i) the two years ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 (the "2016 Annual Report"); and (ii) the six months ended 30 June 2016 and 2017 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the "2017 Interim Report"):

**Table 1: Extracts of consolidated statement of profit or loss and other comprehensive income of the Group**

	For the six months ended		For the year ended	
	30 June		31 December	
	2017	2016	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Revenue</b>	<b>52,243</b>	<b>57,593</b>	<b>61,742</b>	<b>103,171</b>
— <i>Finance leasing</i>	3,474	5,884	10,812	15,829
— <i>Trading business</i>	48,769	51,709	50,930	87,342
<b>Segment profit/(loss)</b>	<b>2,158</b>	<b>(1,381)</b>	<b>(19,130)</b>	<b>(1,469)</b>
— <i>Finance leasing</i>	1,716	(1,883)	(19,626)	(1,950)
— <i>Trading business</i>	442	502	496	481
<b>Profit/(Loss) for the year/period</b>	<b>(3,369)</b>	<b>(19,672)</b>	<b>(42,944)</b>	<b>(77,410)</b>
— Profit/(Loss) for the year/period from continuing operation	(3,369)	(18,965)	(42,944)	(61,133)
— Profit/(Loss) for the year/period from discontinued operation ( <i>Note</i> )	—	(707)	—	(16,277)

*Note:* As disclosed in the 2017 Interim Report, on 12 January 2015, the Group had decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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**Table 2: Extracts of consolidated statement of financial position of the Group**

	<b>As at 30 June 2017</b>	<b>As at 31 December 2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
<b>Total assets</b>	254,474	277,914	359,824
<b>Total liabilities</b>	154,949	180,132	211,579
<b>Net assets</b>	99,525	97,782	148,245

***For the year ended 31 December 2016***

As depicted in Table 1, the Group recorded a decrease in revenue of approximately 40.16% from approximately HK\$103.17 million for the year ended 31 December 2015 to approximately HK\$61.74 million for the year ended 31 December 2016. However, despite the decrease in revenue, the loss for the year had been reduced from approximately HK\$77.41 million for the year ended 31 December 2015 to approximately HK\$42.94 million for the year ended 31 December 2016. Such improvement was mainly attributable to the fact that (i) the loss in the change in fair value of held-for-trading investment of approximately HK\$11.25 million was recorded for the year ended 31 December 2015, as compared to a gain of approximately HK\$2.92 million for the year ended 31 December 2016; (ii) the finance costs decreased from approximately HK\$27.64 million for the year ended 31 December 2015 to approximately HK\$14.84 million for the year ended 31 December 2016; and (iii) loss for the year from discontinued operation of approximately HK\$16.28 million was recorded for the year ended 31 December 2015 whereas nil was recorded from discontinued operation for the year ended 31 December 2016.

As at 31 December 2016, the Group recorded total assets, total liabilities and net assets of approximately HK\$277.91 million, HK\$180.13 million and HK\$97.78 million respectively, representing a decrease of approximately 22.76%, 14.86% and 34.04% as compared to the corresponding figures as at 31 December 2015 respectively. We also noted from the 2016 Annual Report that the current ratio of the Group had deteriorated from 5.1 times as at 31 December 2015 to 1.3 times as at 31 December 2016.

***For the six months ended 30 June 2017***

As set out in the Table 1 above, the Group recorded a decrease in revenue of approximately 9.29% from approximately HK\$57.59 million for the six months ended 30 June 2016 to approximately HK\$52.24 million for the six months ended 30 June 2017. Both the trading business segment and finance leasing segment recorded a decrease in revenue of approximately 5.69% and 40.96%, respectively, over the above periods. As disclosed in the 2017 Interim Report, the decrease in revenue in trading business segment

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was mainly attributable to the weakening in metal market demand as a result of the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services for the six months ended 30 June 2017. As advised by the management of the Company, the performance of the trading business of the Company was mostly affected by the weakening market demand on nickel as the Company had been trading in one type of metal only, namely nickel, for the six months ended 30 June 2017. It is also disclosed in the 2017 Interim Report that the decrease in revenue in finance leasing segment was mainly due to the effect of the monetary policy in China which remained loose for the six months ended 30 June 2017. Despite the decrease in revenue, the segment results of the Group had indicated a turnaround from a loss of approximately HK\$1.38 million for the six months ended 30 June 2016 to a profit of approximately HK\$2.16 million for the six months ended 30 June 2017. Such turnaround effect was primarily due to the improvement of the finance leasing segment from a segment loss of approximately HK\$1.88 million for the six months ended 30 June 2016 to a segment profit of approximately HK\$1.72 million for the six months ended 30 June 2017. Notwithstanding the segment profit, the Group still recorded a loss of approximately HK\$3.37 million for the six months ended 30 June 2017, which was mainly due to (i) the administrative and other expenses of approximately HK\$15.7 million; and (ii) the finance costs of approximately HK\$10.4 million, being off-set by the other operating income of approximately HK\$20.7 million mainly owing to the gain on disposal of a subsidiary. We also noted that the Group recorded a significant decrease in loss for the period from approximately HK\$19.67 million for the six months ended 30 June 2016 to approximately HK\$3.37 million for the six months ended 30 June 2017. Such improvement was mainly due to a significant increase in other operating income as a result of a gain on disposal of Dongguan Feng Zheng Knitting Co., Ltd, a wholly owned subsidiary of the Company, which amounted to approximately HK\$19.57 million for the six months ended 30 June 2017, whereas the Group recorded the other operating expense of approximately HK\$1.10 million for the six months ended 30 June 2016.

As at 30 June 2017, the Group recorded total assets and total liabilities of approximately HK\$254.47 million and HK\$154.95 million, respectively, representing a decrease of approximately 8.43% and 13.98% as compared to the corresponding figures as at 31 December 2016 respectively. The net assets had increased from approximately HK\$97.78 million as at 30 December 2016 to approximately HK\$99.53 million as at 30 June 2017. The current ratio had increased slightly from 1.3 times as at 31 December 2016 to 1.6 times as at 30 June 2017.

### *Prospect and outlook of the Group*

As stated in the section headed “Management discussion and analysis” in the 2017 Interim Report, the Company considered that although it is anticipated that the global and the China economies are facing challenges and uncertainties in 2017, in light of the various supporting strategies of the government of China with the China economy and

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

also the positive stimulating effect by one belt one road (一帶一路) scheme of China, the management of the Group is confident that the financial services industry and trading business sector will continue to be prosperous with reasonable growth yearly.

### (i) *Trading business*

Trading business is one of the principal businesses of the Group and accounted for over 80% of the total revenue of the Group for the financial years ended 31 December 2015 and 2016 and six months ended 30 June 2017. As disclosed in the 2017 Interim Report, the Group considered that the market expected that the consumption of various commodities will not slow down, because it is believed that tackle economic downturn, the Chinese government will be using the construction of various infrastructure to enhance the economic growth.

Also, the Group is considering to explore online retail business in connection with the Group's trading business in view of the potential of China's online retail market. The China's online retail market is being propelled by expansion of online categories and facilitated by the nationwide same or next-day delivery infrastructure build-out; and further online penetration of existing categories into lower-tier cities and rural areas and further growth in the number of online shoppers. As a result, development of e-commerce and Omni channel capacities is considered by the Group as a potential growth opportunity.

### (ii) *Finance leasing*

According to the 2017 Interim Report, the Group will continue to provide professional financial services to its esteem customers to cope with those future challenges and uncertainties in 2017. With reference to the report named "The development of finance leasing industry in the PRC (2016–2017)\* (中國融資租賃業發展報告 (2016–2017))" published by Ministry of Commerce of the PRC on 4 August 2017, we noted that, for the year ended 31 December 2016, the total revenue and the total profit of the finance leasing industry in the PRC had increased by approximately 35.0% and 25.4% respectively as compared to the corresponding figures for the year ended 31 December 2015.

Notwithstanding the above business prospects and plan of the Company, we noted from the 2016 Annual Report that the revenue of the Group had been declining since 2013 (2012: HK\$400.04 million; 2013: HK\$310.87 million; 2014: HK\$287.95 million; 2015: HK\$130.80 million; and 2016: HK\$61.74 million) and that the Group had recorded consecutive losses in the past four financial years since 2013. In view of (i) the continuous deterioration of financial performance of the Group during the past four financial years in respect of the Group's scale of operation in terms of revenue; (ii) the consecutive losses for the past four financial years, we cast doubt on the profitability of the Company as it is uncertain as to whether the Group can make a turnaround in its persistent loss-making position in foreseeable future.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Information of the Offeror and intention of the Offeror in relation to the Group

Reference is made to the section headed “3. Information of the Offeror” and “5. Intention of the Offeror in relation to the Group” in the “Letter from Pacific Foundation Securities” of the Composite Document.

The Offeror is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Chan. Each of the Offeror and Mr. Chan is a third party independent of, and not connected with, either the Company or any of its connected persons, save that the Offeror will become a controlling shareholder of the Company following the S&P Completion. The Offeror is an investment holding company and it has not carried on any business since incorporation. Immediately upon the S&P Completion and as at the Latest Practicable Date, the Offeror held a total of 501,210,000 Shares, representing approximately 51.04% of the entire issued share capital of the Company.

The sole director of the Offeror is Mr. Chan who aged 27, had been a director of 海南正和實業集團股份有限公司 (Hainan Zhenghe Industrial Group Co. Ltd.\*) (the name of which was changed to 洲際油氣股份有限公司 (Geo-Jade Petroleum Corporation\*) in 2014), being a company listed on Shanghai Stock Exchange (stock code: 600759) from June to December 2013. As confirmed by Mr. Chan, he is not a substantial shareholder of any listed companies in Hong Kong.

It is the Offeror’s intention to further consolidate its interest in the Company pursuant to the Offer. The intention of the Offeror is that the Company’s existing principal activities will be maintained, and at the same time after completion of the Offer, the Offeror will assist the Company in reviewing its business and operations and seek for new investment opportunities. In this regard, the Offeror may look into business opportunities and consider whether any asset disposals, asset acquisitions, business rationalization, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. Should such corporate actions materialise, further announcement(s) will be made in accordance with the Listing Rules.

Save for the Offeror’s intention regarding the Group as set out above and subject to the review on existing business and operations, the Offeror has no intention to introduce major changes to the business of the Group, including any redeployment of fixed assets other than those in its ordinary course of business. The Offeror will, depending on the business operations and development of the Group in the future, review the composition of the Board and senior management. The Offeror has no intention to appoint any new directors to the Board before the close of the Offer. Any changes to the Board composition will be made in the best interests of the Group and the Shareholders as a whole and in compliance with the Takeovers Code and the Listing Rules. However, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the Group’s businesses and operations to optimise the value of the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out to the section headed “6. Maintaining the listing status of the Company” in the “Letter from Pacific Foundation Securities” of the Composite Document, the Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the Board have jointly and severally undertaken and the new directors to be appointed to the board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares following the close of the Offer.

Pursuant to the Listing Rules, if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror will take appropriate steps to ensure that sufficient public float exists in the Shares after the close of the Offer.

### **3. The Offer Price**

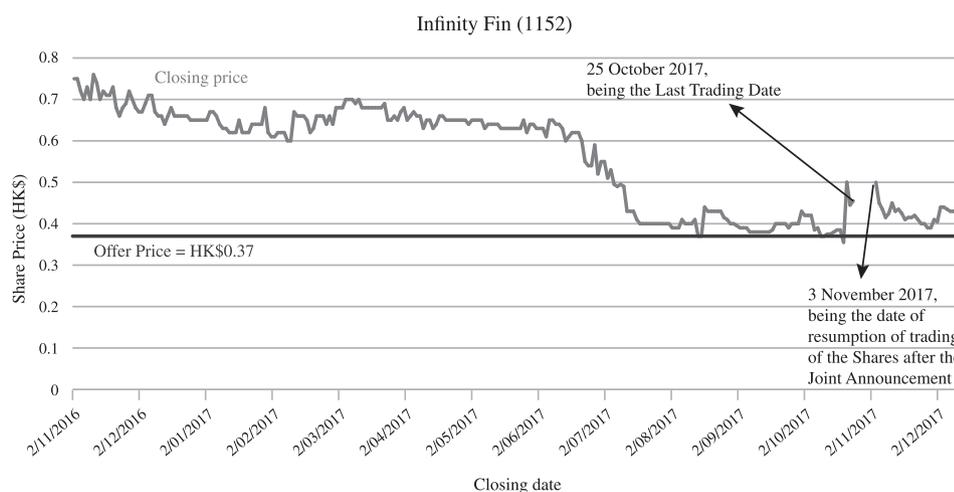
The Offer Price of HK\$0.370 per Offer Share represents:

- (i) a discount of approximately 18.68% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.55% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of HK\$0.428 per Share;
- (iii) a discount of approximately 8.19% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.403 per Share;
- (iv) a discount of approximately 13.95% to the closing price of the Shares of HK\$0.430 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 270% over the unaudited consolidated net asset value of the Company of approximately HK\$0.10 per Share as at 30 June 2017, based on the unaudited consolidated net assets of the Company of approximately HK\$99,525,000 as at 30 June 2017 and 982,000,000 Shares in issue as at the Latest Practicable Date.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Historical price performance of the Shares*

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 November 2016, being approximately one year prior to the Joint Announcement, up to the Latest Practicable Date (the “**Review Period**”), to illustrate the general trend and level of movement of the closing prices of the Shares.



Source: website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Note: Trading in the Shares was halted from 26 October 2017 to 2 November 2017 (both days inclusive).

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.355 per Share recorded on 20 October 2017, and HK\$0.760 per Share recorded on 10 November 2016, with an average of closing price of approximately HK\$0.559 per Share.

During the Review Period, the closing price of the Shares had indicated an overall downward trend and decreased from the highest of HK\$0.760 on 10 November 2016 to HK\$0.370 on 16 August 2017, in particular, the closing price of the Shares had a significant drop from HK\$0.650 per Share on 13 June 2017 to HK\$0.370 per Share on 16 August 2017, representing a decrease of approximately 43.1%. We noted that there was a surge in the closing price of the Shares from the lowest of HK\$0.355 per Share on 20 October 2017 to HK\$0.50 per Share on 23 October 2017 with a trading halt thereafter pending for the publication of the Joint Announcement from 26 October 2017 to 2 November 2017. As advised by the management of the Company, the Company was not aware of any reasons for such surge in the closing price of the Shares. Save for such sudden increase, the overall performance of the closing price of the Share was in a downward trend during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the Offer Price had been lower than the daily closing prices for most of the time during the Review Period. The Offer Price of HK\$0.370 represents (i) a premium of approximately 4.2% over the lowest closing price per Share; (ii) a discount of approximately 51.3% to the highest closing price per Share; and (iii) a discount of approximately 33.8% to the average closing price per Share during Review Period.

Despite that the Offer Price was generally below the closing prices of the Shares during the Review Period, the Offer Price represents a premium of approximately 270% over the unaudited consolidated net asset value of the Company of approximately HK\$0.10 per Share as at 30 June 2017, based on the Company's unaudited consolidated net assets of the Company of approximately HK\$99,525,000 as at 30 June 2017 and 982,000,000 Shares in issue. As such, we consider the Offer Price is fair and reasonable.

### *Historical trading liquidity of the Shares*

The table set out below is the historical trading volume of the Shares during the Review Period.

	Number of trading days in the month/period	Total monthly trading volume of Shares for the month/period	Average daily trading volume of Shares for the month/period (Note 1)	Total number of issued Shares at month end (Note 2)	Percentage of average daily trading volume of the Shares to the total number of issued Shares
<b>2016</b>					
November	22	5,488,000	249,455	982,000,000	0.0254%
December	20	2,720,130	136,007	982,000,000	0.0138%
<b>2017</b>					
January	19	1,296,000	68,211	982,000,000	0.0069%
February	20	5,254,000	262,700	982,000,000	0.0268%
March	23	14,516,000	631,130	982,000,000	0.0643%
April	17	4,862,000	286,000	982,000,000	0.0291%
May	20	2,194,000	109,700	982,000,000	0.0112%
June	22	6,4369,000	292,545	982,000,000	0.0298%
July	21	2,512,000	119,619	982,000,000	0.0122%
August	22	11,004,000	500,182	982,000,000	0.0509%
September	21	388,000	18,476	982,000,000	0.0019%
October (Note 3)	16	4,060,000	253,750	982,000,000	0.0258%
November (Note 3)	20	60,044,000	3,002,200	982,000,000	0.3057%
December (up to the Latest Practicable Date)	8	14,430,000	1,803,750	982,000,000	0.1837%

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

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2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
3. Trading in the Shares was halted from 26 October 2017 to 2 November 2017 (both days inclusive).

As illustrated in the above table, save and except for the average daily trading volume of the Shares of approximately 0.3057% during November of 2017, which was attributable to the market speculation regarding the Joint Announcement as announced on 2 November 2017, the average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.0019% to approximately 0.1837% during the Review Period. We consider that the trading volume of the Shares has been thin as a whole during the Review Period. As the Shares are illiquid, disposal of large block of Shares held by the Shareholders in the open market may trigger a slump in the price of the Shares. We, therefore, consider that the Offer provides an exit alternative to the Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

Furthermore, those Independent Shareholders who, after reading through the 2016 Annual Report, the 2017 Interim Report and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and be aware of the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer given the thin trading volume during the Review Period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Comparable analysis*

In order to assess the fairness and reasonableness of the Offer Price, we attempt to carry out a comparable analysis using the price multiples, namely, price-to-earnings ratio (“**P/E Ratio**”) and price-to-book ratio (“**P/B Ratio**”), which are the most commonly used benchmarks in assessing the financial valuation of a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the company determined by the open market. However, given that (i) the Company recorded losses consecutively in the past four financial years, P/E Ratio analysis is not practicable; and (ii) the business models of the Company, being the finance leasing business and trading business, are asset-light, the P/B Ratio analysis is less meaningful as it is mainly used in evaluating capital intensive business, both P/E Ratio and P/B Ratio may not be applicable for comparison purpose in assessing the fairness and reasonableness of the Offer.

Alternatively, we attempt to carry out the comparable analysis using other price multiples, namely price-to-sales ratio (the “**P/S Ratio**”), price to earnings before interest and taxes ratio (the “**P/EBIT Ratio**”), and price to earnings before taxes, interest, depreciation and amortization ratio (the “**P/EBITDA Ratio**”). Given both the earnings before interest and taxes of the Company and the earnings before taxes, interest, depreciation and amortization of the Company are negative for the years ended 31 December 2015 and 2016, P/EBIT Ratio and P/EBITDA Ratio are not applicable for comparison purpose in assessing the fairness and reasonableness of the Offer. Thus, given the loss-making situation of the Company, we are of the view that P/S Ratio is an alternative for comparable analysis.

Considering that, in terms of sales, the business of trading of metal, being the principal business of the Group, accounted for over 80% of the total revenue of the Group for the financial years ended 31 December 2015 and 2016 and six months ended 30 June 2017, we have attempted to identify the companies which are (i) listed on the Stock Exchange; (ii) principally engaged in the business of trading of metal, with over 80% of the turnover generated from the trading of metal; and (iii) with market capitalisation below HK\$5 billion given the Company’s market capitalisation as at the Latest Practicable Date being approximately HK\$422 million which is classified as the small capitalisation company. Based on the aforesaid selection criteria, we have, to our best knowledge and effort, identified the following 3 comparable companies (the “**Comparable Companies**”), which represent an exhaustive list of comparable companies identified on the Stock Exchange’s website based on the above said criteria. Although the Comparable Companies may exhibit differences such as operations, financial positions, market capitalisation, trading prospect, target market, product mix and capital structure as compared with the Company, we consider that the Comparable Companies, in general, serve as fair and representative samples for the purpose of

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comparison with the Company since the Comparable Companies are selected by the abovementioned criteria and thus encountering comparable business risks and opportunities.

The table set out below shows the respective P/S Ratio of the Comparable Companies:

The Comparable Companies (Stock code)	Principal business	Market capitalisation as at the Latest Practicable Date (Note 1) HK\$ million (approximately)	Sales (Note 2) HK\$ million (approximately)	P/S Ratio (Note 3) Times
New Provenance Everlasting Holdings Limited (formerly known as BEP International Holdings Limited) (2326)	Sourcing and sale of metal minerals and related industrial materials	3,352	1,620	2.1
APAC Resources Limited (1104)	Commodity trading business and natural source investment business	1,131	97	11.6
Lee Kee Holdings Limited (637)	Trading of metal products	539	2,111	0.3
			<b>Average</b>	<b>4.7</b>
			<b>Maximum</b>	<b>11.6</b>
			<b>Minimum</b>	<b>0.3</b>
			<b>Implied market capitalisation</b> (Note 4) HK\$ million (approximately)	<b>Implied P/S Ratio</b> (Note 5) Times
<b>The Company</b>	Trading of metal and equipment and the financial services business	363	51	7.1

*Source: website of the Stock Exchange and the respective companies' latest published annual reports*

*Notes:*

1. The market capitalisations are calculated as the closing price of the shares of the respective Comparable Companies multiplied by the corresponding number of issued shares as at the Latest Practicable Date.
2. Sales represent the turnover from the trading of metal of the Comparable Companies/the Company, as extracted from their respective latest published annual reports.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The P/S Ratios are obtained by dividing the market capitalisations of the Comparable Companies by their respective sales, being the turnover from the trading of metal, as extracted from their respective latest published annual reports.
4. The implied market capitalisation is calculated as the Offer Price multiplied by the corresponding number of issued Shares as at the Latest Practicable Date.
5. The implied P/S Ratio of the Company was obtained by dividing the implied market capitalisation calculated in point (4) above by the sales, being the turnover from the trading of metal, as extracted from the 2016 Annual Report.

As shown above, the Comparable Companies were trading at the P/S Ratio ranging from approximately 0.3 times to approximately 11.6 times with an average of 4.7 times.

We note that the Offer Price amounts to an implied P/S Ratio of the Company of approximately 7.1, which is within the range and above the average P/S Ratio of the Comparable Companies. Therefore, we are of the view that the Offer Price is fair and reasonable to the Independent Shareholders.

### RECOMMENDATION

Despite that the Offer Price was generally below the closing price of the Shares during the Review Period, taking into consideration the above-mentioned principal factors and reasons, in particular the followings:

- (i) in view of the continuous deterioration of financial performance of the Group during the past four financial years in respect of the Group's scale of operation in terms of revenue, and the consecutive losses for the past four financial years, we cast doubt on the profitability of the Company as it is uncertain as to whether the Group can make a turnaround in its persistent loss-making position in foreseeable future;
- (ii) disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of thin trading volume of the Shares, with the average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.0019% to approximately 0.1837% during the Review Period (save and except for the average daily trading volume of the Shares of approximately 0.3057% during November of 2017), and the Offer provides an exit alternative to the Independent Shareholders who would like to realise their investments in the Shares; and
- (iii) the implied P/S Ratio of the Company as implied by the Offer Price is within the range and above the average P/S Ratio of the Comparable Companies,

we are of the opinion that the Offer is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Shareholders who intend to accept the Offer are reminded to note the fluctuation in the Share price. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer.

The Independent Shareholders who intend to accept the Offer are also advised to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer according to their own circumstances and investment objectives.

The Independent Shareholders are strongly advised that their decisions to dispose of or hold their investment in the Shares are subject to individual circumstances and investment objectives. The Independent Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance, if they wish to accept the Offer.

Yours faithfully,  
For and on behalf of  
**China AF Corporate Finance Limited**  
**Kevin Chan**  
*Director*

*Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of China AF Corporate Finance Limited and has over 19 years of experience in corporate finance industry.*

To accept the Offer, you should complete and sign the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance and Transfer which form part of the terms of the Offer.

## 1. PROCEDURES FOR ACCEPTANCE

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by post or by hand, marked "**Infinity Financial Group (Holdings) Limited — Offer**" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:
  - i. lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance and Transfer duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - ii. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance and Transfer duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - iii. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise

HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- iv. if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.
- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, Pacific Foundation Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (e) Acceptance of the Offer will be treated as effective and valid only if the completed and signed Form of Acceptance and Transfer is received by the Registrar on or before the latest time for acceptance of the Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:
- i. accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
  - ii. from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)); or
  - iii. certified by the Registrar or the Stock Exchange.

If the Form of Acceptance and Transfer is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong); or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to such person on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.
- (g) If the Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance and Transfer to the relevant Independent Shareholder(s).

- (h) No acknowledgement of receipt of any Form of Acceptance and Transfer, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

The latest time and date for acceptance will be 4:00 p.m. on the Closing Date, or if the Offer is extended, any subsequent closing date of the Offer that is extended will be announced by the Offeror in accordance with the Takeovers Code. The Offer is unconditional.

The Offer, if revised/extended, will be done as the Offeror may determine in accordance with the Takeovers Code (or permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offer, which will state the next closing date or that the revised Offer will remain open until further notice and at least 14 days' notice in writing must be given to those Shareholders who have not accepted the Offer before the Offer is closed and an announcement must be published. If the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer is extended or revised, the announcement of such extension or revision will state the revised Closing Date. If the Offer is revised, the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document to the Shareholders. If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

The Offeror may introduce new condition(s) to be attached to revised Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised Offer and subject to the consent of the Executive in accordance with the Takeovers Code.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Closing Date, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

## **3. ANNOUNCEMENTS**

- (a) By 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of his decision in relation to the revision, extension, expiry of the Offer. The Offeror must publish an announcement on the website of the Stock Exchange

by 7:00 p.m. on the Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code, whether the Offer has been revised or extended, or have expired. The announcement will state the following:

- i. the total number of Shares and rights over Shares for which acceptances of the Offer has been received;
- ii. the total number of Shares and rights over Shares held, controlled or directed by the Offeror, Mr. Chan and the Concert Parties before the Offer Period; and
- iii. the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror, Mr. Chan and the Concert Parties during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror, Mr. Chan and the Concert Parties have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptances of the Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met. If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, in respect of the Offer, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form(s) of Acceptance and Transfer to the relevant Shareholder.

#### **5. SETTLEMENT OF THE OFFER**

Provided that a valid Form of Acceptance and Transfer and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Independent Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such Independent Shareholder, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, by ordinary post at his own risk as soon as possible but in any event within seven (7) Business Days after the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

#### **6. OVERSEAS SHAREHOLDERS**

The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions in which they are resident. Overseas Shareholders should obtain appropriate legal advice regarding the implications of the Offer in the relevant jurisdictions or keep themselves informed about and observe any applicable legal or regulatory requirements. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due by the accepting Shareholders). Acceptance of the Offer by any Overseas Shareholder will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Any such person is recommended to seek professional advice on deciding whether or not to accept the Offer.

**7. TAX IMPLICATIONS**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, Pacific Foundation Securities, their respective ultimate beneficial owners and parties acting in concert, the Registrar or any of their respective directors, officers, advisers, associates, agents or any persons involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications, nor do they accept responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

**8. GENERAL**

- (a) All communications, notices, Form of Acceptance and Transfer, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer will be delivered by or sent to or from the Independent Shareholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, Pacific Foundation Securities, the Registrar, or other parties involved in the Offer or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance and Transfer form part of the terms and conditions of the Offer.
- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance and Transfer or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form of Acceptance and Transfer by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (e) Due execution of the Form of Acceptance and Transfer in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror, Pacific Foundation Securities or such person or persons as the Offeror or Pacific Foundation Securities may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares respect of which such person or persons has/have accepted the Offer.

- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Pacific Foundation Securities that the Shares tendered under the Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.
- (g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (h) If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Offer and you have signed this form, this form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before 4:00 p.m. on the Closing Date.
- (i) Reference to the Offer in this Composite Document and in the Form of Acceptance and Transfer shall include any extension or revision thereof.
- (j) In making their decisions, Shareholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form of Acceptance and Transfer are not to be construed as legal or business advice. Shareholders could consult with his/her/its/their own professional advisers for professional advice.
- (k) If the Offer lapses for any reason, they shall cease to be capable of further acceptance and the Offeror and Pacific Foundation Securities shall cease to be bound by any of the prior acceptances.
- (l) The Offer is being made by the issue and despatch of this Composite Document on 15 December 2017.
- (m) The Offer is made in accordance with the Takeovers Code.
- (n) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance and Transfer shall be irrevocable except as permitted under the Takeovers Code.



The Group did not have any items which were exceptional because of size, nature or incidence for each of the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

**B. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP**

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the Annual Report.

**Consolidated Statement of Profit or Loss and other comprehensive income**

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Revenue	5	61,742	103,171
Cost of sales		<u>(50,436)</u>	<u>(86,861)</u>
Gross profit		11,306	16,310
Other operating income	5	4,585	5,116
Change in fair value of held-for-trading investment		2,924	(11,252)
Gain on early redemption of convertible bonds	25	—	4,992
Selling and distribution expenses		(2,611)	(1,853)
Administrative and other expenses		(43,739)	(45,690)
Share of result of joint venture	15	—	—
Finance costs	7	<u>(14,836)</u>	<u>(27,640)</u>
Loss before taxation		(42,371)	(60,017)
Income tax expense	8	<u>(573)</u>	<u>(1,116)</u>
Loss for the year from continuing operations	9	(42,944)	(61,133)
Discontinued operation			
Loss for the year from discontinued operation	10	<u>—</u>	<u>(16,277)</u>
Loss for the year		(42,944)	(77,410)

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(7,189)	(7,364)
Fair value gain on available-for-sale investment		—	330
Release of investment revaluation reserve upon disposal of available-for-sale investment		<u>(330)</u>	<u>—</u>
Total other comprehensive expense		<u>(7,519)</u>	<u>(7,034)</u>
Total comprehensive expense for the year		<u>(50,463)</u>	<u>(84,444)</u>
<b>Loss per share (HK cents)</b>	<i>11</i>		
For continuing and discontinued operations:			
Basic and diluted		<u>(4.37)</u>	<u>(8.00)</u>
For continuing operations:			
Basic and diluted		<u>(4.37)</u>	<u>(6.31)</u>

**Consolidated Statement of Financial Position***As at 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>14</i>	14,271	19,560
Interest in a joint venture	<i>15</i>	—	—
Finance lease receivables	<i>16</i>	34,608	—
Deposits paid for acquisition of property, plant and equipment	<i>17</i>	<u>—</u>	<u>609</u>
		<u>48,879</u>	<u>20,169</u>
Current assets			
Trade and other receivables	<i>18</i>	43,528	20,967
Finance lease receivables	<i>16</i>	27,597	78,035
Held-for-trading investment	<i>19</i>	4,104	11,220
Available-for-sale investment	<i>20</i>	—	9,880
Bank balances and cash	<i>21</i>	<u>153,806</u>	<u>219,553</u>
		<u>229,035</u>	<u>339,655</u>
Current liabilities			
Other payables	<i>22</i>	31,039	34,263
Other borrowings	<i>23</i>	80,000	30,000
Obligations under finance leases			
— due within one year	<i>24</i>	—	268
Convertible bonds	<i>25</i>	58,812	—
Income tax payables		<u>1,925</u>	<u>2,504</u>
		<u>171,776</u>	<u>67,035</u>
Net current assets		<u>57,259</u>	<u>272,620</u>
Total assets less current liabilities		<u>106,138</u>	<u>292,789</u>

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Non-current liabilities			
Obligations under finance leases			
— due after one year	24	—	186
Deferred taxation	26	—	—
Other borrowings	23	—	80,000
Convertible bonds	25	—	55,804
Corporate bonds	27	<u>8,356</u>	<u>8,554</u>
		<u>8,356</u>	<u>144,544</u>
		<u>97,782</u>	<u>148,245</u>
Capital and reserves			
Share capital	28	4,910	4,910
Reserves		<u>92,872</u>	<u>143,335</u>
		<u>97,782</u>	<u>148,245</u>

**Consolidated Statement of Changes in Equity***For the year ended 31 December 2016*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i> <i>(note 25)</i>	Revaluation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	4,760	159,947	8,454	—	9,943	1,032	27,181	211,317
Loss for the year	—	—	—	—	—	—	(77,410)	(77,410)
Other comprehensive income (expense) for the year:								
Fair value gain on available- for-sale investment	—	—	—	330	—	—	—	330
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(7,364)	—	(7,364)
Total comprehensive income (expense) for the year	—	—	—	330	—	(7,364)	(77,410)	(84,444)
Issue of shares upon exercise of convertible bonds	100	20,152	(1,478)	—	—	—	—	18,774
Issue of shares upon exercise of warrant	50	9,950	—	—	—	—	—	10,000
Early redemption of convertible bonds	—	—	(7,402)	—	—	—	—	(7,402)
Transfer to retained earnings upon early redemption of convertible bonds	—	—	4,670	—	—	—	(4,670)	—
At 31 December 2015	4,910	190,049	4,244	330	9,943	(6,332)	(54,899)	148,245
Loss for the year	—	—	—	—	—	—	(42,944)	(42,944)
Other comprehensive expense for the year:								
Release of reverse upon disposal of available-for-sale investment	—	—	—	(330)	—	—	—	(330)
Exchange difference arising on translation of foreign operations	—	—	—	—	—	(7,189)	—	(7,189)
Total comprehensive expense for the year	—	—	—	(330)	—	(7,189)	(42,944)	(50,463)
At 31 December 2016	4,910	190,049	4,244	—	9,943	(13,521)	(97,843)	97,782

*Note:* Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

**Consolidated Statement of Cash Flows***For the year ended 31 December 2016*

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Loss before taxation from continuing operations	(42,371)	(60,017)
Loss before taxation from discontinued operations	<u>—</u>	<u>(15,650)</u>
	(42,371)	(75,667)
Adjustments for:		
Change in fair value of held-for-trading investment	(2,924)	11,252
Depreciation of property, plant and equipment	4,131	3,519
Finance costs	14,836	27,692
Gain on early redemption of convertible bonds	—	(4,992)
Gain on disposal of property, plant and equipment	(228)	(657)
Loss on written-off of property, plant and equipment	156	—
Bank interest income	<u>(1,563)</u>	<u>(2,368)</u>
Operating cash flows before movements in working capital	(27,963)	(41,221)
Decrease (increase) in held-for-trading investment	10,040	(22,472)
Decrease in inventories	—	11,119
(Increase) decrease in trade and other receivables	(25,070)	29,606
Decrease in finance lease receivables	11,169	157,411
Increase (decrease) in other payables	<u>1,176</u>	<u>(17,595)</u>
Cash (used in) generated from operations	(30,648)	116,848
Income tax paid	<u>(1,043)</u>	<u>(1,106)</u>
<b>NET CASH (USED IN) FROM OPERATING ACTIVITIES</b>	<u>(31,691)</u>	<u>115,742</u>
<b>INVESTING ACTIVITIES</b>		
Deposit refund (paid) for acquisition of property, plant and equipment	609	(717)
Acquisition of property, plant and equipment	(322)	(8,238)
Proceeds from disposal of property, plant and equipment	253	9,276
Payment for settlement of derivative financial instruments	—	(110)
Interest received	1,563	2,368
Purchase of available-for-sale investment	—	(9,550)
Redemption of available-for-sale investment	<u>9,550</u>	<u>—</u>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<u>11,653</u>	<u>(6,971)</u>

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>FINANCING ACTIVITIES</b>		
Redemption of convertible bonds	—	(405)
Redemption of promissory notes	—	(140,000)
Repayment of bank borrowings	(30,000)	(10,850)
Repayment of promissory notes	—	(1,894)
Transaction costs of issuing of corporate bonds	—	(1,600)
Interest paid	(14,826)	(10,207)
Repayment of obligations under finance leases	(127)	(256)
Proceeds from issuing corporate bonds	—	10,000
New bank and other borrowings raised	—	30,000
	<u>—</u>	<u>30,000</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<u>(44,953)</u>	<u>(125,212)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(64,991)	(16,441)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	219,553	238,308
<b>EFFECT ON FOREIGN EXCHANGE RATES CHANGES</b>	<u>(756)</u>	<u>(2,314)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,</b>		
represented by bank balances and cash	<u>153,806</u>	<u>219,553</u>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

### 1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Infinity Financial Group (Holdings) Limited (the “Company”) was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company acts as an investment holding company and the principal activities of its subsidiaries are set out in note 42, which are principally engaged in the following major segments: finance leasing and trading business.

On 12 January 2015, the Board has decided to cease the operation of the Group’s textile segment. Since then, the Group is principally engaged in finance leasing and trading business. The accompanying consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately.

The functional currency of the Company is Renminbi (“RMB”). The consolidated financial statements are presented in Hong Kong dollars as the directors of the Company consider that HK\$ is appropriate presentation currency for the users of the Group’s consolidated financial statements.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretations (“Int(s)”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- (i) at cost;
- (ii) in accordance with HKFRS 9 (or HKAS 39); or
- (iii) using the equity method as described in HKAS 28.

The amendments should be applied retrospectively. As the Company has investment in joint venture which stated at cost in the separate financial statements, the directors of the Company considered that the application of the amendments to HKAS 27 has had material impact on the separate financial statements.

#### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>4</sup> Effective date not yet been determined.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

#### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2015 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In

addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

#### **HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;

- (iii) Determine the transaction price;
- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

#### **HKFRS 16 Leases**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related Interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market at the measurement date under current market condition (i.e. an exit price), regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary’s financial statements in preparing the consolidated financial statements to ensure conformity with the group’s accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group’s voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Investment in subsidiaries**

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

#### **Investment in a joint venture**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is accounted for in the consolidated financial statements using the equity method. Under the equity method, investment in a joint venture is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of a joint venture are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of a joint venture equals or exceeds its interest in a joint venture, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

If a joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the joint venture's accounting policies conform to those of the Group when the joint venture's financial statements are used by the Group in applying the equity method.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the joint venture is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the joint venture's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the joint venture. Goodwill that forms part of the carrying amount of an investment in a joint venture is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the joint venture. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be a joint venture upon the Group losing joint control over the joint venture, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its joint venture are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the joint venture. The Group's share in the joint venture's gains or losses resulting from these transactions is eliminated.

### **Property, plant and equipment**

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets include loans and receivables, financial assets at FVTPL and available-for-sale financial asset. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on the initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

*Financial assets at FVTPL*

Financial assets at FVTPL include financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the change in fair value of held-for-trading investment line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 34.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivables, trade and other receivables and bank balances and cash) are carried at amortised cost, using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

#### *Impairment loss on financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as finance lease receivables and trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 0–45 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables and trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified as other financial liabilities.

#### ***Other financial liabilities***

Other financial liabilities including other payables, other borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### ***Convertible bonds***

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definition of financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the equity components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### *Corporate bonds*

The corporate bonds is initially measured at the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities.

The corporate bonds is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the corporate bonds is calculated using the effective interest method.

Transaction costs that are directly attributable to the issue of the corporate bonds are included in the carrying amount of the corporate bonds and amortised over the period of the corporate bonds using the effective interest method.

#### *Unlisted warrants*

The warrants are recognised in warrant reserve in equity until they are exercised. If the warrants are exercised, the warrant reserve, together with the proceeds received at the time of exercise, is transferred to share capital and share premium as consideration for the shares issued. If the warrants are not exercised upon expiry, the warrant reserve is released directly to retained earnings.

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognise its retained interest in the asset an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in revaluation reserve is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**Cash and cash equivalents**

Bank balances and cash in the consolidated statement of financial position comprise cash at bank and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalent consist of bank balances and cash as defined above.

**Impairment of tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

**Revenue recognition****(i) Sale of goods**

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts, sales returns and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position under current liabilities.

**(ii) Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the that asset's net carrying amount on initial recognition.

**(iii) Finance lease interest income**

Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

**(iv) Finance lease penalty income**

Finance lease penalty income from a finance lease is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

***Leasehold land and building***

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Employee benefits**

##### *Retirement benefit costs and termination benefits*

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the “MPF Scheme”) are charged as an expense when employees have rendered services entitling them to the contribution.

##### *Short-term and other long-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “loss before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### *Current and deferred tax for the year*

Current and deferred tax is recognised in profit or loss.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

#### **4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimates (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

***Classification between finance leasing and operating leasing***

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). The directors of the Company are satisfied that the terms of the leases transferred substantially all the risks and rewards of ownership to the lessees and the lease contracts entered are classified as finance leases. Details are set out in note 16.

***Classification of joint arrangements***

The Group's management exercises its critical judgement when determining whether the joint arrangement of the Group is under joint venture or joint operation. The Group determines the classification of joint arrangements based on the rights and obligations to the joint arrangements and determined that the Group's joint arrangements are joint ventures as the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

**Key sources of estimation uncertainty**

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

***Depreciation of property, plant and equipment***

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

***Impairment loss and write-off recognised in respect of property, plant and equipment and deposits paid for acquisition of property, plant and equipment***

In determining whether the property, plant and equipment and deposits paid for acquisition of property, plant and equipment are impaired, the directors of the Company assesses the recoverable amount of the property, plant and equipment which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of the property, plant and equipment, the directors of the Company require an estimation of the future cash flows expected to arise from the expected economic inflow from the property, plant and equipment in order to determine the value in use of the property, plant and equipment or take into consideration the amount obtainable from the sales of property, plant and equipment in an arm's length transaction in order to assess its estimated market value (i.e. estimated selling price less estimated costs to sell).

As at 31 December 2016, the carrying amount of property, plant and equipment was approximately HK\$14,271,000 (2015: HK\$19,560,000), net of accumulated impairment loss of approximately HK\$2,960,000 (2015: HK\$2,960,000).

The write-off of property, plant and equipment is recognised in accordance with the Group's accounting policy. Carrying amount of property, plant and equipment of approximately HK\$156,000 (2015: nil) was written off during the year ended 31 December 2016.

As at 31 December 2016, the carrying amount of deposits paid for acquisition of property, plant and equipment was nil (2015: approximately HK\$609,000).

***Valuation of liability component of convertible bonds***

The fair values of liability component of convertible bonds that are not traded in an active market are estimated by management based on the valuation performed by an independent valuer. The fair values of liability component of convertible bonds are valued using discounted cash flow model based on assumptions supported, where possible, by observable market prices or rates. A gain on early redemption of approximately HK\$4,992,000 (2016: nil) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015. The carrying amount of the liability component of convertible bonds as at 31 December 2016 was approximately HK\$58,812,000 (2015: HK\$58,804,000). Further details are set out in note 25.

**5. REVENUE AND OTHER OPERATING INCOME**

An analysis of the Group's revenue for the year from continuing operations is as follows:

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading of metal and equipment	50,930	87,342
Finance leasing	<u>10,812</u>	<u>15,829</u>
	<u>61,742</u>	<u>103,171</u>
Other operating income		
Bank interest income	1,563	2,257
Gain on disposal of property, plant and equipment	228	—
Finance lease penalty income	2,618	—
Value added tax refund	43	2,859
Others	<u>133</u>	<u>—</u>
	<u>4,585</u>	<u>5,116</u>
	<u><u>66,327</u></u>	<u><u>108,287</u></u>

**6. SEGMENT INFORMATION**

Information reported to the chief executive officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In last year, no segment analysis of financial information was presented as the Group's revenue, expenses, assets and liabilities and capital expenditure are primarily attributable to the financial services business.

During the year, the Group revised its segment reporting for the purpose of more effective business analysis due to the trading business is separated from finance leasing business. The business activities of previously reported finance leasing segment is now separated into two segments, namely trading business and finance leasing. The business activity of finance leasing remains unchanged. Prior-year figures have been re-presented to conform with current year presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Finance leasing engages in finance leasing business (earning interest income and handling fee), leasing business and purchasing of leased assets.
- (ii) Trading business engages in trading of metals.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

#### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

#### *For the year ended 31 December 2016*

#### *Continuing operations*

	<b>Trading business</b> <i>HK\$'000</i>	<b>Finance leasing</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue	<u>50,930</u>	<u>10,812</u>	<u>61,742</u>
Segment profit (loss)	<u>496</u>	<u>(19,626)</u>	(19,130)
Unallocated operating income			1,791
Change in fair value of held-for-trading investment			2,924
Selling and distribution expenses			(1,039)
General and administrative expense			(12,081)
Finance costs			<u>(14,836)</u>
Loss before taxation			<u>(42,371)</u>

*For the year ended 31 December 2015*

*Continuing operations*

	<b>Trading business</b> <i>HK\$'000</i>	<b>Finance leasing</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue	<u>87,342</u>	<u>15,829</u>	<u>103,171</u>
Segment profit (loss)	<u>481</u>	<u>(1,950)</u>	(1,469)
Unallocated operating income			2,257
Change in fair value of held-for-trading investment			(11,252)
Gain on early redemption of convertible bonds			4,992
Selling and distribution expenses			—
General and administrative expense			(26,905)
Finance costs			<u>(27,640)</u>
Loss before taxation (continuing operation)			<u>(60,017)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of held-for-trading investment, gain on early redemption of convertible bonds, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

#### **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Segment assets</b>		
Trading business	33,492	13,206
Finance leasing	<u>82,709</u>	<u>98,833</u>
Total segment assets	116,201	112,039
Unallocated corporate assets	<u>161,713</u>	<u>247,785</u>
Consolidated assets	<u>277,914</u>	<u>359,824</u>

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<b>Segment liabilities</b>		
Trading business	—	—
Finance leasing	<u>2,062</u>	<u>221</u>
Total segment liabilities	2,062	221
Unallocated corporate liabilities	<u>178,070</u>	<u>211,358</u>
Consolidated liabilities	<u><u>180,132</u></u>	<u><u>211,579</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances and other assets for corporate use including plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than other payables, income tax payables, finance lease obligation, convertible bonds and other borrowings which were managed in a centralised manner.

#### Other segment information

*For the year ended 31 December 2016*

*Continuing operations*

	Trading business <i>HK\$'000</i>	Finance leasing <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amounts included in the measure of segment profit or segment assets</b>				
Addition to non-current assets ( <i>Note</i> )	—	48	274	322
Depreciation of property, plant and equipment	—	3,308	823	4,131
Gain on disposal of property, plant and equipment	—	—	(228)	(228)
Written off of property, plant and equipment	—	—	156	156
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets</b>				
Change in fair value of held-for-trading investment	—	—	(2,924)	(2,924)
Income tax expense	—	366	207	573
Bank interest income	—	(291)	(1,405)	(1,696)
Finance costs	<u>—</u>	<u>—</u>	<u>14,836</u>	<u>14,836</u>

*Note:* Non-current assets excluded finance lease receivables.

For the year ended 31 December 2015

Continuing operations

	Trading business HK\$'000	Finance leasing HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Amounts included in the measure of segment profit or segment assets</b>				
Addition to non-current assets ( <i>Note</i> )	—	18,234	2,429	20,663
Depreciation of property, plant and equipment	—	1,714	549	2,263
<b>Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets</b>				
Change in fair value of held-for-trading investment	—	—	11,252	11,252
Gain on early redemption of convertible bonds	—	—	(4,992)	(4,992)
Income tax expense	—	(1,116)	—	(1,116)
Bank interest income	—	(546)	(1,711)	(2,257)
Finance costs	—	—	27,640	27,640

#### Revenue from major products and services

The following is an analysis of the Group's revenue from sales of its major product and provision of services to external customers:

	2016 HK\$'000	2015 HK\$'000
Trading of metals and equipments	50,930	87,342
Finance lease interest income	10,374	15,829
Finance lease handling fee	438	—
	<u>61,742</u>	<u>103,171</u>

#### Geographical information

The Group's operations are located in Hong Kong and the PRC.

All of the Group's revenue from external customers is derived from the PRC during the years ended 31 December 2016 and 2015.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	Non-current assets (Note)	
	2016	2015
	HK\$'000	HK\$'000
The PRC	13,086	18,102
Hong Kong	<u>1,185</u>	<u>2,067</u>
	<u>14,271</u>	<u>20,169</u>

Note: Non-current assets excluded financial lease receivables.

#### Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group during the years are as follows:

	2016	2015
	HK\$'000	HK\$'000
Customer A <sup>1</sup>	50,930	N/A <sup>3</sup>
Customer B <sup>2</sup>	N/A <sup>3</sup>	48,995
Customer C <sup>2</sup>	N/A <sup>3</sup>	38,347
Customer D <sup>2</sup>	<u>N/A<sup>3</sup></u>	<u>12,857</u>

<sup>1</sup> Revenue from trading business segment

<sup>2</sup> Revenue from finance leasing segment

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group

#### 7. FINANCE COSTS

	2016	2015
	HK\$'000	HK\$'000
Continuing operations		
Interests on:		
— bank and other borrowings	11,117	9,175
— convertible bonds	3,008	7,709
— corporate bonds	702	654
— obligation under finance lease	9	—
— promissory notes	<u>—</u>	<u>10,102</u>
	<u>14,836</u>	<u>27,640</u>

## 8. INCOME TAX EXPENSE

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Continuing operations		
Current tax:		
PRC Enterprise Income Tax	<u>207</u>	<u>1,116</u>
Under provision in prior years:		
PRC Enterprise Income Tax	<u>366</u>	<u>—</u>
	<u><u>573</u></u>	<u><u>1,116</u></u>

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profit for the year ended 31 December 2016 (2015: 16.5%). No provision for Hong Kong profits tax has been made for the years ended 31 December 2016 and 2015 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the years.
- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The income tax expense for the year ended 31 December 2016 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Loss before taxation (from continuing operations)	<u>(42,371)</u>	<u>(60,017)</u>
Tax at domestic income tax rate of 25% (2015: 25%)	(10,593)	(15,004)
Tax effect of expense not deductible for tax purposes	7,548	11,952
Tax effect of income not taxable for tax purposes	(2,329)	(1,250)
Under-provision in respect of prior years	366	—
Utilisation of tax losses previously not recognised	(30)	—
Effect of different tax rate of subsidiaries operating in other jurisdiction	1,309	4,948
Tax effect of tax loss not recognised	<u>4,302</u>	<u>470</u>
Income tax expense for the year	<u><u>573</u></u>	<u><u>1,116</u></u>

Details of the deferred taxation are set out in note 26.

## 9. LOSS FOR THE YEAR

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Continuing operations		
Directors' emoluments ( <i>Note 12</i> )	3,974	4,226
Salaries and allowances (excluding directors' emoluments)	6,670	7,194
Retirement benefit scheme contributions (excluding directors)	<u>961</u>	<u>1,008</u>
Total staff costs	<u>11,605</u>	<u>12,428</u>
Auditor's remuneration	737	963
Amount of inventories recognised as expense	50,436	86,861
Depreciation of property, plant and equipment	4,131	2,263
Gain on disposal of property, plant and equipment	(228)	—
Loss on written-off of property, plant and equipment	156	—
Net exchange loss	8,568	5,800
Minimum lease payments in respect of operating lease for office premises	<u>6,300</u>	<u>7,696</u>

## 10. DISCONTINUED OPERATION

On 12 January 2015, the Group announced that the Board has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

The loss for the year from the discontinued operation is set out below.

	From 1 January 2015 to 30 September 2015 <i>HK\$'000</i>
Revenue	27,625
Cost of sales	<u>(26,118)</u>
Gross profit	1,507
Other operating income	1,416
Selling and distribution expenses	(679)
Administrative and other expenses	(17,842)
Finance costs	<u>(52)</u>
Loss before taxation	(15,650)
Income tax expense	<u>(627)</u>
Loss for the year	<u>(16,277)</u>

Loss for the year from discontinued operation included the following.

	<b>From 1 January 2015 to 30 September 2015 HK\$'000</b>
Salaries and allowances	4,416
Termination benefit	695
Retirement benefit scheme contributions	<u>86</u>
Total staff costs	<u><u>5,197</u></u>
Auditor's remuneration	173
Impairment loss in respect of trade receivables	—
Amount of inventories recognised as expense	26,118
Depreciation of property, plant and equipment	1,256
Minimum lease payments in respect of operating leases for office premises	2,424
Processing fees ( <i>Note</i> )	12,646
Sub-contracting fee (included in cost of sales)	9,232
Bank interest income	(111)
Gain on disposal of property, plant and equipment	<u><u>(657)</u></u>

*Note:* The processing fees include the following components in accordance with the processing agreement:

	<b>From 1 January 2015 to 30 September 2015 HK\$'000</b>
Salaries and allowances	<u>5,793</u>
Minimum lease payments in respect of operating leases for factory	512
Labour cost — direct and indirect	6,021
Utilities	<u>320</u>
	<u>6,853</u>
	<u><u>12,646</u></u>

For the year ended 31 December 2015, the discontinued operation incurred approximately RMB16,993 to the Group's net operating cash inflows, received approximately RMB9,387 in respect of investing activities and paid approximately RMB10,902 in respect of financing activities.

**11. LOSS PER SHARE**

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(42,944)</u>	<u>(77,410)</u>
	<b>2016</b> <i>'000</i>	<b>2015</b> <i>'000</i>
<b>Number of shares</b>		
Weighted average number ordinary shares for the purpose of basic and diluted loss per share	<u>982,000</u>	<u>968,164</u>

The weighted average number of ordinary shares for the purpose of basic loss per share for the year ended 31 December 2015 had been adjusted for the conversion of convertible bonds on 20 March 2015 and 28 July 2015 and exercise of warrants on 8 June 2015.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2016.

**From continuing operations**

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary owners of the Company is based on the following data.

Loss figures are calculated as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	(42,944)	(77,410)
Less: Loss for the year from discontinued operation	<u>—</u>	<u>16,277</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>(42,944)</u>	<u>(61,133)</u>

**From discontinued operation**

Basic and diluted loss per share for the discontinued operation is nil (2015: 1.69 cents), based on the loss for the year from discontinued operation of nil (2015: HK\$16,277,000), and the denominators detailed about for both basic and diluted loss per share.

## 12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## (a) Directors' emoluments

Details of emoluments paid and payable to the directors of the Company for the year are as follows:

	Year ended 31 December 2016			Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive directors:				
Mr. Zheng Qiang	—	600	18	618
Mr. Han Hanting (resigned on 3 May 2016)	—	200	6	206
Mr. Yu Xueming	—	780	18	798
Mr. Yu Chuanfu	—	756	18	774
Mr. Ng Hoi (appointed on 3 November 2016)	—	96	—	96
Mr. Sit Yau Chiu	—	600	18	618
Non-executive director:				
Mr. Chan Yee, Herman	200	—	—	200
Independent non-executive directors:				
Mr. Wang Wei Hung, Andrew	200	—	—	200
Mr. Ho Man (appointed on 3 November 2016)	32	—	—	32
Mr. Yeh Tung Ming (appointed on 3 November 2016)	32	—	—	32
Mr. Sin Ka Man	200	—	—	200
Mr. Zhao Li Xin	200	—	—	200
	<u>864</u>	<u>3,032</u>	<u>78</u>	<u>3,974</u>

	Year ended 31 December 2015			Total HK\$'000
	Fees HK\$'000	Salaries and other allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				
Executive directors:				
Mr. Zheng Qiang	—	600	18	618
Mr. Han Hanting	—	600	18	618
Mr. Yu Xueming	—	780	18	798
Mr. Yu Chuanfu	—	756	18	774
Mr. Sit Yau Chiu	—	600	18	618
Non-executive director:				
Mr. Chan Yee, Herman	200	—	—	200
Independent non-executive directors:				
Mr. Wang Wei Hung, Andrew	200	—	—	200
Mr. Sin Ka Man	200	—	—	200
Mr. Zhao Li Xin	200	—	—	200
	<u>800</u>	<u>3,336</u>	<u>90</u>	<u>4,226</u>

Mr. Yu Chuanfu is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

**(b) Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company for the year ended 31 December 2016. The emoluments of the directors are included in the disclosures in note 12(a) above. The emoluments of the remaining one (2015: one) individuals were as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other allowances	1,025	987
Performance related incentive payments ( <i>Note</i> )	80	—
Retirement benefit scheme contributions	<u>18</u>	<u>18</u>
	<u>1,123</u>	<u>1,005</u>

*Note:* The performance related incentive payments are determined with reference to the operating results and individual performance during both years.

Their emoluments were within the following bands:

	Number of individuals	
	2016	2015
HK\$1,000,000 to HK\$1,500,000	<u>1</u>	<u>1</u>

During the years ended 31 December 2016 and 2015, no emoluments were paid or payable by the Group to the directors or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

### 13. DIVIDENDS

No dividend has been declared by the Company for the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

### 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Furniture and fixtures HK\$'000	Leasehold improvement HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>COST</b>							
At 1 January 2015	—	51,809	14,530	395	5,198	5,760	77,692
Additions	10,107	—	595	1,886	6,424	1,042	20,054
Disposal	—	(51,809)	(1,455)	(11)	(443)	(2,117)	(55,835)
Exchange realignment	(439)	—	(22)	(69)	(237)	(81)	(848)
At 31 December 2015	9,668	—	13,648	2,201	10,942	4,604	41,063
Additions	—	—	—	—	322	—	322
Disposal	—	—	—	—	—	(1,510)	(1,510)
Written-off	—	—	(274)	—	(94)	—	(368)
Exchange realignment	(626)	—	(29)	(502)	(402)	(62)	(1,621)
At 31 December 2016	<u>9,042</u>	<u>—</u>	<u>13,345</u>	<u>1,699</u>	<u>10,768</u>	<u>3,032</u>	<u>37,886</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 January 2015	—	42,264	14,309	395	5,128	3,179	65,275
Provided for the year	263	948	294	191	1,005	818	3,519
Eliminated on disposal	—	(43,212)	(1,475)	(11)	(412)	(2,106)	(47,216)
Exchange realignment	(9)	—	(19)	(8)	(37)	(2)	(75)
At 31 December 2015	254	—	13,109	567	5,684	1,889	21,503
Provided for the year	426	—	148	326	2,484	747	4,131
Eliminated on disposal	—	—	—	—	—	(1,158)	(1,158)
Eliminated on written-off	—	—	(151)	—	(61)	—	(212)
Exchange realignment	(36)	—	(17)	(410)	(173)	(13)	(649)
At 31 December 2016	<u>644</u>	<u>—</u>	<u>13,089</u>	<u>483</u>	<u>7,934</u>	<u>1,465</u>	<u>23,615</u>
<b>CARRYING VALUES</b>							
At 31 December 2016	<u>8,398</u>	<u>—</u>	<u>256</u>	<u>1,216</u>	<u>2,834</u>	<u>1,567</u>	<u>14,271</u>
At 31 December 2015	<u>9,414</u>	<u>—</u>	<u>539</u>	<u>1,634</u>	<u>5,258</u>	<u>2,715</u>	<u>19,560</u>

- (i) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of term of the lease or 50 years
Plant and machinery	20%
Office equipment	20%
Furniture and fixtures	10% to 20%
Leasehold improvement	Over the shorter of term of the lease or 5 years
Motor vehicles	20%

- (ii) At 31 December 2016, the Group was in the process of obtaining the ownership certificate for a property including in the buildings above, the carrying value of which at that date were approximately HK\$8,398,000 (2015: HK\$9,414,000). In the opinion of the directors of the Company, the absence of formal title to this property does not affect its value to the Group as the Group has paid the full purchase consideration of this building and the probability of being evicted on the ground of an absence of formal title is remote.

- (iii) The net book value of motor vehicles of approximately HK\$2,715,000 (2016: HK\$1,567,000) as at 31 December 2015 included an amount of approximately HK\$503,000 (2016: nil) in respect of assets held under finance leases.

## 15. INTEREST IN A JOINT VENTURE

	2016 HK\$'000	2015 HK\$'000
Costs of investments in joint ventures		
Unlisted	—	—
Share of post-acquisition losses and other comprehensive income	—	—
	<u>—</u>	<u>—</u>

As at 31 December 2016, the Group had interests in the following material joint venture:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group		Proportion of voting power held		Principal activity
					2016	2015	2016	2015	
Hebao (Shenzhen) Information Technology Company Limited (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	The PRC	Ordinary	49%	—	49%	—	Financial investment and asset management

The financial information and carrying amount, in aggregate, of the Group's interests in a joint venture that are not individually material and are accounted for using the equity method are set out below:

	2016 HK\$'000	2015 HK\$'000
The Group's share of result	—	—
The Group's share of total comprehensive income	—	—
Carrying amount of the Group's interests in a joint venture	<u>—</u>	<u>—</u>

As at 31 December 2016 and up to the date of this report, no capital was injected to the joint venture by the Group.

## 16. FINANCE LEASE RECEIVABLES

Certain of the vessel and machinery are leased out under finance leases. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

	Minimum lease payments		Present value of minimum lease payment	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Finance lease receivables comprises:				
Within one year	29,730	84,484	27,597	78,035
After one year but within two years	<u>39,107</u>	<u>—</u>	<u>34,608</u>	<u>—</u>
	68,837	84,484	62,205	78,035
Less: Unearned finance income	<u>(6,632)</u>	<u>(6,449)</u>	<u>—</u>	<u>—</u>
Present value of minimum lease payment receivables	<u>62,205</u>	<u>78,035</u>	<u>62,205</u>	<u>78,035</u>
Analysed for reporting purposes as:				
Current assets			27,597	78,035
Non-current assets			<u>34,608</u>	<u>—</u>
			<u>62,205</u>	<u>78,035</u>

Effective interest rates of the above finance lease ranged from 13.8% to 15.56% (2015: from 14.5% to 18.81%) per annum.

The relevant lease contracts entered into of approximately HK\$62,205,000 (2015: HK\$78,035,000) was aged within 2 years (2015: 2 years) at the end of the reporting period.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 31 December 2015 and 2016.

Finance lease receivables are secured over the vessel and machinery leased. In addition to the leased assets, all finance lease receivables are secured by equities of private entities in the PRC and finance lease receivables of approximately HK\$65,555,000 are further secured by a mining right in the PRC as at 31 December 2015. No finance lease receivables are secured over the machinery leased as at 31 December 2016.

The ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

The finance lease receivables are neither past due nor impaired.

The Group's finance lease receivables are denominated in RMB, the functional currency of the relevant group entity.

**17. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
At 1 January	609	11,816
Addition	—	609
Utilised	<u>(609)</u>	<u>(11,816)</u>
At 31 December	<u>—</u>	<u>609</u>

**18. TRADE AND OTHER RECEIVABLES**

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Trade receivables	—	—
Less: Impairment loss recognised	<u>—</u>	<u>—</u>
	—	—
Purchase deposit	—	13,130
Other receivables	9,241	6,962
Prepayments (ii)	<u>34,287</u>	<u>875</u>
	<u>43,528</u>	<u>20,967</u>

- (i) The Group generally allows an average credit period of 0–45 days to its trade customers. The Group does not hold any collateral over these balances.

The movements in impairment loss of trade receivables were as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
As at 1 January	—	51
Recognised during the year	—	—
Written off during the year	<u>—</u>	<u>(51)</u>
As at 31 December	<u>—</u>	<u>—</u>

At 31 December 2015, included in the impairment loss of trade receivables are individually impaired trade receivables which is considered uncollectible with an aggregate balance of approximately HK\$51,000 (2016: nil).

- (ii) Included in the prepayments was prepayment of purchasing of metals of RMB30,000,000 (equivalent to approximately HK\$33,492,000) (2015: nil) which was refunded subsequently after the end of reporting period due to the termination of the purchase contract.

(iii) Included in other receivables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
RMB	<u>—</u>	<u>395</u>

#### 19. HELD-FOR-TRADING INVESTMENT

Held-for-trading investment comprises:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Equity securities listed in Hong Kong	<u>4,104</u>	<u>11,220</u>

#### 20. AVAILABLE-FOR-SALE INVESTMENT

Available-for-sale investment comprises:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Unlisted instruments, at fair value	<u>—</u>	<u>9,880</u>

The available-for-sale investment represented wealth management products issued by financial institutions. Major investment targets of these products are bills issued by the People's Bank of China, debt securities issued by policy banks, debt securities issued by Chinese government in the national financial market for institutional investors, and other financial instruments.

#### 21. BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the year ended 31 December 2016 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2015: 0.001% to 0.4% per annum).

The Group's bank balances and cash denominated in RMB amounted to approximately HK\$112,333,000 at 31 December 2016 (2015: HK\$184,751,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

As at 31 December 2016, approximately HK\$109,000 (2015: HK\$218,000), HK\$16,878,000 (2015: HK\$16,857,000) and HK\$114,000 (2015: HK\$1,316,000) of the bank balances and cash of the Group were denominated in HK\$, US\$ and RMB which are not the functional currency of the relevant group entities.

## 22. OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Receipt in advance	1,685	1,129
Interest payable	7,216	9,208
Value added tax payables	11,585	11,738
Other payables	<u>10,553</u>	<u>12,188</u>
	<u>31,039</u>	<u>34,263</u>

- (i) Receipt in advance represented advance payments of related sales of goods from customers pursuant to the respective sales contracts.
- (ii) Included in other payables in the consolidated statement of financial position are mainly the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
HK\$	<u>8,109</u>	<u>12,050</u>

## 23. OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unsecured:		
Other loan ( <i>Note i</i> )	<u>80,000</u>	<u>110,000</u>
Other borrowings repayable*:		
Within one year	80,000	30,000
More than one year but not exceeding two years	<u>—</u>	<u>80,000</u>
	80,000	110,000
Less: Amounts due within one year shown under current liabilities	<u>(80,000)</u>	<u>(30,000)</u>
Amount shown under non-current liabilities	<u>—</u>	<u>80,000</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

*Notes:*

- (i) At 31 December 2014, other loan of approximately HK\$43,000,000 was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The convertible bondholder became a shareholder of the Company upon a partial conversion of convertible bonds by the convertible bondholder during the year ended 31 December 2015. Details are set out in note 25.

At 31 December 2015, other loan of approximately HK\$37,000,000 was raised from a subsidiary of a shareholder of the Company for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements. Details are set out in note 25.

At 31 December 2015, other loan of approximately HK\$30,000,000 was raised from an entity under the control of a shareholder of the Company which carried an interest rate of 10%, it was secured by the personal guarantee provided by a director of the Company. The loan has been fully repaid during the year ended 31 December 2016.

#### 24. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases is five years (2015: five years).

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Amounts payable under finance leases:				
Within one year	—	283	—	268
More than one year, but not more than two years	—	189	—	186
	—	472	—	454
Less: Future finance charges	—	(18)		
Present value of lease obligations	—	454	—	—
Less: Amounts due within one year shown under current liabilities			—	(268)
Amounts due after one year			—	186

All obligations under finance leases of the Group bear interest at fixed interest rates. The underlying interest rates of these obligations under finance leases are ranged from 2.9% to 4.7% per annum during the years ended 31 December 2016 and 2015. The Group's obligation under finance leases are secured by the lessor's charge over the leased assets. These leases had no terms of renewal or purchase options and escalation clauses.

All obligations under finance leases are denominated in HK\$.

#### 25. CONVERTIBLE BONDS

On 9 May 2014, the Company issued 5% per annum coupon rate convertible bonds at principal amount of HK\$200,000,000 and HK\$100,000,000 to Vision Future Global Limited ("Vision Future") and Orient Finance Holdings (Hong Kong) Ltd. ("Orient Finance"), the independent third parties, respectively. The convertible bonds are denominated in HK\$. The bonds mature in 36 months from the date of issuance and can be converted into shares of the Company with the agreement from bondholders at any time before the maturity date at an initial conversion price of HK\$1 per share. The convertible bonds are transferable and non-redeemable before maturity.

On 25 September 2014, a deed of amendment has been entered into by the Company and the convertible bondholders that the convertible bonds were changed to be redeemable upon mutual consent between the Company and the bondholders. Other terms of the convertible bonds remain unchanged. On 15 October 2015, such modification have been duly passed by shareholders in a special general meeting. Such modification of terms did not result in the extinguishment of the financial liability of the convertible bonds.

On 14 November 2014 and 18 November 2014, the Company early redeemed partially the convertible bonds with the principal amounts of HK\$140,000,000 and HK\$43,000,000 from Vision Future and Orient Finance, respectively. This gave rise to an early redemption gain of approximately HK\$17,928,000 for the year ended 31 December 2014 recognised in profit or loss.

On 20 May 2015, the principal amount of HK\$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK\$1 each.

On 28 July 2015, the Company further early redeemed partially the convertible bonds with the principal amounts of HK\$37,000,000 from Orient Finance. This gave rise on an early redemption gain of approximately HK\$4,992,000 for the year ended 31 December 2015 recognised in profit or loss. On the same date, another principal amount of HK\$10,000,000 convertible bonds was converted into 10,000,000 shares by Orient Finance at conversion price of HK\$1 each.

The convertible bonds contain two components, liability and equity elements. The equity element is presented in equity heading convertible bonds equity reserve. The effective interest rate of the liability component is 8% per annum.

The movement of the convertible bonds for the year is set out below:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2015	110,839	8,454	119,293
Conversion to ordinary shares	(18,774)	(1,478)	(20,252)
Imputed interests charged	7,709	—	7,709
Interests paid	(5,975)	—	(5,975)
Gain on early redemption of convertible bonds	(4,992)	—	(4,992)
Early redemption of convertible bonds	(30,003)	(7,402)	(37,405)
Transfer to retained earnings upon early redemption of convertible bonds	—	4,670	4,670
At 1 January 2016	58,804	4,244	63,048
Imputed interests charged	3,008	—	3,008
Interests paid	(3,000)	—	(3,000)
At 31 December 2016	<u>58,812</u>	<u>4,244</u>	<u>63,056</u>
		<b>2016</b>	<b>2015</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Convertible bonds — liability component:			
Analysed for reporting purpose as:			
Non-current liabilities		—	55,804
Current liabilities (2015: included in other payables)		<u>58,812</u>	<u>3,000</u>
		<u>58,812</u>	<u>58,804</u>

**26. DEFERRED TAXATION**

The movement in deferred tax liabilities during the year are as follows:

	<b>Difference between depreciation allowance and related depreciation HK\$'000</b>
At 1 January 2015	(68)
Credit to profit or loss during the year	<u>68</u>
At 31 December 2015 and 2016	<u><u>—</u></u>

At 31 December 2016, the Group has unused tax losses of approximately HK\$23,647,000 (2015: HK\$6,439,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At 31 December 2016, approximately HK\$19,096,000 (2015: HK\$1,888,000) included in the above unused tax losses will expire after five years from the year of assessment to which they relate to. Other losses may be carried forward indefinitely.

At 31 December 2016, the Group has no deductible temporary difference (2015: HK\$2,960,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings amounting to approximately HK\$1,290,000 (2015: HK\$3,582,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

**27. CORPORATE BONDS**

During the year ended 31 December 2015, the Group issued an aggregate principal amount of HK\$10,000,000 unlisted corporate bonds bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month of the date of issuing the relevant corporate bonds. The effective interest rate of the corporate bonds is 10.2%.

	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
At 1 January	9,054	—
Issue of corporate bonds	—	10,000
Transaction costs	—	(1,600)
Interest accrued	(700)	—
Interest charged	<u>702</u>	<u>654</u>
At 31 December	<u><u>9,056</u></u>	<u><u>9,054</u></u>

	2016 HK\$'000	2015 HK\$'000
Analysed for reporting purpose as:		
Non-current portion	8,356	8,554
Current portion (included in other payables)	<u>700</u>	<u>500</u>
	<u>9,056</u>	<u>9,054</u>

**28. SHARE CAPITAL**

	Number of shares '000	Share capital HK\$'000
<b>Authorised</b>		
Ordinary shares of HK\$0.005 each as at 31 December 2015 and 2016	<u>20,000,000</u>	<u>100,000</u>
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.005 each as at 31 December 2014	952,000	4,760
Issue of shares from conversion of convertible bonds ( <i>Note (i)</i> )	20,000	100
Issue of shares from exercise of warrants ( <i>Note (ii)</i> )	<u>10,000</u>	<u>50</u>
Ordinary shares of HK\$0.005 each as at 31 December 2015 and 2016	<u>982,000</u>	<u>4,910</u>

*Notes:*

- (i) On 20 May 2015 and 28 July 2015, HK\$10,000,000 convertible bonds were converted into 10,000,000 shares at conversion price of HK\$1 each for each of the date (see note 25).
- (ii) On 8 June 2015, 10,000,000 warrants were exercised at HK\$1 each (see note 29).

All the ordinary shares issued during the year ended 31 December 2015 rank pari passu with the then existing shares in all respects.

**29. UNLISTED WARRANTS**

On 18 November 2014, the Company issued 60,000,000 warrants (the "Warrants") to an independent third party at a cash consideration of HK\$1. Each warrant confers the right to subscribe for one ordinary share of the Company of HK\$0.005 each at an exercise price of HK\$1, subject to normal adjustment, at any time falling 24 months from the date of issue.

During the year ended 31 December 2015, 10,000,000 warrants were exercised at HK\$1 each.

During the year ended 31 December 2016, no warrant was exercised and the warrants were lapsed on 17 November 2016.

**30. RETIREMENT BENEFIT SCHEMES**

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution plan and the assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately and there were no forfeited contributions of the MPF Scheme during both years.

The employees of the Company's subsidiaries established in the PRC are members of state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

The Group made contributions to the retirement benefits schemes of approximately HK\$1,039,000 for the year ended 31 December 2016 (2015: HK\$1,184,000).

**31. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts which include other borrowings, obligations under finance leases, convertible bonds, corporate bonds and net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the issue of new debt or the redemption of existing debt and new share issues.

**32. FINANCIAL INSTRUMENTS****Categories of financial instruments**

	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at FVTPL held for trading	4,104	11,220
Available-for-sale investments	—	9,880
Loans and receivables (including bank balances and cash)	<u>225,252</u>	<u>317,680</u>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost	<u>164,937</u>	<u>196,208</u>

**33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's major financial instruments include finance lease receivables, trade and other receivables, held-for-trading investment, available-for-sale investment, bank balances and cash, other payables, bank and other borrowings, obligations under financial leases, corporate bonds and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out

below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no material change to the Group's exposure to financial risk or the manner in which it manages and measures the risk.

### Market risk

#### *Currency risk*

The Group undertakes certain transactions denominated in foreign currencies, hence, exposures to exchange rate fluctuation arise. The Group's assets are mainly RMB-denominated assets, however, HK\$-denominated other borrowings, convertible bonds and corporate bonds in aggregate account for 82% of the Group's total liabilities. In addition, the Group has certain assets denominated in US\$. In this respect, the Group considers its exposure to foreign currency risk is primarily in the fluctuation of RMB against HK\$/US\$.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	1,438	218	155,477	186,408
US\$	16,878	16,857	—	—
RMB	<u>114</u>	<u>1,711</u>	<u>—</u>	<u>—</u>

The Group currently does not have a foreign currency hedging policy. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

#### *Sensitivity analysis*

The Group is mainly exposed to the currency risk of HK\$/US\$/RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in exchange rates of the relevant foreign currencies against the respective reporting entity's functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where the respective functional currencies of the reporting entity strengthen 5% against the relevant foreign currencies. For a 5% weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss, and the balances below would be negative. The analysis is performed on the same basis for the year ended 31 December 2016 and 2015.

	HK\$		US\$		RMB	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on post-tax loss for the year	<u>6,431</u>	<u>7,773</u>	<u>(705)</u>	<u>(632)</u>	<u>(5)</u>	<u>(71)</u>

The result of sensitivity analysis on HK\$ is mainly attributable to the exposure on outstanding bank balance and cash, other payables, other borrowings, convertible bonds and corporate bonds denominated in HK\$ at the end of the reporting period.

The result of sensitivity analysis on US\$ is mainly attributable to the exposure on outstanding bank balance and cash denominated in US\$ at the end of the reporting period.

The result of sensitivity analysis on RMB is mainly attributable to the exposure on outstanding trade and other receivables, bank balance and cash and other payables denominated in RMB at the end of the reporting period.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

#### ***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, convertible bonds, corporate bonds, other borrowings and obligations under finance leases. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's bank balances and deposits are short-term in nature and the exposure of the interest rate risk is minimal.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

#### ***Sensitivity analysis***

The Group's bank balances are short-term in nature and the exposure of interest rate is minimal as at 31 December 2016 and 2015 and no sensitivity analysis to interest rate risk on this is presented.

#### ***Other price risk***

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in The Stock Exchange of Hong Kong Limited. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

#### ***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 5% (2015: 5%) higher/lower, the post-tax loss for the year ended 31 December 2016 would decrease/increase by approximately HK\$171,000 (2015: HK\$468,000) as a result of the changes in fair value of the equity instruments.

#### **Credit risk**

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on finance lease receivables, the Group would assess the credit quality of each potential lessee and define limits for each lessee before accepting any new finance lease. The Group also demands certain finance lease borrowers to pledge further collaterals with the Group apart from the subject leased assets at the time the finance lease arrangement is entered into where considered necessary. In addition, the Group would also monitor the repayment history of finance lease payments from each finance lease lessee with reference to

the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable. Furthermore, the Group would assess and review the fair value of the pledged assets continuously to ensure the value of the relevant collateral could well cover the finance lease amount granted to the customers and any outstanding finance lease receivables.

The credit risk on liquid funds is limited because majority of the funds are deposited in banks with high credit ratings assigned by international credit rating agencies.

The Group has concentration of credit risk of finance lease receivables, as 32% (2015:84%) and 100% (2015:100%) of the total finance lease receivables at 31 December 2016 was due from the Group's largest lessee and the five largest lessees respectively within the finance leasing segment.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for all of the finance lease receivables at 31 December 2015 and 2016.

#### *Collateral held as security and other credit enhancement*

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for finance lease receivables at 31 December 2015. Credit risks associated with the finance lease receivables are mitigated because the finance lease receivables are secured over the leased assets and other securities provided by lessees. Details of these securities are set out in note 16. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual finance lease receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The carrying amounts of the finance lease receivables amounted to approximately HK\$62,205,000 (2015: HK\$78,035,000).

#### **Liquidity risk**

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of other borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted cashflows on interest are estimated based on interest rates at the end of the reporting period, and therefore subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

	At 31 December 2016					Carrying amount HK\$'000
	Within one	More than	More than		Total	
	year or on	one year	two years	More than	contractual	
demand	less than	less than	five years	undiscounted		
HK\$'000	two years	five years	five years	cash flow	HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities</b>						
Other payables	17,069	—	—	—	17,069	17,069
Other borrowings	87,216	—	—	—	87,216	80,000
Convertible bonds	63,056	—	—	—	63,056	58,812
Corporate bonds	700	700	2,100	11,050	14,550	9,056
	<u>168,041</u>	<u>700</u>	<u>2,100</u>	<u>11,050</u>	<u>181,891</u>	<u>164,937</u>
<b>At 31 December 2015</b>						
	Within one	More than	More than		Total	Carrying amount HK\$'000
	year or on	one year	two years	More than	contractual	
	demand	less than	less than	five years	undiscounted	
	HK\$'000	two years	five years	five years	cash flow	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-derivative financial liabilities</b>						
Other payables	17,896	—	—	—	17,896	17,896
Other borrowings	34,151	90,400	—	—	124,551	110,000
Convertible bonds	3,000	63,000	—	—	66,000	58,804
Corporate bonds	700	700	2,100	11,750	15,250	9,054
Obligations under finance leases	283	189	—	—	472	454
	<u>56,030</u>	<u>154,289</u>	<u>2,100</u>	<u>11,750</u>	<u>224,169</u>	<u>196,208</u>

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

### 34. FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

## (a) Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments	Fair value as at		Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
	2016	2015			
	HK\$'000	HK\$'000			
Held-for-trading investment — listed equity securities	4,104	11,220	Level 1	Quoted price in active market	N/A
Available-for-sale investment — unlisted instruments	—	9,880	Level 2	Quoted from bank	N/A

The fair values of available-for-sale investment was determined by using discounted cash flow method with the key inputs of quoted market prices and prevailing observable interest rates discounted at a rate that reflected the credit risk of various counterparties.

There was no transfer of fair value hierarchy between level 1 and 2 in the reporting period.

## (b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values:

Financial liability	Fair value hierarchy	Valuation technique and key inputs	Fair value	Significant unobservable input	Relationship of
					unobservable inputs to fair value
Liabilities component of convertible bonds	Level 2	Market value basis Key inputs: exercise price, expected volatility, risk free rate, effective interest rate, expected life	HK\$63,398,000 (2015: HK\$56,925,000)	N/A	N/A

The directors of the Company also consider that the fair value of the long-term portion of financial assets and liabilities approximates to their carrying amount as they are carried at amortised cost by using the effective interest method.

## 35. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years and rentals are fixed. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Within one year	2,279	5,653
In the second to fifth year inclusive	<u>2,578</u>	<u>4,140</u>
	<u><u>4,857</u></u>	<u><u>9,793</u></u>

### 36. CAPITAL COMMITMENT

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a joint venture	10,941	—
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	<u>—</u>	<u>2,734</u>

### 37. EVENT AFTER THE REPORTING PERIOD

On 16 March 2017, Fornton Holdings Company Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of its entire equity interest in 東莞豐正針織有限公司, a wholly-owned subsidiary to an independent third party at a consideration of RMB43,000,000 (equivalent to approximately HK\$48,378,000). As of the date of the financial statements, the disposal was not completed. Details are set out in the Company's announcement on 16 March 2017.

### 38. RELATED PARTY TRANSACTIONS

The Group has entered into the following significant transactions with related parties during the year.

#### (a) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2016 and 2015 are as follows:

	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Short-term employee benefits	5,001	6,710
Post-employment benefits	<u>96</u>	<u>167</u>
	<u><u>5,097</u></u>	<u><u>6,877</u></u>

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

**(b) Guarantee provided by shareholders and a director of the Company**

As at 31 December 2016, other borrowing of nil (2015: HK\$30,000,000) is secured by the personal guarantee provided by a director of the Company. The loan has been fully settled and the personal guarantee has been released during the year ended 31 December 2016. Details are set out in note 23.

**39. SHARE OPTION SCHEME**

Pursuant to the written resolution of the shareholders of the Company on 11 October 2011, the Company has adopted a Share Option Scheme (the “Scheme”) for the purpose of motivating eligible participants to optimise their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the years ended 31 December 2016 and 2015.

**40. MAJOR NON-CASH TRANSACTION**

During the year ended 31 December 2015, other borrowing of HK\$37,000,000 (2016: nil) was arising from the early redemption of convertible bonds. Details are set out in notes 23 and 25.

During the year ended 31 December 2016, the Group disposed of a motor vehicle at a consideration of approximately HK\$580,000 (2015: nil) which was settled by cash of approximately HK\$253,000 (2015: nil) and repayment of obligation under finance leases of approximately HK\$327,000 (2015: nil).

## 41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period is as follows:

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	<b>2015</b> <i>HK\$'000</i>
Non-current asset			
Investment in a subsidiary		<u>17,138</u>	<u>17,138</u>
Current assets			
Other receivables		440	254
Amounts due from subsidiaries	<i>(a)</i>	91,088	417,024
Bank balances and cash		<u>889</u>	<u>100</u>
		<u>92,417</u>	<u>417,378</u>
Current liabilities			
Other payables		8,309	11,950
Convertible bonds		58,812	—
Other borrowings		80,000	30,000
Amounts due to subsidiaries	<i>(a)</i>	<u>113,572</u>	<u>113,322</u>
		<u>260,693</u>	<u>155,272</u>
Net current (liabilities) assets		<u>(168,276)</u>	<u>262,106</u>
Total assets less current liabilities		<u>(151,138)</u>	<u>279,244</u>
Non-current liabilities			
Convertible bonds		—	55,804
Corporate bonds		8,356	8,554
Other borrowings		<u>—</u>	<u>80,000</u>
		<u>8,356</u>	<u>144,358</u>
Net (liabilities) assets		<u>(159,494)</u>	<u>134,886</u>
Capital and reserves			
Share capital		4,910	4,910
Reserves	<i>(b)</i>	<u>(164,404)</u>	<u>129,976</u>
Total equity		<u>(159,494)</u>	<u>134,886</u>

Notes:

- (a) The amounts are unsecured, non-interest bearing and repayable on demand.
- (b) Reserves

	Share premium	Other reserve <i>(Note)</i>	Convertible bonds reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	159,947	81,270	8,454	—	(106,441)	143,230
Loss for the year and total comprehensive expense for the year	—	—	—	—	(28,304)	(28,304)
Exchange difference arising on translation of foreign operations	—	—	—	(6,172)	—	(6,172)
Issue of converted shares from bonds	20,152	—	(1,478)	—	—	18,674
Issue of shares from warrant exercise	9,950	—	—	—	—	9,950
Early redemption of convertible bonds	—	—	(7,402)	—	—	(7,402)
Transfer to accumulated earnings upon early redemption of convertible bonds	—	—	4,670	—	(4,670)	—
At 31 December 2015	<u>190,049</u>	<u>81,270</u>	<u>4,244</u>	<u>(6,172)</u>	<u>(139,415)</u>	<u>129,976</u>
Loss for the year and total comprehensive expense for the year	—	—	—	—	(294,380)	(294,380)
At 31 December 2016	<u>190,049</u>	<u>81,270</u>	<u>4,244</u>	<u>(6,172)</u>	<u>(433,795)</u>	<u>(164,404)</u>

*Note:* The other reserve represents the difference between the nominal value of the shares issued for the acquisition of Wide Reach Limited (“Wide Reach”) and the consolidated net asset value of Wide Reach and its subsidiaries at the date of acquisition.

## 42. SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following subsidiaries, all of which adopted a financial years end date of 31 December 2016 and 2015:

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2016	2015	2016	2015	
Wide Reach	British Virgin Islands	Ordinary shares US\$3,000	100%	100%	—	—	Investment holding
West Harbour Group Limited 宏海集團有限公司	British Virgin Islands	Ordinary shares US\$1	100%	100%	—	—	Investment holding
Fornton Knitting Company Limited 豐臨針織有限公司	Hong Kong	Ordinary shares HK\$10,000,000	—	—	100%	100%	Inactive
Nice Regent Industries Limited 毅俊實業有限公司	Hong Kong	Ordinary shares HK\$10,000	—	—	100%	100%	Inactive
Fornton Holdings Company Limited 豐臨控股有限公司	Hong Kong	Ordinary shares HK\$10,000	—	—	100%	100%	Inactive
東莞豐正針織有限公司	The PRC	Registered capital US\$8,000,000	—	—	100%	100%	Inactive
Bravo Magic Holdings Limited	British Virgin Islands	Ordinary shares US\$50,000	—	—	100%	100%	Inactive
Prokit Limited 博奇有限公司	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Inactive
Peak Matrix Holdings Limited	British Virgin Islands	Ordinary shares US\$50,000	—	—	100%	100%	Inactive
Sino Top Capital Resources Limited 華威資本有限公司	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Finance leasing
Shanxi Sino Top Leasing Company Limited 山西華威 融資租賃有限公司 (Note a)	The PRC	Ordinary shares US\$10,000,000 (2015: US\$35,000,000) (Note b)	—	—	100%	100%	Finance leasing and trading of metal and equipment
World Channel Development Limited	British Virgin Islands	Ordinary shares US\$1	—	—	100%	100%	Investment holding
Professional Leasing Limited 專業租賃有限公司	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Investment holding (2015: Finance leasing)

Name of Company	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
			2016	2015	2016	2015	
Fornton Group Limited	Hong Kong	Ordinary shares HK\$1	—	—	100%	100%	Inactive
Rong Shan Capital Resources Limited 融山資本有限公司	Hong Kong	Ordinary shares HK\$10,000	—	—	100%	100%	Inactive
融元融資租賃(上海)有限公司 (Note a)	The PRC	Note c	—	—	100%	100%	Inactive

Note a: Wholly foreign-owned enterprise established in the PRC.

Note b: The registered capital of 山西華威融資租賃有限公司 was reduced from US\$35,000,000 (equivalent to approximately HK\$240,860,000) to US\$10,000,000 (equivalent to approximately HK\$ 68,817,000) on 10 March 2016.

Note c: The registered capital of 融元融資租賃(上海)有限公司 amounted to US\$50,000,000 (equivalent to approximately HK\$389,000,000) which remained outstanding and not yet paid up to the report date.

None of the subsidiaries had any debt securities issued subsisting at the end of both years or any time during both years.

**C. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The following is the full text of the unaudited consolidated financial information of the Group for the six months ended 30 June 2017 extracted from the Company's interim report for the six months ended 30 June 2017. Capitalized terms used in this section shall have the same meanings as those defined in such interim report.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

*For the six months ended 30 June 2017*

	Notes	Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
<b>Continuing Operations</b>			
Revenue	4	52,243	57,593
Cost of sales		<u>(48,327)</u>	<u>(51,299)</u>
Gross profit		3,916	6,294
Other operating income (expense)	4	20,741	(1,097)
Selling and distribution expenses		(503)	(852)
Administrative and other expenses		(15,698)	(15,220)
Finance costs	6	<u>(10,428)</u>	<u>(7,719)</u>
Loss before taxation		(1,972)	(18,594)
Income tax expense	7	<u>(1,397)</u>	<u>(371)</u>
<b>Loss for the period from continuing operations</b>	8	(3,369)	(18,965)
<b>Discontinued operations</b>			
Loss after tax for the period from discontinued operations	9	<u>—</u>	<u>(707)</u>
<b>Loss for the period</b>		<u>(3,369)</u>	<u>(19,672)</u>
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		5,112	(5,703)
Fair value gain on available-for-sale investment		<u>—</u>	<u>219</u>
Total comprehensive income (expense) for the period		<u>1,743</u>	<u>(25,156)</u>
<b>Loss per share for continuing and discontinued operations (HK cents)</b>			
Basic and diluted	11	<u>(0.34)</u>	<u>(2.0)</u>
<b>Loss per share for continuing operations (HK cents)</b>			
Basic and diluted	11	<u>(0.34)</u>	<u>(2.0)</u>

**Condensed Consolidated Statement of Financial Position***As at 30 June 2017*

	<i>Notes</i>	<b>30.6.2017</b> <i>HK\$'000</i> (Unaudited)	<b>31.12.2016</b> <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>12</i>	12,880	14,271
Interest in a joint venture	<i>14</i>	—	—
Finance lease receivables	<i>15</i>	<u>—</u>	<u>34,608</u>
		<u>12,880</u>	<u>48,879</u>
Current assets			
Other receivables	<i>16</i>	52,112	43,528
Finance lease receivables	<i>15</i>	63,342	27,597
Held-for-trading investment	<i>17</i>	1,915	4,104
Bank balances and cash	<i>18</i>	<u>124,225</u>	<u>153,806</u>
		<u>241,594</u>	<u>229,035</u>
Current liabilities			
Other payables	<i>19</i>	5,535	31,039
Other borrowings	<i>20</i>	130,000	80,000
Loan from a director	<i>21</i>	10,000	—
Convertible bonds	<i>22</i>	—	58,812
Income tax payables		<u>1,411</u>	<u>1,925</u>
		<u>146,946</u>	<u>171,776</u>
Net current assets		<u>94,648</u>	<u>57,259</u>
Total assets less current liabilities		<u>107,528</u>	<u>106,138</u>
Non-current liabilities			
Corporate bonds	<i>23</i>	<u>8,003</u>	<u>8,356</u>
		<u>99,525</u>	<u>97,782</u>
Capital and reserves			
Share capital	<i>24</i>	4,910	4,910
Reserves		<u>94,615</u>	<u>92,872</u>
		<u>99,525</u>	<u>97,782</u>

**Condensed Consolidated Statement of Changes in Equity***For the six months ended 30 June 2017*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Convertible bonds equity reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings/ (Accumulated loss) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016 (audited)	4,910	190,049	4,244	330	9,943	(6,332)	(54,899)	148,245
Loss for the period	—	—	—	—	—	—	(19,672)	(19,672)
Other comprehensive expense for the period	—	—	—	219	—	(5,703)	—	(5,484)
Total comprehensive expense for the period	—	—	—	219	—	(5,703)	(19,672)	(25,156)
At 30 June 2016 (unaudited)	4,910	190,049	4,244	549	9,943	(12,035)	(74,571)	123,089
At 1 January 2017 (audited)	4,910	190,049	4,244	—	9,943	(13,521)	(97,843)	97,782
Loss for the period	—	—	—	—	—	—	(3,369)	(3,369)
Other comprehensive income for the period	—	—	—	—	—	5,112	—	5,112
Total comprehensive income for the period	—	—	—	—	—	5,112	(3,369)	1,743
At 30 June 2017 (unaudited)	4,910	190,049	4,244	—	9,943	(8,409)	(101,212)	99,525

*Note:* Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group organisation over the consideration paid for acquiring these subsidiaries.

**Condensed Consolidated Statement of Cash Flows***For the six months ended 30 June 2017*

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Net cash used in operating activities</b>	(69,970)	(36,521)
<b>Net cash generated from investing activities</b>	48,191	5,900
<b>Net cash used in financing activities</b>	<u>(9,593)</u>	<u>(36,715)</u>
<b>Net decrease in cash and cash equivalents</b>	(31,372)	(67,336)
<b>Cash and cash equivalents at 1 January</b>	153,806	219,553
<b>Effect on foreign exchange rates changes</b>	<u>1,791</u>	<u>(4,982)</u>
<b>Cash and cash equivalents at 30 June, represented by bank balances and cash</b>	<u><u>124,225</u></u>	<u><u>147,235</u></u>

## Notes to the Condensed Financial Statements

*For the six months ended 30 June 2017*

### 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the interim report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in finance leasing and trading business.

On 12 January 2015, the Board has decided to cease the operations of the Group's textile segment. Since then, the Group is principally engaged in finance leasing and trading business. Details of the discontinued operations are set out in note 9. The accompanying condensed consolidated financial statements and the comparative figures have been prepared to reflect the results of the discontinued business separately.

The functional currency of the Company is Renminbi ("RMB"). The condensed consolidated interim financial statements are presented in Hong Kong dollars as the directors of the Company consider that HK\$ is appropriate presentation currency for the users of the Group's condensed consolidated financial statements.

### 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2017.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle: Amendments to HKFRS12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the new and revised HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim period and/or on the disclosures set out in these condensed consolidated interim financial statements.

**4. REVENUE AND OTHER OPERATING INCOME (EXPENSE)**

Revenue represents the finance lease income, handling income, trading of metal and equipment recognised during the accounting period.

Analysis of the Group's revenue for the period is as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Trading of metal and equipment	48,769	51,709
Finance leasing	<u>3,474</u>	<u>5,884</u>
	<u>52,243</u>	<u>57,593</u>
Other operating income (expense)		
Unrealised loss on held-for-trading investment	(2,189)	(1,347)
Gain on disposal of held-for-trading investment	2	—
Gain on disposal of a subsidiary	19,574	—
Bank interest income	494	250
Exchange gain, net	2,859	—
Value added tax refund	<u>1</u>	<u>—</u>
	<u>20,741</u>	<u>(1,097)</u>

**5. SEGMENT INFORMATION**

Information reported to the chief executive officer of the Company, being the chief operation decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

In last period, no segment analysis of financial information was presented as the Group's revenue, expenses, assets and liabilities are primarily attributable to the financial services business.

During the period, the Group revised its segment reporting for the purpose of more effective business analysis due to the trading business is separated from finance leasing business. The business activities of previously reported finance leasing segment is now separated into two segments, namely trading business and finance leasing. The business activity of finance leasing remains unchanged. Prior-period figures have been re-presented to conform with current period presentation.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- (i) Finance leasing engages in finance leasing business (earning interest income and handling fee), leasing business and purchasing of leased assets.
- (ii) Trading business engages in trading of metals.

No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group.

**Segment revenues and results**

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

*For the six months ended 30 June 2017*

	<b>Trading business</b>	<b>Finance leasing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	48,769	3,474	52,243
Segment profit	<u>442</u>	<u>1,716</u>	<u>2,158</u>
Unallocated operating income			19,836
Change in fair value of held-for-trading investments			(2,189)
Selling and distribution expenses			(321)
Administrative and other expenses			(11,028)
Finance cost			<u>(10,428)</u>
<b>Loss before taxation</b>			<u><u>(1,972)</u></u>

*For the six months ended 30 June 2016**Continuing operations*

	<b>Trading business</b>	<b>Finance leasing</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	51,709	5,884	57,593
Segment profit (loss)	<u>502</u>	<u>(1,883)</u>	<u>(1,381)</u>
Unallocated operating income			253
Change in fair value of held-for-trading investments			(1,347)
Selling and distribution expenses			—
Administrative and other expenses			(8,400)
Finance cost			<u>(7,719)</u>
Loss before taxation (continuing operation)			<u><u>(18,594)</u></u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by or the loss from each segment without allocation of change in fair value of held-for-trading investment, certain selling and distribution expenses, central administrative costs, directors' salaries, certain other income and gains and finance costs. This is the measure reported to the chief executive officer for the purposes of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
<b>Segment assets</b>		
Trading business	—	33,492
Finance leasing	<u>57,516</u>	<u>82,709</u>
Total segment assets	<u>57,516</u>	<u>116,201</u>
Unallocated corporate assets	196,958	161,713
Consolidated assets	<u>254,474</u>	<u>277,914</u>
<b>Segment liabilities</b>		
Trading business	—	—
Finance leasing	<u>1,760</u>	<u>2,062</u>
Total segment liabilities	<u>1,760</u>	<u>2,062</u>
Unallocated corporate liabilities	153,189	178,070
Consolidated liabilities	<u>154,949</u>	<u>180,132</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than cash and bank balances and other assets for corporate use including plant and equipment and other receivables which were managed in a centralised manner.
- all liabilities are allocated to operating segments other than other payables, loan from a director, income tax payables and other borrowings which were managed in a centralised manner.

**Geographical information**

The Group's operations are located in Hong Kong and the PRC.

All of the Group's revenue from external customers is derived from the PRC during the period ended 30 June 2017 and 2016.

The Group's information about its non-current assets based on geographical location of the assets is detailed below:

	<b>Non-current assets (Note)</b>	
	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
The PRC	11,782	13,086
Hong Kong	<u>1,098</u>	<u>1,185</u>
	<u>12,880</u>	<u>14,271</u>

*Note:* Non-current assets excluded financial lease receivables.

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest expenses on:		
— other borrowings	5,991	5,874
— convertible bonds	4,090	1,496
— corporate bonds	<u>347</u>	<u>349</u>
	<u>10,428</u>	<u>7,719</u>

## 7. INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax		
— PRC Enterprise Income Tax (“EIT”)	1,397	371
Deferred taxation	<u>—</u>	<u>—</u>
	<u>1,397</u>	<u>371</u>

- (i) Hong Kong Profits Tax was calculated at 16.5% of the estimated profits arising in Hong Kong for the period ended 30 June 2017 (2016: 16.5%). No provision for Hong Kong profits tax has been made for the period ended 30 June 2017 and 2016 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the periods.
- (ii) Under the Law of the People's Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

**8. LOSS FOR THE PERIOD**

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Continuing operations</b>		
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	1,938	1,795
Net exchange loss	—	3
Minimum lease payments in respect of operating lease for office premises	<u>2,882</u>	<u>3,361</u>

**9. DISCONTINUED OPERATION**

On 12 January 2015, the Group announced that the Board has decided to cease the operation of the Group's textile segment due to the worsening of the market situation and business environment of the textile industry. The cessation of operation was completed on 30 September 2015. Textiles segment was classified as discontinued operation.

No profit or loss from the discontinued operation have been recorded for the six months ended 30 June 2017. The comparative figures in the condensed consolidated statement of profit or loss and other comprehensive income have been restated to represent the textile segment as a discontinued operation.

	<b>Six months ended</b>
	<b>30 June 2016</b>
	<i>HK\$'000</i>
	(unaudited)
Revenue	—
Cost of sales	<u>—</u>
Gross profit	—
Other operating income	464
Selling and distribution expenses	—
Administrative and other expenses	(1,162)
Finance costs	<u>(9)</u>
Loss before taxation	(707)
Income tax expense	<u>—</u>
Loss for the period	<u><u>(707)</u></u>

**10. DIVIDENDS**

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

**11. LOSS PER SHARE**

The calculation of the basic and diluted loss per share attributable to the shareholders of the Company (the “Shareholders”) is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share	<u>(3,369)</u>	<u>(19,672)</u>
	<b>2017</b>	<b>2016</b>
	<i>'000</i>	<i>'000</i>
<b>Number of share</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>982,000</u>	<u>982,000</u>

The computation of diluted loss per share does not assume the conversion of the Company’s outstanding convertible bonds and warrants since their exercise would result a decrease in a loss per share for the year ended 31 December 2016.

**From continuing operations**

The calculation of the basic and diluted loss per share from continuing operations attributable to the shareholders is based on the following data:

Earnings figures are calculated as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Loss</b>		
Loss for the purposes of basic and diluted earnings per share	<u>(3,369)</u>	<u>(19,672)</u>
Less:		
Loss for the period from discontinued operations	<u>—</u>	<u>(707)</u>
Loss for the purposes of basic and diluted loss per share from continuing operations	<u>(3,369)</u>	<u>(18,965)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

**From discontinued operation**

Basic and diluted loss per share for the discontinued operation was nil (2016: 0.07 cents per share), based on the loss for the period from discontinued operation of nil (2016: approximately HK\$707,000), and the denominators detailed above for both basic and diluted loss per share.

**12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

For the six months ended 30 June 2017, the Group incurred approximately HK\$163,000 (six months ended 30 June 2016: HK\$4,000) on the acquisition of property, plant and equipment. Net carrying value of property, plant and equipment being disposed for the period was nil (six months ended 30 June 2016: nil).

**13. SUBSIDIARIES**

During the period ended 30 June 2017, the Group entered into a disposal agreement with an independent third party, to dispose of its entire equity interest in 東莞豐正針織有限公司 at a consideration of HK\$47,859,000.

Gain on disposal of approximately of HK\$19,574,000 had been recognised in the condensed consolidated financial statement of profit or loss for the reporting period.

**14. INTEREST IN A JOINT VENTURE**

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Costs of investments in joint ventures		
Unlisted	—	—
Share of post-acquisition losses and other comprehensive income	—	—
	<u>—</u>	<u>—</u>

As at 30 June 2017, the Group had interest in the following material joint venture:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interests or participating shares held by the Group		Proportion of voting power held		Principal activity
					30.6.2017	31.12.2016	30.6.2017	31.12.2016	
Hebao (Shenzhen) Information Technology Company Limited (荷包(深圳)信息科技有限公司)	Incorporated	The PRC	The PRC	Ordinary	49%	49%	49%	49%	Financial investment and asset management

The financial information and carrying amount, in aggregate, of the Group's interests in a joint venture that are not individually material and are accounted for using the equity method are set out below:

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's share of result	—	—
The Group's share of total comprehensive income	—	—
Carrying amount of the Group's interests in a joint venture	<u>—</u>	<u>—</u>

As at 30 June 2017 and up to date of this report, no capital was injected to the joint venture by the Group.

**15. FINANCE LEASE RECEIVABLES**

Finance lease receivable represents relevant finance lease agreements entered into by the Group's subsidiary Shanxi Sino Top Leasing Company Limited with its lessees. Effective interest rates of the finance lease ranged from 13% to 16%. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

For the period ended 30 June 2017, the relevant lease contracts entered into of approximately HK\$63,342,000 (2016: HK\$36,153,000) was aged within 1 year (2016: 2 years) at the end of the reporting period.

As at 30 June 2017, the total finance lease receivables of approximately HK\$63,342,000 (31 December 2016: approximately HK\$62,205,000) comprise of current receivables of approximately HK\$63,342,000 (31 December 2016: approximately HK\$27,597,000) and non-current receivables of nil (31 December 2016: approximately HK\$34,608,000).

Finance lease receivables are secured over the vessel, machinery, fixed assets, equities of private entities or a mining right in the PRC.

The ownership of leased assets will be transferred to the lessees at a purchase option of RMB100 upon the settlement of the receivable under the finance lease arrangement and the interest accrued under the lease arrangement.

**16. OTHER RECEIVABLES**

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Other receivables	51,726	9,241
Prepayment	<u>386</u>	<u>34,287</u>
	<u><u>52,112</u></u>	<u><u>43,528</u></u>

**17. HELD-FOR-TRADING INVESTMENT**

Held-for-trading investment comprises:

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Equity securities listed in Hong Kong	<u>1,915</u>	<u>4,104</u>

**18. BANK BALANCES AND CASH**

The bank balances and cash comprise of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances for the period ended 30 June 2017 carried interest at the prevailing market rate ranging from 0.001% to 0.4% per annum (2016: 0.001% to 0.4% per annum).

## 19. OTHER PAYABLES

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Receipt in advance	1,129	1,685
Interest payable	3,006	7,216
Value added tax payables	983	11,585
Other payables	<u>417</u>	<u>10,553</u>
	<u>5,535</u>	<u>31,039</u>

## 20. OTHER BORROWINGS

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Unsecured:		
Other loan ( <i>Note i</i> )	<u>130,000</u>	<u>80,000</u>
Other borrowings repayable*:		
Within one year	130,000	80,000
Less: Amounts due within one year shown under current liabilities	<u>(130,000)</u>	<u>(80,000)</u>
Amount shown under non-current liabilities	<u>—</u>	<u>—</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

*Notes:*

- (i) At 31 December 2014, other loan of approximately HK\$43,000,000 was raised from a convertible bondholder for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The convertible bondholder became a shareholder of the Company upon a partial conversion of convertible bonds by the convertible bondholder during the year ended 31 December 2015. Supplemental loan agreements were signed and the settlement date had been extended to September 2017.

At 31 December 2015, other loan of approximately HK\$37,000,000 was raised from a subsidiary of a shareholder of the Company for the partial redemption of convertible bonds which carries an interest rate at 13% per annum. The loan will be repaid in accordance with agreed terms and fully settled in May 2017. The amounts due are based on the scheduled repayment dates set out in the loan agreements. Supplemental loan agreements were signed and the settlement date had been extended to September 2017.

At 30 June 2017, other loan of approximately HK\$50,000,000 was raised from an independent third party which carried an interest rate of 10% per annum. The loan will be repaid with in accordance with agreed term and fully settled in April 2018. The amounts due are based on the scheduled repayment dates set out in the loan agreement.

**21. LOAN FROM A DIRECTOR**

At 30 June 2017, a loan of HK\$10,000,000 was raised from a director of the Company with interest free. The loan will be repaid in accordance with agreed terms and fully settled in May 2018.

**22. CONVERTIBLE BONDS**

The movements of convertible bonds during the periods are:

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Convertible bonds — liability component:		
Analysed for reporting purpose as:		
Non-current liabilities	—	—
Current liabilities (included in other payables)	—	58,812
	<u>—</u>	<u>58,812</u>

**23. CORPORATE BONDS**

As at 30 June 2017, the issued unlisted Corporate Bonds remains at the balance of HK\$10,000,000 (2016: HK\$10,000,000), bearing an interest rate of 7% per annum. The corporate bonds will be repayable on the expiry day of the ninetieth month from the date of their issues.

	<b>30.6.2017</b>	<b>31.12.2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Analysed for reporting purpose as:		
Non-current portion	8,003	8,356
Current portion (included in other payables)	157	700
	<u>8,160</u>	<u>9,056</u>

**24. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital</b>
	<i>'000</i>	<i>HK\$'000</i>
<b>Authorised</b>		
Ordinary shares of HK\$0.005 each as at 31 December 2016 and 30 June 2017	<u>20,000,000</u>	<u>100,000</u>
<b>Issued and fully paid</b>		
Ordinary shares of HK\$0.005 each as at 31 December 2016 and 30 June 2017	<u>982,000</u>	<u>4,910</u>

There were no changes in the issued capital of the Company since 31 December 2016 to the period up to 30 June 2017.

**25. OPERATING LEASE COMMITMENT**

The Group leases certain premises and offices under operating lease arrangements.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	<b>30.6.2017</b> <i>HK\$'000</i> (Unaudited)	<b>31.12.2016</b> <i>HK\$'000</i> (Audited)
Within one year	2,016	2,279
In the second to fifth years, inclusive	<u>1,885</u>	<u>2,578</u>
	<u><u>3,901</u></u>	<u><u>4,857</u></u>

**26. CAPITAL COMMITMENT**

The Group does not have any capital commitment at the end of 30 June 2017:

	<b>30.6.2017</b> <i>HK\$'000</i> (Unaudited)	<b>31.12.2016</b> <i>HK\$'000</i> (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a joint venture	<u>11,288</u>	<u>10,941</u>

**27. RELATED PARTY TRANSACTIONS****Compensation of key management personnel**

The Group entered into the following significant transactions with related parties during the period:

The remuneration of key management personnel during the two periods ended 30 June 2017 and 2016 were as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b> <i>HK\$'000</i> (Unaudited)	<b>2016</b> <i>HK\$'000</i> (Unaudited)
Short-term employee benefits	2,612	1,926
Post-employment benefits	<u>57</u>	<u>42</u>
	<u><u>2,669</u></u>	<u><u>1,968</u></u>

The remuneration of the directors and key management personnel is determined by the Board having regards to the performance of individuals and market trends.

For the period ended 30 June 2017, there were no other related parties transaction, that had to be disclosed as defined in Chapter 14A of the Listing Rules.

**28. SHARE OPTION SCHEME**

Pursuant to the written resolution of the shareholders on 11 October 2011, the Company has adopted a share option scheme for the purpose of motivating eligible participants to optimize their performance and efficiency for the benefit of the Group. The Board of directors shall be entitled at any time on a business day within 10 years commencing on the effective date of the Scheme to offer the grant of option to any eligible participants.

Eligible participants of the Scheme include (i) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or discretionary trust the discretionary objects of which include any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficiary owned by any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate.

Any grant of options to a director, chief executive or substantial shareholder of the Company, or any of their respective associates representing in aggregate over 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of each grant) in excess of HK\$5,000,000 in such person in any 12-months period up to and including the date of each grant must be approved by the independent non-executive directors, but excluding any independent non-executive director who is a proposed grantee and any further grant of options must be approved by the shareholders of the Company.

No share options are granted since the adoption of the Scheme and during the interim period.

**D. INDEBTEDNESS STATEMENT**

At the close of business on 30 September 2017, being latest practicable date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Group was as follows:

**Other borrowings**

As at 30 September 2017, the Group had other borrowings of approximately HK\$50 million which was raised from an independent third party and carried an interest rate of 10% per annum. The amount due is based on the scheduled repayment dates set out in the loan agreement. The loan is repayable in April 2018.

**Loan from director**

The Group had an outstanding loan of HK\$10 million which was raised from a director of the Company with interest free. The loan is repayable in May 2018.

**Corporate bonds**

The Group had an outstanding Corporate Bonds of HK\$8.2 million. The issued unlisted Corporate Bonds remains at the balance of HK\$10 million and bearing an interest rate of 7% per annum. The corporate bonds is repayable on the expiry day of the ninetieth month from the date of their issues.

**Disclaimers**

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 30 September 2017, any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

**E. MATERIAL CHANGE**

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up, and up to and including the Latest Practicable Date, save for the followings:

1. as disclosed in the interim report of the Company for the six months ended 30 June 2017, the Group recorded a loss of approximately HK\$3 million for the six months ended 30 June 2017, representing a decrease in loss of approximately 83% as compared to a loss of approximately HK\$20 million for the six months ended 30 June 2016. Such reduction in loss was mainly due to a significant increase in other operating income as a result of a gain on disposal of Dongguan Feng Zheng Knitting Co., Ltd\* (東莞豐正針織有限公司), a wholly owned subsidiary of the Company, which amounted to approximately HK\$20 million; and
2. based on the consolidated management accounts of the Group for the nine months ended 30 September 2017, the Group recorded the decrease of approximately 61% in the current liabilities from approximately HK\$172 million as at 31 December 2016 to approximately HK\$67 million as at 30 September 2017, mainly attributable to the combined effects of (i) the decrease in convertible bonds from approximately HK\$59 million as at 31 December 2016 to nil as at 30 September 2017; (ii) approximate 38% decrease in other borrowings from approximately HK\$80 million as at 31 December 2016 to approximately HK\$50 million as at 30 September 2017; and (iii) approximately 86% decrease in other payables from approximately HK\$31 million as at 31 December 2016 to approximately HK\$4 million as at 30 September 2017, being off-set by the increase in loan from director from nil as at 31 December 2016 to approximately HK\$10 million as at 30 September 2017. As a result of repayment of other borrowings and redemption of convertible bonds with cash, the Group recorded the decrease of approximately 44% in the bank balances and cash from approximately HK\$154 million as at 31 December 2016 to approximately HK\$86 million as at 30 September 2017.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company, the Group and the Offeror.

As at the date of this Composite Document, the Board comprises seven Directors. The executive Directors are Mr. Yu Xueming, Mr. Yu Chuanfu, Mr. Zheng Qiang and Mr. Ng Hoi; and the independent non-executive Directors are Mr. Ho Man, Mr. Yeh Tung Ming and Mr. Zhang Hua.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, and its associates and parties acting in concert with its) and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document; the omission of which would make any statement in this Composite Document misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

	<i>HK\$</i>
<i>Authorised</i>	
<u>20,000,000,000</u> Shares	<u>100,000,000.00</u>
<i>Issued and fully paid</i>	
<u>982,000,000</u> Shares	<u>4,910,000.00</u>

The Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2016, the date to which the latest audited financial statements of the Company were made up.

### 3. DISCLOSURE OF INTERESTS

#### (a) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror, and no such person (including the Company) had dealt in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

#### (b) Directors' interests in the Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any interests in the Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

Name of Director	Nature of Interest	Total number of Shares held	Percentage of interest in the Company
Mr. Yu Xueming	Beneficial Owner	9,830,000 (Long position)	1%

#### (c) Other interests

As at the Latest Practicable Date:

- (i) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser);
- (ii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent.
- (iii) no person who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had irrevocably committed himself/herself to accept or not to accept the Offer.

- (iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.
- (v) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company.
- (vi) save for that Mr. Yu Xueming holds 9,830,000 Shares, none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company and Mr. Yu Xueming did not intend, in respect of his own beneficial shareholdings, to accept the Offer.

#### 4. DEALING IN SECURITIES OF THE COMPANY

- (a) During the Relevant Period, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.
- (b) During the Relevant Period,
  - (i) the Company and the Directors did not deal in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;
  - (ii) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;
  - (iii) no person, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company; and
  - (iv) no fund managers connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company.

## 5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

## 6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group after the date falling two years before commencement of the Offer Period up to and including the Latest Practicable Date which are, or maybe, material:

1. as stated in the announcement of the Company dated 16 March 2017, the disposal agreement dated 16 March 2017 entered into between Fornton Holdings Company Limited, an indirect wholly-owned subsidiary of the Company and Dongguan DRN Battery Co., Ltd pursuant to which Fornton Holdings Company Limited agreed to sell and Dongguan DRN Battery Co., Ltd agreed to purchase 100% of the equity interest in Dongguan Feng Zheng Knitting Co., Ltd at the consideration of approximately RMB43.0 million (equivalent to approximately HK\$48.4 million);
2. as stated in the announcement of the Company dated 13 October 2016, the joint venture agreement dated 12 October 2016 entered into between Professional Leasing Limited, an indirect wholly-owned subsidiary of the Company and Shenzhen Hebao Financial Information Consultancy Limited Company in relation to the formation of a joint venture company, under the laws of the PRC pursuant to the joint venture agreement; and
3. as stated in the announcement of the Company dated 5 July 2016, the finance lease agreement dated 5 July 2016 entered into between 山西華威融資租賃有限公司 (translated as Shanxi Sino Top Leasing Company Limited) (“**Shanxi Sino Top**”), an indirect wholly-owned subsidiary of the Company and 江蘇世貿農業發展有限公司 (translated as Jiang Su World Trade Agricultural Development Company Limited) (“**Jiang Su World Trade**”) pursuant to which Shanxi Sino Top has agreed to buy certain machinery and equipment for the operation of procurement and sales of agricultural products business of Jiang Su World Trade (“**Equipment**”) from Jiang Su World Trade at a consideration of RMB20,000,000 (equivalent to approximately HK\$23,234,000) and Shanxi Sino Top has agreed to lease back the Equipment to Jiang Su World Trade for a term of one year.

## 7. EXPERTS AND CONSENTS

The following are qualifications of the experts who have given opinion, letter or advice which are contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Guoyuan Capital	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Zhaobangji International	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
China AF	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the experts named above did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either directly or indirectly, in any assets which had been, since 31 December 2016 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which they are respectively included.

## 8. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Offer or otherwise connected with the Offer.
- (c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror, Mr. Chan or any of the Concert Parties in which any Director had a material personal interest.

## 9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, save as Mr. Zhang Hua (“Mr. **Zhang**”), Mr. Yu Chuanfu (“Mr. **Yu CF**”), Mr. Yu Xueming (“Mr. **Yu XM**”) and Mr. Zheng Qiang (“Mr. **Zheng**”), none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months preceding the date of the Joint Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

(a) The details of Mr. Zhang’s service contract are as follows:

Pursuant to the director’s service agreement between the Company and Mr. Zhang, he has been appointed with effect from 15 September 2017 and will continue until it is terminated in accordance with the terms of the aforesaid service agreement. Mr. Zhang is entitled to receive a director’s fee of HK\$200,000 per year which was determined by the Board by reference to the duties and responsibilities undertaken by him as a director of the Company. In accordance with the bye-laws of the Company (the “**Bye-laws**”), Mr. Zhang will hold office until the next annual general meeting of the Company and will then be eligible for re-election; thereafter he will be subject to retirement by rotation at least once every three years at the annual general meetings of the Company since his last re-election. No earlier contracts were entered into between the Company and Mr. Zhang.

(b) The details of Mr. Yu CF’s service contract are as follows:

Pursuant to the director’s service agreement between the Company and Mr. Yu CF, he has been appointed for a term of two years with effect from 4 June 2014, subject to retirement and re-election in accordance with the Bye-laws. The amount of emoluments of Mr. Yu CF for his directorship is determined on the basis of his experience, level of responsibilities within the Company, the market situation and the Company’s remuneration policy. Mr. Yu CF is entitled to receive a director’s fee of HK\$63,000 per month.

(c) The details of Mr. Yu XM’s service contract are as follows:

Pursuant to the director’s service agreement between the Company and Mr. Yu XM, he has been appointed for a term of two years with effect from 4 June 2014, subject to retirement and re-election in accordance with the Bye-laws. The amount of emoluments of Mr. Yu XM for his directorship is determined on the basis of his experience, level of responsibilities within the Company, the market situation and the Company’s remuneration policy. Mr. Yu XM is entitled to receive a director’s fee of HK\$65,000 per month.

(d) The details of Mr. Zheng's service contract are as follows:

Pursuant to the director's service agreement between the Company and Mr. Zheng, he has been appointed for a term of two years with effect from 16 May 2013 and he is entitled to a remuneration of HK\$600,000 per annum and a discretionary bonus. The remuneration is determined on the basis of his experience, level of responsibilities within the Company, the market situation and the Company's remuneration policy. Mr. Zheng will hold office only until the forthcoming annual general meeting of the Company and will be eligible for re-election, and thereafter he will be subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

#### 10. MISCELLANEOUS

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The principal place of business of the Company in Hong Kong is located at Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Chan King Keung.
- (d) The branch share registrar of the Company in Hong Kong is Union Registrars Limited, Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (e) The registered office of China AF is at Units 2303-2306, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror and the Offer.

The sole director of the Offeror, Mr. Chan Chung Shu, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendors and their respective associates and parties acting in concert with them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. MARKET PRICE

The table below shows, based on publicly available information of the Company, the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

	<b>Closing prices per Share (HK\$)</b>
31 May 2017	0.650
30 June 2017	0.590
31 July 2017	0.400
31 August 2017	0.400
29 September 2017	0.430
25 October 2017 (Last Trading Day)	0.455
30 November 2017	0.405
12 December 2017 (Latest Practicable Date)	0.430

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.65 per Share (4 May 2017, for the period from 8 May 2017 to 11 May 2017, 31 May 2017, 12 June 2017 and 13 June 2017) and HK\$0.355 per Share (on 20 October 2017) respectively.

### 3. DISCLOSURE OF INTEREST

As at the Latest Practicable Date, the Offeror held 501,210,000 Shares, representing approximately 51.04% of the total issued share capital of the Company. Save as disclosed below, the Offeror, Mr. Chan and the Concert Parties do not have any other interests in the share capital or voting rights of the Company:

Name	Type of Interest	Capacity	Number of Shares held	Approximate % of interest of issued share capital of the Company
The Offeror	Long position	Beneficial owner	501,210,000	51.04%
Mr. Chan (Note 1)	Long position	Interest of a controlled corporation	501,210,000	51.04%
Power Grand (Note 2)	Long position	Person having a security interest in shares	501,210,000	51.04%

Notes:

1. Mr. Chan, the sole director of the Offeror, is the beneficial owner of 100% of the issued share capital of the Offeror and is deemed to be interested in the 501,210,000 Shares held by the Offeror under the SFO.
2. In accordance with the PG Loan Agreement 1, the Offeror (as chargor) and Power Grand (as chargee) entered into a share charge agreement dated 25 October 2017 pursuant to which, amongst others, the Offeror charged all 501,210,000 Sale Shares to Power Grand during the continuance of the PG Loan Agreement 1.

### 4. DEALINGS IN SECURITIES

Save for the transactions under the S&P Agreements, none of the Offeror, Mr. Chan nor any of the Concert Parties had dealt for value in any relevant securities of the Company as defined in Note 4 to Rule 22 of the Takeovers Code during the Relevant Period and up to the Latest Practicable Date.

### 5. OTHER ARRANGEMENTS

The Offeror confirms that as at the Latest Practicable Date:

- (a) save for the 501,210,000 Shares held by the Offeror, none of the Offeror, Mr. Chan and the Concert Parties owns, has control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;

- (b) none of the Offeror, Mr. Chan and the Concert Parties has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (c) there is no outstanding derivatives in respect of securities in the Company which has been entered into by the Offeror, Mr. Chan and the Concert Parties;
- (d) there is no arrangement of kind referred in note 8 to Rule 22 of the Takeovers Code existed between the Offeror, Mr. Chan or any of the Concert Parties and any other person;
- (e) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offer;
- (f) none of the Offeror, Mr. Chan and the Concert Parties has received any irrevocable commitment(s) to accept or reject the Offer;
- (g) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer; and
- (h) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror, Mr. Chan or any of the Concert Parties and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Offer.

Each of the Offeror and the Vendors confirms that as at the Latest Practicable Date:

- (a) there is no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror, Mr. Chan and the Concert Parties on one hand and the Vendors and their respective concert parties on the other hand; and
- (b) each of the Vendors and their respective concert parties has not received and will not receive any other consideration or benefits in whatever form from the Offeror, its ultimate beneficial owners or their respective concert parties.

**6. CONSENTS AND QUALIFICATIONS**

- (a) The following are the qualification of the experts who have given opinion or advice contained in this Composite Document:

<b>Name</b>	<b>Qualification</b>
Pacific Foundation Securities	a licensed corporation to carry out type 1 (dealing in securities) and type 9 (asset management) regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror

- (b) Pacific Foundation has given and has not withdrawn its written consents to the issue of this Composite Document with the inclusion of its advice, letter and/or report (as the case may be) and reference to its name and logo in the form and context in which they respectively appear.

**7. GENERAL**

- (a) The registered office of the Offeror is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (b) The Offeror is a company incorporated in British Virgin Islands on 29 September 2017 with limited liability and is wholly and beneficially owned by Mr. Chan. The Offeror is an investment holding company and has not carried on any business since incorporation. As at the Latest Practicable Date, the Offeror held a total of 501,210,000 Shares, representing approximately 51.04% of the entire issued share capital of the Company.
- (c) As at the date of this Composite Document, the sole director of the Offeror is Mr. Chan who aged 27, had been a director of 海南正和實業集團股份有限公司 (Hainan Zhenghe Industrial Group Co. Ltd.\*) (the name of which was changed to 洲際油氣股份有限公司 (Geo-Jade Petroleum Corporation\*) in 2014), being a company listed on Shanghai Stock Exchange (stock code: 600759) from June to December 2013. As confirmed by Mr. Chan, he is not a substantial shareholder of any listed companies in Hong Kong.
- (d) The correspondence address of Mr. Chan was Flat B, 25/F, Block 7, Provident Centre, North Point, Hong Kong.
- (e) The registered office of Great Wall Corporate Finance is situated at Units 03, 05–06, 65/F., The Center, 99 Queen’s Road Central, Hong Kong.
- (f) The registered office of Pacific Foundation Securities is situated at 11/F, New World Tower II, 16-18 Queen’s Road Central, Hong Kong.

- (g) The registered office of Power Grand is situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.
- (h) The registered office of the Money Lender is situated at Unit D, 8th Floor, Eton Building, No. 288 Des Voeux Road Central, Hong Kong.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Room 2407, 24/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong; (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)); and (iii) on the website of the Company ([www.1152.com.hk](http://www.1152.com.hk)) from the date of this Composite Document onwards for so long as the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Pacific Foundation Securities, the text of which is set out in this Composite Document;
- (c) the memorandum of association and bye-laws of the Company;
- (d) the annual reports of the Company for the two years ended 31 December 2015 and 31 December 2016;
- (e) the interim reports of the Company for the six months ended 30 June 2016 and 30 June 2017;
- (f) the “Letter from the Board”, the text of which is set out in this Composite Document;
- (g) the “Letter from the Independent Financial Adviser”, the text of which is set out in this Composite Document;
- (h) the material contracts referred to in the section headed “Material Contracts” in Appendix III;
- (i) the written consents referred to in the section headed “7. Experts and Consents” in Appendix III and the written consent referred to in the section headed “6. Consents and qualifications” in Appendix IV;
- (j) the service contracts referred to in the section headed “Directors’ Service Contracts” in Appendix III; and
- (k) the “Letter from the Independent Board Committee”, the text of which is set out in this Composite Document.