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TECH PRO TECHNOLOGY DEVELOPMENT LIMITED

德普科技發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 03823)

ANNOUNCEMENT TO REFUTE THE ALLEGATIONS AGAINST THE COMPANY RAISED IN THE GLAUCUS REPORT AND INSIDE INFORMATION

This announcement is made by Tech Pro Technology Development Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 28 July 2016, 29 July 2016 and 29 August 2016 respectively, and a report (the “**Glaucus Report**”) issued by Glaucus Research Group California, LLC (“**Glaucus**”) on 28 July 2016. Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the Announcements.

As mentioned in the Announcements, the Board vigorously denies the accusations against the Company in the Glaucus Report, and considers the information contained in the Glaucus Report to be incomplete, biasedly-selected and -presented and materially misleading.

As advised by the audit committee (the “**Audit Committee**”) of the Board which comprises all the independent non-executive Directors, the committee has reviewed the Glaucus Report, the Announcements and this announcement, and the members of the Audit Committee concur with the information contained in this announcement.

The Board has also communicated to BDO Limited (the “**Auditor**”) the allegations in the Glaucus Report and the contents of the Clarification Announcement and this announcement, and the Auditor has read this announcement. The Board confirms that all the consolidated financial statements of the Group for the years ended 31 December 2014 and 2015 were audited by the Auditor which issued unqualified audit opinions on the Group’s consolidated financial statements for these two years. As of the date of this announcement, the Auditor has not withdrawn or revised its unqualified audit opinions in the auditor’s reports in respect of the Group’s audited consolidated financial statements for the years ended 31 December 2014 and 2015.

This announcement contains the full rebuttals made by the Company to deny and refute the allegations in Glaucus Report.

Allegations or comments concerning the Group in the Glaucus Report

The Board further responds and refutes the allegations contained in the Glaucus Report as follows:

1. *False allegation on fabricated financial performance of Shanghai Fuchao Property Management Company (“Shanghai Fuchao”)*

The Board strongly denies the allegation in the Glaucus Report that the Group has overstated the profitability of Shanghai Fuchao.

Business model of Shanghai Fuchao

As disclosed in the Announcements, the Board would like to point out it is entirely wrong for Glaucus to mistakenly believe and to claim and mislead the readers that “Tech Pro, as it admits, is only the sub-leasing agent of Universal Mansion ... *It is a common sense that the vast majority of the rental income goes to the property owner, and not the management company.*”

The Company has never admitted or represented that Shanghai Fuchao as a sub-leasing agent of Universal Mansion. As disclosed in the Acquisition Announcements, Shanghai Fuchao is itself the sub-lessor of the Universal Mansion and therefore is fully entitled to the entire rental income from sub-leasing of Universal Mansion and thereby owning the sub-leasing right to the Property.

Based on the leasing agreement entered into between Shanghai Fuchao and the lessor 武警上海市總隊後勤營房處租賃辦公室 dated 10 May 2007 and supplemental agreements dated 10 May 2007 and 22 January 2013, Shanghai Fuchao is granted a right to sub-lease the Property for a term of aggregate 35 years from 1 July 2007 to 30 June 2042 at a fixed annual rental amount of RMB12,000,000. Such fixed annual rental amount excludes any utilities expenses such as electricity, water or gas charges which should be borne by Shanghai Fuchao. During the term of the lease, Shanghai Fuchao is responsible for any expenses including the property management, repair and maintenances of the facilities and amenities, cleanliness, security and fire services of the Property. Some of the charges were shifted to the sub-leased tenants. Shanghai Fuchao recognised the revenue at the time on the monthly basis over the lease term under HKFRSs, whereas revenue reported in the State Administration for Industry and Commerce (“SAIC”) filings was recognised when the relevant tax invoices are issued. As at 30 June 2016, the Property, which is located in prime location of Shanghai, is fully sub-leased to 18 tenants of which the sub-contracts with tenants of the Property are ranging from 3 years to 8 years. The sub-leased tenants of the Property are engaged in different business activities including, among others, food and beverage, management business, entertainment, investment management, beauty, education, import and export, and dentist clinic etc. The average annual occupancy rate is higher than 90%.

Mr. Fan Lin (the “**JV Partner**”), being the JV partner of Shanghai Fuchao, interested in 50% of the equity interests thereof, and his assistants are primarily responsible for the daily operations (including but not limited to the selection of tenant, determination of rental fee and sub-leasing fee payable to the lessor, etc.) of Shanghai Fuchao. All the financial reporting process and tax reporting for Shanghai Fuchao are handled by the JV Partner and his assistants. The Group reviews the financial reporting of Shanghai Fuchao on a monthly basis.

According to the current practice, the JV Partner and his assistants would prepare management accounts on a monthly basis and would forward the same for the Group’s approval within the 15 calendar days immediately after the month under review. In addition to the monthly financial reporting mechanism as mentioned above, frequent inspections have been performed by the designated staff of the Shanghai office of the Group to monitor the daily operations and occupancy rate of Universal Mansion so as to ensure the actual performance matches with the monthly financial statements as supplied by the JV Partner. The JV Partner and his assistants are also responsible for the tax reporting matters. The Group would from time to time check and ensure that the relevant personnel who are delegated by the JV Partner to be responsible for the financial and tax reporting matters would have sufficient expertise and experience to properly discharge his/her duties, so as to ensure the truthfulness and accuracy of the reporting by Shanghai Fuchao.

Discrepancy in the amount of profit reported in the SAIC filings and the audited historical financial statements

The purported discrepancy between the profits recorded in the SAIC filings and the audited historical financials as shown in the Acquisition Announcements and the 2015 Annual Report is due to the timing differences in the recognition of revenue for accounting and SAIC filing purposes, and clerical error in SAIC filings. As advised by the JV Partner, for the rental income from leasing of property, Shanghai Fuchao recognised rental income from sub-leasing Universal Mansion in accordance with the terms of the relevant lease agreements entered into with the tenants under Hong Kong Financial Reporting Standards (“**HKFRSs**”), whereas the rental income reported in SAIC filings was recognised when the relevant tax invoices were issued to the tenants. As advised by the JV Partner, for the purpose to issue the tax invoices by Shanghai Fuchao, while it is the practice of Shanghai Fuchao to issue the relevant tax invoices to the tenants at any time after receipt of relevant rental income, upon receipt of rental income from tenants, Shanghai Fuchao will confirm and check with the relevant tenants the amounts to be invoiced, and will issue the tax invoices upon receiving confirmations from the relevant tenants. Such procedure spans from one month to up to a few years, depending on the time required for Shanghai Fuchao in receiving confirmations from the relevant tenants, and tenants may request Shanghai Fuchao to withhold the issuance of tax invoices pending their checking and confirmations. As a result, a portion of rental income recognised in a particular fiscal year under HKFRSs would in effect be recognised in the subsequent fiscal years for SAIC filing purposes. Shanghai Fuchao may also issue tax invoices upon receiving prepayment of rents by tenants, upon confirmation of settlement of rents received from tenants, upon receiving rents from tenants from time to time during the rental period, or issue tax invoices for all the rents received from tenants at the end of the rental period, subject to checking and receiving

confirmation from tenants. According to the written opinion issued by the tax advisers of the Company, 上海宏創會計師事務所, tax invoices shall be issued upon confirmation of revenue income for business operations. As Shanghai Fuchao can only confirm its revenue income for SAIC filing and the relevant PRC tax purposes after checking with and receiving confirmations from the relevant tenants, the tax advisers of the Company are of the view that Shanghai Fuchao's existing practice in respect of the issuance of tax invoices to the tenants (including withholding the issuance of the tax invoices at the requests by the tenants pending their checking and confirmations) was and has been in compliance with the relevant PRC tax regulations.

The table below sets forth the reconciliation of turnover, profit and net assets value attributable to Shanghai Fuchao between (i) the figures as shown in the SAIC filings for the two years ended 31 December 2014 and 2015 respectively and (ii) the amounts under HKFRSs in the management accounts of Shanghai Fuchao for the two years ended 31 December 2014 and 2015 respectively:

Table 1.1

	<i>Notes</i>	2014 RMB'000	2015 RMB'000
Turnover			
Figures extracted from SAIC filings of Shanghai Fuchao		273,430	18,510
Reconciliation items:			
Clerical error in SAIC filings	<i>1</i>	(246,087)	–
Timing differences for issuance of tax invoices	<i>2</i>	46,125	55,079
Turnover before acquisition and net-off of the outlays and sale taxes	<i>3</i>	(18,130)	(16,699)
Turnover of Shanghai Fuchao under HKFRSs		55,338	56,890
Profit for the year			
Figures extracted from SAIC filings of Shanghai Fuchao		70	45
Reconciliation items:			
Timing differences for issuance of tax invoices	<i>4</i>	46,125	55,079
Under-statement of accrual income tax	<i>5</i>	(1,153)	(1,377)
Under-statement of amortisation expenses and deferred tax credit arising from fair value adjustment on sub-leasing right	<i>6</i>	(13,310)	(17,750)
Net profit before acquisition	<i>7</i>	(13,172)	–
(Under)/over-statement of accrued expenses	<i>8</i>	8,046	(1,691)
Profit for the year of Shanghai Fuchao under HKFRSs		26,606	34,306

	<i>Notes</i>	2014 RMB'000	2015 RMB'000
Net assets value			
Figures extracted from SAIC filings of Shanghai Fuchao		9,040	9,050
Reconciliation items:			
Under-statement of capital reserve	9	54,762	54,762
Under-statement of retained earnings	10	93,832	93,832
Fair value adjustment on sub-leasing right and related deferred tax liabilities at acquisition	11	501,348	501,348
Under-statement of profit of Shanghai Fuchao	12	26,536	60,797
Other adjustments	13	13,458	13,493
Net assets value of Shanghai Fuchao under HKFRSs		698,976	733,282

Notes:

1. This item represented the clerical typing error in SAIC filings where the turnover of “RMB27,343,000” was mistakenly stated as “RMB273,430,000” by the relevant staff responsible for the SAIC filings due to inadvertent mistake. As advised by the JV Partner, Shanghai Fuchao had contacted 青浦區市場監督管理局 (Market Supervision Administration Bureau of Qingpu District*) of Shanghai SAIC and was advised that the financial figures of Shanghai Fuchao for the year ended 31 December 2014 as filed with the SAIC could not be amended. As advised by the PRC legal advisers of the Company (the “**PRC Legal Advisers**”), GFE Law Office, according to the PRC law, where disclosed information of an enterprise conceals the actual situation or is deceptive, Administrations for Industry and Commerce above county level may include such enterprise into the List of Enterprises with Abnormal Business Operation. With respect to the clerical error in the SAIC filings of Shanghai Fuchao for the year ended 31 December 2014, given that (i) Shanghai Fuchao has opted for non-disclosure of the relevant financial information to the public; and (ii) the relevant error in the SAIC filings was due to inadvertent mistake made by the relevant staff responsible for the SAIC filings rather than being intentionally deceptive, the PRC Legal Advisers are of the view that it is unlikely that Shanghai Fuchao will be regarded as violated the relevant PRC laws or regulations and be imposed with administrative penalties.
2. This item represented the timing difference on the recognition of turnover in the SAIC filings and financial statements prepared under HKFRSs.
3. This item represented the turnover in the financial statements prepared under HKFRSs before the acquisition by the Group and net of the outlays and sale taxes.
4. This item represented the timing difference on the recognition of turnover in the SAIC filings and financial statements prepared under HKFRSs.
5. This item represented the difference in income tax expenses between the SAIC filings and financial statements prepared under HKFRSs.
6. This item represented the amortisation arising from fair value adjustment on sub-leasing right net of the relevant deferred tax credit recorded in the financial statements prepared under HKFRSs.
7. This item represented the net profit in the financial statements prepared under HKFRSs before the acquisition by the Group.

8. This item represented the difference in miscellaneous expenses recognised in the SAIC filings and financial statements prepared under HKFRSs.
9. This item represented the capital reserve brought forward prior to 2014 under HKFRSs.
10. This item represented the difference in the retained earnings brought forward prior to 2014 under HKFRSs.
11. This item represented the adjustment on fair value of sub-leasing right net of the relevant deferred tax recorded in the financial statements prepared under HKFRSs at the date of acquisition by the Group.
12. This item represented the aggregate amount of differences in notes 4 to 8 above.
13. This item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.

The table below sets forth a reconciliation of rental income from Shanghai Fuchao recognised under HKFRSs and the SAIC filings:

Table 1.2

Filed with SAIC in the year of:	Turnover recognised under HKFRSs in the year of:				SAIC filings RMB'000
	2013 or before RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	
2014	199	21,561 ⁽¹⁾	5,583 ^(2, 4)	–	27,343 ⁽³⁾
2015	–	1,362 ⁽¹⁾	12,823 ⁽²⁾	4,325 ⁽⁴⁾	18,510
Not yet filed up to 31 December 2015		32,415 ^(1, 5)	38,484 ^(2, 5)		
Turnover recognised under HKFRSs		55,338⁽¹⁾	56,890⁽²⁾		

Notes:

- (1) As indicated in the table above, out of the rental income in the amount of approximately RMB55,338,000 recognised in 2014 under HKFRSs, Shanghai Fuchao issued tax invoices and reported the corresponding rental income for approximately RMB21,561,000 and RMB1,362,000 in the SAIC filings in 2014 and 2015 respectively, and approximately RMB32,415,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the tax declaration forms of Shanghai Fuchao, Shanghai Fuchao had issued tax invoices for approximately RMB151,000 of the revenue of rental income recognised in 2014 under HKFRSs during the period from 1 January 2016 to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016.
- (2) As indicated in the table above, out of the rental income in the amount of approximately RMB56,890,000 recognised in 2015 under HKFRSs, Shanghai Fuchao issued tax invoices and reported the corresponding rental income for approximately RMB5,583,000 and RMB12,823,000 in the SAIC filings in 2014 and 2015 respectively, and approximately RMB38,484,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the tax declaration forms of Shanghai Fuchao, Shanghai Fuchao had issued tax invoices for approximately RMB2,152,000 of the revenue of rental income recognised in 2015 under HKFRSs during the period from 1 January 2016 to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016.

- (3) This represents the turnover of Shanghai Fuchao in 2014 which was mistakenly stated as “RMB273,430,000” in the SAIC filings by the relevant staff responsible for the SAIC filings due to inadvertent mistake.
- (4) The approximately RMB5.6 million and RMB4.3 million reported to SAIC in 2014 and 2015 which was or to be recognised in 2015 and 2016 respectively under HKFRSs represented the prepayment of rents by tenants to Shanghai Fuchao, and which tax invoices were issued. Such prepayments were made in accordance with the terms of the relevant tenancy agreements.
- (5) For the amount yet to be filed with SAIC, cash payments had been made by the tenants to Shanghai Fuchao or the JV Partner (and/or his associates) for the benefit of and on behalf of Shanghai Fuchao. As a legacy of the Historical Arrangement (as defined and further elaborated below), part of the rental payments had been made by the tenants to the JV Partner for the benefit of and on behalf of Shanghai Fuchao. For the amount yet to be filed with SAIC in 2014 of approximately RMB32.42 million, approximately RMB24.55 million and approximately RMB7.87 million were received by the JV Partner (and/or his associates) and Shanghai Fuchao, respectively. For the amount yet to be filed with SAIC in 2015 of approximately RMB38.48 million, approximately RMB22.69 million and approximately RMB15.79 million were received by the JV Partner (and/or his associates) and Shanghai Fuchao, respectively.

The Auditor has been engaged to perform and has performed agreed-upon procedures to agree the figures (shown in the tables in Tables 1.1 and 1.2 above) to the supporting documents provided by the Company. The work performed by the Auditor in this respect did not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Auditor.

The Audit Committee has also reviewed the explanations provided by the Board and the reconciliation prepared by the Board, and taking into account the results of the agreed-upon procedures by the Auditor, the Audit Committee satisfies with the figures (including the reconciliations) contained in the above tables.

Thus, the allegation that the Group has fabricated the profitability of Shanghai Fuchao is firmly denied.

Historical Arrangement of Shanghai Fuchao

As a legacy of the historical arrangement (“**Historical Arrangement**”) prior to the acquisition (“**Acquisition**”) of 50% of the equity interests in Shanghai Fuchao by the Group in March 2014, where the JV Partner informed the tenants to deposit rental payments into bank accounts operated by the JV Partner and/or his associates at the beginning of the respective tenancy agreements (which were entered into prior to the Acquisition), part of the rental payments had been made by the tenants to the JV Partner (and/or his associates) for the benefit of and on behalf of Shanghai Fuchao. As advised by the JV Partner, such Historical Arrangement was negotiated between the JV Partner and the respective tenants at the beginning of the respective tenancy agreements for the ease of the management by the JV Partner of Shanghai Fuchao which, prior to the Acquisition, was wholly-owned by the JV Partner. For the avoidance of doubt, all the tenancy agreements under the Historical Arrangement were entered into between the tenants and Shanghai Fuchao (as opposed to the JV Partner), and Shanghai Fuchao is still obliged to file the relevant rental income to the SAIC even though the cash of rental income was received by the JV Partner (and/or his associates) on behalf of Shanghai Fuchao. There is no payment arrangement in respect of the rental income between the

Company, Shanghai Fuchao and the JV Partner, and the JV Partner under the Historical Arrangement was merely a collection agent of Shanghai Fuchao. Upon completion of the Acquisition, the Company and the JV Partner as equity holders of Shanghai Fuchao have the rights to share the net profits of Shanghai Fuchao based on their respective percentage of equity holdings. Shanghai Fuchao has received all the rental income from its tenants by cash/bank transfer for the tenancy agreements signed after the Acquisition.

As disclosed in the announcement of the Company dated 3 June 2016, Shanghai Fuchao had an outstanding amount (the “**Relevant Amount**”) due from the JV Partner and/or his associates, which, as at 30 April 2016, amounted to approximately RMB301 million. The Relevant Amount consisted of (a) rental income and tenants’ deposits receipt of approximately RMB205 million; and (b) amount due from the JV Partner to Shanghai Fuchao of approximately RMB96 million resulting from the payment on behalf of the JV Partner of certain decoration and maintenance deposits accrued prior to the Acquisition. According to the JV Partner, those decoration and maintenance deposits accrued were related to the Property. Since completion of the Acquisition in March 2014, the Company has been in continuous discussion with the JV Partner for the settlement of the Relevant Amount and has requested the JV Partner to terminate the Historical Arrangement and to inform all tenants to deposit the rental payment into bank accounts of Shanghai Fuchao instead of that of the JV Partner (and/or his associates) on a timely basis and appropriate manner. Arrangements have also been made to modify the rent collection procedures, e.g. new tenants are required to deposit rental payments into bank accounts of Shanghai Fuchao directly. The settlement process of the Relevant Amount was slowed down when the Company and the JV Partner started discussion in June 2015 in relation to a possible acquisition by Shanghai Fuchao of certain assets of the JV Partner whereby the parties considered the assignment and set-off of the Relevant Amount as one of the options for settlement of the consideration under the possible acquisition. The possible acquisition finally fell through at the end of November 2015. As a separate matter, the Company had also started negotiation with the JV Partner at the end of January 2016 for the possible acquisition of the remaining 50% equity interests in Shanghai Fuchao (the “**Proposed Acquisition**”), where the assignment and set-off of the Relevant Amount was also considered as a method for settlement of the consideration under the Proposed Acquisition, resulting in a further delay in the settlement process of the Relevant Amount. Out of the Relevant Amount as at 30 April 2016 of approximately RMB301 million, approximately RMB111 million had been settled by the JV Partner up to 31 August 2016. After the lapse of the Proposed Acquisition on 31 August 2016, the Company immediately accelerated the negotiation with the JV Partner and the JV Partner had agreed and undertaken in writing that the Relevant Amount as at 30 April 2016 would be settled in the following manner: (a) approximately RMB50 million to be settled on or before 31 December 2016; (b) approximately RMB50 million to be settled on or before 31 March 2017; (c) approximately RMB50 million to be settled on or before 30 June 2017; and (d) the remaining balance of approximately RMB40 million to be settled on or before 30 September 2017. The Company will update the Shareholders on the status of the repayment of the Relevant Amount in its forthcoming annual reports.

Taking into account that (a) the JV Partner had already settled approximately RMB111 million out of the Relevant Amount as at 30 April 2016 of approximately RMB301 million; and (b) the JV Partner had agreed and undertaken in writing to repay the outstanding amount according to the repayment schedule within one year as set out above, the Board considers the Relevant Amount fully recoverable. As an additional security, the Company had also requested and the JV Partner had agreed and undertaken in writing to pledge the rights and entitlements of the JV Partner over future dividends of Shanghai Fuchao to secure the settlement of the Relevant Amount.

According to the management accounts of Shanghai Fuchao as of 30 September 2016, the Relevant Amount as of 30 September 2016 was approximately RMB207 million, which was equivalent to the Relevant Amount as at 30 April 2016 of approximately RMB301 million, minus the amount settled during the period from 1 May 2016 to 31 August 2016 of approximately RMB111 million, plus the rental income of approximately RMB17 million received by the JV Partner and/or his associates on behalf of Shanghai Fuchao during the period from 1 May 2016 to 30 September 2016. As confirmed by the JV Partner, the Historical Arrangement had been discontinued and all rental payments have already been made by tenants directly to bank accounts of Shanghai Fuchao since mid-October 2016, and the JV Partner had agreed and undertaken that the rental income received by the JV Partner on behalf of Shanghai Fuchao since 1 May 2016 would be settled by the JV Partner on or before 31 December 2017.

Taking into account that the Historical Arrangement had been discontinued and all rental payments have already been made by tenants directly to bank accounts of Shanghai Fuchao since mid-October 2016, the Company considers that there will not be any ongoing impact on Shanghai Fuchao's rental collection process by reason of the Historical Arrangement.

As disclosed, according to the current practice, the JV Partner and his assistants would prepare management accounts on a monthly basis and would forward the same for the Group's approval within 15 calendar days immediately after the month under review. The Group has been regularly monitoring and reviewing the financial statements of Shanghai Fuchao to ensure that the balance therein was correct and appropriate. The JV Partner would also provide monthly schedules to confirm the amount of rental income received by the JV Partner and/or his associates on behalf of Shanghai Fuchao each month. In addition to the monthly financial reporting and monitoring mechanism as mentioned above, frequent inspections have also been performed by the designated staff of the Shanghai office of the Group, who would review relevant documents (including bank statements and vouchers) to cross check the financial statements of Shanghai Fuchao and to monitor the daily operations so as to ensure that the actual performance matches with the monthly financial statements of Shanghai Fuchao as supplied by the JV Partner. Taking into account the aforesaid, the Company considers that sufficient measures have been implemented to safeguard the assets of Shanghai Fuchao.

2. False allegation on fabricated purchase price of Shanghai Fuchao

The Glaucus Report alleged that the Company inflated the purchase price of Shanghai Fuchao, which it avers that according to the Equity Transfer Agreement dated 10 March 2014 entered into between the vendor and 上海萊懇實業有限公司 (a wholly-owned subsidiary of the Company), the consideration actually paid by the Group to acquire the 50% equity interest in Shanghai Fuchao was only RMB4,500,000, instead of HK\$450,000,000 as disclosed in the announcement of the Company dated 27 November 2013.

The Board strongly denies such allegation, and believes such wrongful accusation was made due to Glaucus' misunderstanding on the PRC filing requirements. As advised by the PRC Legal Advisers, the Equity Transfer Agreement, is merely one of the transfer documents required to be submitted to the relevant municipal office of SAIC of the PRC for completing the transfer procedure of the equity interests in Shanghai Fuchao, which does not contain any legal force.

As advised by the PRC Legal Advisers, upon a change in shareholding in a company, the subject company shall attend to the local municipal office of the SAIC to register the transfer within 30 day thereafter, and the a series of documents, including but not limited to “公司登記(備案)申請書”(Application form of company registration (filing)*), “指定代表或者共同委託代理人授權委託書”(the power of attorney granted to the representative or jointly appointed agent*), “股東雙方簽署的股權轉讓協議或者股權交割證明”(equity transfer agreement or equity transfer certificate*), the amended article of associations of the company or the resolutions approving the amendments of articles of association of the Company and the business licence et cetera, shall be filed with the local municipal office of the SAIC.

To the understanding of the PRC Legal Advisers, in practice, the equity transfer agreements submitted to the SAIC are mainly prepared for the purpose of fulfilling the formality of the equity transfer registration requirements in the PRC. It is common for the parties to an equity transfer transaction to enter into a separate legally binding formal agreement to set out the terms and conditions which are truly intended to be implemented. As further advised by the PRC Legal Advisers, there is no requirement for the parties to submit the formal agreement to SAIC for records.

It is the intention of the parties that all the terms and conditions of the Acquisition (including but not limited to the consideration) should be based on the formal sale and purchase agreement (the “**Formal Agreement**”) dated 27 November 2013 (as supplemented by the extension letter dated 28 February 2014) entered into between the JV Partner and the Group (details of which have been disclosed in the announcements of the Company dated 27 November 2013 and 28 February 2014 respectively). As advised by the officers of Shanghai Fuchao, who were delegated by the JV Partner to be responsible for attending to the equity transfer filing and registration procedure in respect of the Acquisition, confirmed that the Formal Agreement has not been filed with the SAIC as the format of the same is different from the format generally accepted by the local municipal office of the SAIC, and accordingly the Equity Transfer Agreement was prepared and completed by them by adopting the format generally acceptable to the local municipal office of the SAIC solely for the filing purpose, and the consideration of RMB4,500,000 as stated in the Equity Transfer Agreement only represents the amount of registered and paid-up capital attached to the 50% equity interest in Shanghai Fuchao acquired by the Group.

The PRC Legal Advisers consider that although there is inconsistency in the considerations as stated in the Equity Transfer Agreement and the Formal Agreement, this inconsistency (together with the Equity Transfer Agreement) does not violate the applicable laws in the PRC, and the SAIC filing and registration procedure concerning the Acquisition complied with the requirements under the applicable laws and regulations in the PRC.

The Board therefore has not in any event inflated or misstated the consideration paid by the Group for its interest in Shanghai Fuchao and accusation in the Glaucus Report is strictly denied.

3. *False allegation on fabricated profitability of the Group's LED business*

The Glaucus Report further alleged that the Group fabricated the profitability of the Group's LED business. The Board strongly denies this allegation, and is of the view that this incorrect inference was drawn by Glaucus solely by reference to the SAIC filings of four PRC subsidiaries of the Group, namely U Young, Jiangxi Lantian, Shenzhen Chongzheng and Shenzhen Wind and Solar, without taking into account (i) the contributions of the trading activities (being the trading of LED lighting products) of the Hong Kong holding companies of the above-mentioned PRC subsidiaries during the years under review; and (ii) the differences in timing to recognise the income and expenses for the preparation of the SAIC filings or the PRC statutory financial statements ("PRCAFS") and the financial statements under HKFRSs.

As also mentioned in the Announcements, under HKFRSs, the revenue of sale of goods is recognised when goods are delivered at the customers' premises, which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax ("VAT") or other sales taxes and is after deduction of any trade discounts and returns, whereas the income reported in the SAIC filings was recognised when the relevant tax invoices were issued to the customers. As a result, a portion of income from the sale of goods recognised in a particular fiscal year in the financial statements prepared under HKFRSs would in effect be recognised in the subsequent fiscal years in the SAIC filings. As advised by the tax advisers of the Company, 中聯會計師事務所有限公司深圳分所, according to the relevant PRC tax regulations, the time when VAT obligation for sale of goods arises varies depending on the way of settlement, and for credit sales or sales involving payment by instalment, the VAT obligation arises on the payment dates as provided under the relevant sales agreement, and the timing for issuing tax invoice is the time when VAT obligation arises. Generally, the credit terms grant by the Group to its customers range from 30 days to 12 months from the date of the relevant payment request (請款單), and the Group would only issue the relevant tax invoices upon the clearance of the purchase price paid by the relevant customers and subject to their confirmation on the agreed timing of issuance. According to the written opinion issued by the tax advisers of the Company, 中聯會計師事務所有限公司深圳分所, the Group's existing practice of issuing tax invoices to the customers was and has been in compliance with the relevant PRC tax regulations.

(a) *Shine Link Technology Limited and its subsidiaries U Young Technology Holdings Limited (“U Young Technology”) and U Young*

The table below sets forth the reconciliation of turnover, profit/(loss) and net assets value attributable to U Young between (i) the figures as shown in the SAIC filings for years 2011 to 2015; and (ii) the amounts under HKFRSs in the consolidated financial statements of U Young Technology, the Hong Kong holding company of U Young, together with its subsidiaries (the “U Young Group”) for the five years ended 31 December 2015 respectively:

Table 2.1

	Notes	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Turnover						
Figures extracted from SAIC filings in U Young		220	6,923	2,139	2,048	11,439
Reconciliation items:						
Turnover contributed by U Young Technology		–	58,396	25,775	2,306	1,378
Timing differences for issuance of tax invoices	1	3	(3)	23	359	889
Other adjustments	2	–	22	(116)	(4)	(11)
Elimination on inter-group transactions	3	(75)	(4,371)	(1,933)	–	–
		<u>148</u>	<u>60,967</u>	<u>25,888</u>	<u>4,709</u>	<u>13,695</u>
Profit/(loss) for the year						
Figures extracted from SAIC filings in U Young		(1,204)	(2,334)	(3,455)	(2,458)	956
Reconciliation items:						
Profit/(loss) contributed by U Young Technology		(11)	8,763	9,298	(5,402)	(589)
(Under)/over-statement of depreciation	4	122	204	155	54	(40)
Under-statement of impairment loss on other receivables	5	–	–	–	–	(327)
(Under)/over-statement of manufacturing expenses	6	(579)	221	119	180	(869)
(Under)/over-statement of accrual expenses	7	(851)	(2)	39	(193)	263
Elimination on inter-group transactions	8	1,156	–	7,762	3,288	–
		<u>(1,367)</u>	<u>6,852</u>	<u>13,918</u>	<u>(4,531)</u>	<u>(606)</u>

	<i>Notes</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net assets value						
Figures extracted from SAIC filings in U Young		11,748	9,429	5,974	3,516	4,476
Reconciliation items:						
Net assets contributed by U Young						
Technology		13,626	22,289	31,117	26,349	26,858
Under-statement of loss of U Young	9	(1,308)	(885)	(572)	(529)	(1,504)
Other adjustments	10	(359)	(375)	(375)	(375)	(389)
Elimination on inter-group transactions	11	(13,629)	(13,629)	(5,867)	(2,578)	(2,566)
Net assets value of U Young Group under HKFRSs		<u>10,078</u>	<u>16,829</u>	<u>30,277</u>	<u>26,383</u>	<u>26,875</u>

Notes:

1. This item represented the timing difference on the recognition of turnover in the SAIC filings and financial statements prepared under HKFRSs.
2. This item represented the aggregated effect of (under)/over-accrual of sale tax, sales discount sales return arising from item 1, and other miscellaneous income recognised under HKFRSs.
3. This item represented the elimination of the inter-company turnover on the consolidation level under HKFRSs.
4. This item represented the difference in depreciation expenses in the SAIC filings and financial statements prepared under HKFRSs.
5. This item represented the impairment loss on other receivable recognised in financial statements prepared under HKFRSs.
6. This item represented the difference in manufacturing expenses in the SAIC filings and financial statements prepared under HKFRSs.
7. This item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
8. This item represented the elimination of the inter-company exchange difference and impairment loss on investment cost in U Young on the consolidation level under HKFRSs.
9. This item represented the aggregate amount of differences in notes 4 to 7 above.
10. This item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
11. The item represented the elimination of the inter-company exchange difference and impairment loss on investment cost in U Young on the consolidation level under HKFRSs.

The table below sets forth a reconciliation of the revenue of sale of goods of U Young recognised under HKFRSs and the SAIC filings:

Table 2.2

Turnover recognised under HKFRSs in the year of:	Turnover recognised under HKFRSs in the year of:						SAIC filings RMB'000
	2010 or before RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
2011	-	220 ⁽¹⁾	-	-	-	-	220
2012	-	3 ⁽¹⁾	6,920 ⁽²⁾	-	-	-	6,923
2013	97	-	22 ⁽²⁾	2,020 ⁽³⁾	-	-	2,139
2014	5	-	-	26 ⁽³⁾	2,017 ⁽⁴⁾	-	2,048
2015	-	-	-	-	386 ⁽⁴⁾	11,053 ⁽⁵⁾	11,439
Not yet filed up to 31 December 2015	-	-	-	-	-	1,264 ⁽⁵⁾	
Turnover recognised under HKFRSs		223^(1,6)	6,942^(2,6)	2,046^(3,6)	2,403^(4,6)	12,317^(5,6)	

Notes:

- (1) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB223,000 recognised in 2011 under HKFRSs, U Young issued tax invoices and reported the corresponding income for approximately RMB220,000 and RMB3,000 in the SAIC filings in 2011 and 2012 respectively.
- (2) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB6,942,000 recognised in 2012 under HKFRSs, U Young issued tax invoices and reported the corresponding income for approximately RMB6,920,000 and RMB22,000 in the SAIC filings in 2012 and 2013 respectively.
- (3) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB2,046,000 recognised in 2013 under HKFRSs, U Young issued tax invoices and reported the corresponding income for approximately RMB2,020,000 and RMB26,000 in the SAIC filings in 2013 and 2014 respectively.
- (4) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB2,403,000 recognised in 2014 under HKFRSs, U Young issued tax invoices and reported the corresponding income for approximately RMB2,017,000 and RMB386,000 in the SAIC filings in 2014 and 2015 respectively.
- (5) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB12,317,000 recognised in 2015 under HKFRSs, U Young issued tax invoices and reported the corresponding income for approximately RMB11,053,000 in the SAIC filings in 2015, and approximately RMB1,264,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the VAT declaration forms of U Young, U Young had issued tax invoices for approximately RMB1,264,000 of the revenue of sale of goods recognised in 2015 under HKFRSs during the period from 1 January to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016.
- (6) This items represented the aggregate amount of turnover of U Young shown in SAIC filings and notes 1 to 2 in Tables 2.1 above.

(b) *Kings Honor Technology Limited and its subsidiaries Wei Guang Holdings Limited (“Wei Guang”) and Jiangxi Lantian*

The table below sets forth the reconciliation of turnover, profit/(loss) and net assets value attributable to Jiangxi Lantian between (i) the figures as shown in the SAIC filings for years 2011 to 2015; and (ii) the amounts under HKFRSs in the consolidated financial statements of Wei Guang, the Hong Kong holding company of Jiangxi Lantian, together with its subsidiaries (the “Wei Guang Group”) for the five years ended 31 December 2015 respectively:

Table 3.1

	Notes	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Turnover						
Figures extracted from SAIC filings in Jiangxi Lantian		4,849	69,538	65,594	45,034	31,156
Reconciliation items:						
Turnover contributed by Wei Guang		–	9,124	892	–	–
Timing difference for issuance of tax invoices	1	7,077	13,914	5,509	939	3,303
Other adjustments	2	21	(126)	1,159	(92)	(63)
Elimination on inter-group transactions	3	–	(7,349)	–	–	–
		<u>11,947</u>	<u>85,101</u>	<u>73,154</u>	<u>45,881</u>	<u>34,396</u>
Profit/(loss) for the year						
Figures extracted from SAIC filings or PRC AFS in Jiangxi Lantian		7	3,222	755	505	(1,665)
Reconciliation items:						
Profit/(loss) contributed by Wei Guang		(18)	(11)	(148)	(267)	245
Under-statement of depreciation	4	–	(890)	–	(366)	(366)
Under-statement of impairment loss on trade and other receivables	5	–	–	–	(5,000)	(14,513)
Under-statement of provision on obsolete stock	6	–	–	–	–	(1,239)
Timing difference for issuance of tax invoices	7	13,930	14,966	14,504	5,385	215
Under-statement of accrual income tax (Under)/over-statement of accrual expenses	8	(2,592)	(3,817)	(2,993)	(1,190)	–
	9	(3,503)	1,197	(4,034)	(551)	3,109
Elimination on inter-group transactions	10	–	(123)	124	(115)	(122)
		<u>7,824</u>	<u>14,544</u>	<u>8,208</u>	<u>(1,599)</u>	<u>(14,336)</u>
Profit/(loss) for the year of Wei Guang Group under HKFRSs		<u>7,824</u>	<u>14,544</u>	<u>8,208</u>	<u>(1,599)</u>	<u>(14,336)</u>

	<i>Notes</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net assets value						
Figures extracted from SAIC filings in Jiangxi Lantian		8,318	11,540	12,295	12,091	10,407
Reconciliation items:						
Net assets contributed by Wei Guang		184	249	8,107	7,845	7,590
Under-statement of fair value reserve	11	6,272	6,272	6,272	6,272	6,272
Under-statement of profit of Jiangxi Lantian	12	7,834	19,289	26,766	25,044	12,250
Other adjustments	13	(2)	(1)	(121)	710	1,104
Elimination on inter-group transactions	14	(7,890)	(8,012)	(7,767)	(8,006)	(8,012)
Net assets value of Wei Guang Group under HKFRSs		<u>14,716</u>	<u>29,337</u>	<u>45,552</u>	<u>43,956</u>	<u>29,611</u>

Notes:

1. This item represented the timing difference on the recognition of turnover in the SAIC filings and financial statements prepared under HKFRSs.
2. This item represented the aggregated effect of (under)/over-accrual of sale tax, sales discount sales return arising from item 1, and other miscellaneous income recognised under HKFRSs.
3. This item represented the elimination of the inter-company turnover on the consolidation level under HKFRSs.
4. This item represented the difference in depreciation expenses in the SAIC filings and financial statements prepared under HKFRSs.
5. This item represented the impairment loss on trade and other receivables recognised in financial statements prepared under HKFRSs.
6. This item represented the impairment loss on obsolete inventories recognised in financial statements prepared under HKFRSs.
7. This item represented the timing difference on the recognition of turnover and expenses in the SAIC filings and financial statements prepared under HKFRSs.
8. This item represented the difference in income tax expenses between the SAIC filings and financial statements prepared under HKFRSs.
9. This item other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
10. This item represented the elimination of the inter-company exchange difference under HKFRSs.
11. This item represented the adjustment on fair value of property, plant and equipment at the date of acquisition of Jiangxi Lantian recognised in the financial statements prepared under HKFRSs.
12. This item represented the aggregate amount of differences in notes 4 to 9 above.
13. The item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
14. The item represented the elimination of the investment cost in Jiangxi Lantian and inter-company exchange difference on the consolidation level under HKFRSs.

The table below sets forth a reconciliation of the revenue of sale of goods of Jiangxi Lantian recognised under HKFRSs and the SAIC filings:

Table 3.2

Filed with SAIC in the year of:	Turnover recognised under HKFRSs in the year of:					SAIC filings
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	RMB'000
2011	4,849 ⁽¹⁾	-	-	-	-	4,849
2012	7,098 ⁽¹⁾	62,440 ⁽²⁾	-	-	-	69,538
2013	-	20,886 ⁽²⁾	44,708 ⁽³⁾	-	-	65,594
2014	-	-	27,554 ⁽³⁾	17,480 ⁽⁴⁾	-	45,034
2015	-	-	-	28,401 ⁽⁴⁾	2,755 ⁽⁵⁾	31,156
Not yet filed up to 31 December 2015	-	-	-	-	31,641 ⁽⁵⁾	
Turnover recognised under HKFRSs	11,947^(1,6)	83,326^(2,6)	72,262^(3,6)	45,881^(4,6)	34,396^(5,6)	

Notes:

- (1) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB11,947,000 recognised in 2011 under HKFRSs, Jiangxi Lantian issued tax invoices and reported the corresponding income for approximately RMB4,849,000 and RMB7,098,000 in the SAIC filings in 2011 and 2012 respectively.
- (2) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB83,326,000 recognised in 2012 under HKFRSs, Jiangxi Lantian issued tax invoices and reported the corresponding income for approximately RMB62,440,000 and RMB20,886,000 in the SAIC filings in 2012 and 2013 respectively.
- (3) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB72,262,000 recognised in 2013 under HKFRSs, Jiangxi Lantian issued tax invoices and reported the corresponding income for approximately RMB44,708,000 and RMB27,554,000 in the SAIC filings in 2013 and 2014 respectively.
- (4) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB45,881,000 recognised in 2014 under HKFRSs, Jiangxi Lantian issued tax invoices and reported the corresponding income for approximately RMB17,480,000 and RMB28,401,000 in the SAIC filings in 2014 and 2015 respectively.
- (5) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB34,396,000 recognised in 2015 under HKFRSs, Jiangxi Lantian issued tax invoices and reported the corresponding income for approximately RMB2,755,000 in the SAIC filings in 2015, and approximately RMB31,641,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the VAT declaration forms of Jiangxi Lantian, Jiangxi Lantian had issued tax invoices for approximately RMB15,221,000 of the revenue of sale of goods recognised in 2015 under HKFRSs during the period from 1 January to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016.
- (6) This items represented the aggregate amount of turnover of Jiangxi Lantian shown in SAIC filings and notes 1 to 2 in Tables 3.1 above.

(c) *Pacific King Technology Limited and its subsidiaries Da Zhen (Hong Kong) Holdings Limited (“Da Zhen”) and Shenzhen Chongzheng*

The table below sets forth the reconciliation of turnover, profit/(loss) and net assets value attributable to Shenzhen Chongzheng between (i) the figures as shown in the SAIC filings or PRC AFS for years 2011 to 2015; and (ii) the amounts under HKFRS in the consolidated financial statements of Da Zhen, the Hong Kong holding company of Shenzhen Chongzheng, and its subsidiaries (the “Da Zhen Group”) for the five years ended 31 December 2015 respectively:

Table 4.1

	Notes	2011 RMB'000	2012 RMB'000	2013* RMB'000	2014* RMB'000	2015 RMB'000
Turnover						
Figures extracted from SAIC filings or PRC AFS in Shenzhen Chongzheng		–	38,602	51,339	55,507	58,112
Reconciliation items:						
Turnover contributed by Da Zhen		–	2,226	887	48	–
Clerical error in SAIC filings	1	7,679	–	–	–	–
Timing difference for issuance of tax invoices	2	8,399	12,945	(8,348)	1,629	(1,829)
Other adjustments	3	188	(1,524)	(132)	(147)	145
Elimination on inter-group transactions	4	–	(956)	–	–	–
Turnover of Da Zhen Group under HKFRSs		<u>16,266</u>	<u>51,293</u>	<u>43,746</u>	<u>57,037</u>	<u>56,428</u>
Profit for the year						
Figures extracted from SAIC filings or PRC AFS in Shenzhen Chongzheng		12	116	60	150	170
Reconciliation items:						
Loss contributed by Da Zhen		(6)	(16)	(292)	(811)	(675)
Under-statement of depreciation	5	–	–	–	(996)	–
Timing difference for issuance of tax invoices	6	2,230	20,617	7,159	9,167	13,260
Under-statement of accrual income tax (Under)/over-statement of accrual expenses	7	(646)	(5,020)	(2,527)	(1,557)	(1,486)
	8	344	(509)	3,104	(1,883)	(7,431)
Profit for the year of Da Zhen Group under HKFRSs		<u>1,934</u>	<u>15,188</u>	<u>7,504</u>	<u>4,070</u>	<u>3,838</u>

	Notes	2011 RMB'000	2012 RMB'000	2013* RMB'000	2014* RMB'000	2015 RMB'000
Net assets value						
Figures extracted from SAIC filings or PRCAFS in Shenzhen Chongzheng		8,276	8,392	8,449	8,599	8,769
Reconciliation items:						
Net assets contributed by Da Zhen		151	216	7,951	7,128	6,377
Under-statement of fair value reserve	9	2,928	2,928	2,928	2,928	2,928
Under-statement of profit of Shenzhen Chongzheng	10	1,928	17,015	24,752	29,483	33,826
Other adjustments	11	(15)	(14)	(12)	(12)	(11)
Elimination on inter-group transactions	12	(8,259)	(8,259)	(8,259)	(8,259)	(8,259)
Net assets value of Da Zhen Group under HKFRSs		<u>5,009</u>	<u>20,278</u>	<u>35,809</u>	<u>39,867</u>	<u>43,630</u>

Notes:

1. This item represented the clerical typing error in SAIC filings where the turnover was mistakenly stated as “Nil” by the relevant firm responsible for the SAIC filings due to inadvertent mistake.
2. This item represented the timing difference on the recognition of turnover in the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
3. This item represented the aggregated effect of (under)/over-accrual of sale tax, sales discount sales return arising from item 1, and other miscellaneous income recognised under HKFRSs.
4. This item represented the elimination of the inter-company turnover on the consolidation level under HKFRSs.
5. This item represented the difference in depreciation expenses in the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
6. This item represented the timing difference on the recognition of turnover and expenses in the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
7. This item represented the difference in income tax expenses between the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
8. This item other miscellaneous differences between the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
9. This item represented the adjustment on fair value of property, plant and equipment at the date of acquisition of Shenzhen Chongzheng recognised in the financial statements prepared under HKFRSs.
10. This item represented the aggregate amount of differences in notes 5 to 8 above.
11. The item represented other miscellaneous differences between the SAIC filings or PRCAFS and financial statements prepared under HKFRSs.
12. The item represented the elimination of the investment cost in Shenzhen Chongzheng and inter-company exchange difference on the consolidation level under HKFRSs.

* *The information of PRCAFS is used instead of SAIC filings as the Company is unable to retrieve the SAIC filing records from the relevant SAIC online filing system nor from the relevant PRC authority. As confirmed by the firm responsible for the SAIC filings of Shenzhen Chongzheng, the figures filed with SAIC for the years 2013 and 2014 are the same as the figures as shown in PRCAFS of Shenzhen Chongzheng for the corresponding years.*

The table below sets forth a reconciliation of the revenue of sale of goods of Shenzhen Chongzheng recognised under HKFRSs and the SAIC filings:

Table 4.2

Turnover recognised under HKFRSs in the year of:	Turnover recognised under HKFRSs in the year of:					SAIC filings RMB'000
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
Filed with SAIC in the year of:						
Filed with SAIC in the year of						
2011	7,679 ⁽¹⁾	-	-	-	-	7,679 ⁽⁶⁾
2012	8,587 ⁽¹⁾	30,015 ⁽²⁾	-	-	-	38,602
2013	-	20,008 ⁽²⁾	31,331 ⁽³⁾	-	-	51,339
2014	-	-	11,528 ⁽³⁾	43,979 ⁽⁴⁾	-	55,507
2015	-	-	-	13,010 ⁽⁴⁾	45,102 ⁽⁵⁾	58,112
Not yet filed up to 31 December 2015	-	-	-	-	11,326 ⁽⁵⁾	
Turnover recognised under HKFRSs	16,266^(1,7)	50,023^(2,7)	42,859^(3,7)	56,989^(4,7)	56,428^(5,7)	

Notes:

- (1) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB16,266,000 recognised in 2011 under HKFRSs, Shenzhen Chongzheng issued tax invoices and reported the corresponding income for approximately RMB7,679,000 and RMB8,587,000 in the SAIC filings in 2011 and 2012 respectively.
- (2) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB50,023,000 recognised in 2012 under HKFRSs, Shenzhen Chongzheng issued tax invoices and reported the corresponding income for approximately RMB30,015,000 and RMB20,008,000 in the SAIC filings in 2012 and 2013 respectively.
- (3) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB42,859,000 recognised in 2013 under HKFRSs, Shenzhen Chongzheng issued tax invoices and reported the corresponding income for approximately RMB31,331,000 and RMB11,528,000 in the SAIC filings in 2013 and 2014 respectively.
- (4) As indicated in the table above, out of the revenue of sale of goods in the amount of RMB56,989,000 recognised in 2014 under HKFRSs, Shenzhen Chongzheng issued tax invoices and reported the corresponding income for approximately RMB43,979,000 and RMB13,010,000 in the SAIC filings in 2014 and 2015 respectively.
- (5) As indicated in the table above, out of the revenue of sale of goods in the amount of RMB56,428,000 recognised in 2015 under HKFRSs, Shenzhen Chongzheng issued tax invoices and reported the corresponding income for approximately RMB45,102,000 in the SAIC filings in 2015, and approximately RMB11,326,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the VAT declaration forms of Shenzhen Chongzheng, Shenzhen Chongzheng had issued tax invoices for approximately RMB11,326,000 of the revenue of sale of goods recognised in 2015 under HKFRSs during the period from 1 January to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016..
- (6) This represents the turnover of Shenzhen Chongzhong in 2011 which was mistakenly stated as “Nil” in the SAIC filings by the relevant firm responsible for the SAIC filings due to inadvertent mistake.
- (7) This items represented the aggregate amount of turnover of Shenzhen Chongzhong shown in SAIC filings and notes 1 to 3 in Tables 4.1 above.

(d) *Giga-World Industry Company Limited (“Giga-World”) and its subsidiaries Shenzhen Wind and Solar*

The table below sets forth the reconciliation of turnover, profit/(loss) and net assets value attributable to Shenzhen Wind and Solar between (i) the figures as shown in the SAIC filings for years 2011 to 2015; and (ii) the amounts under HKFRSs in the consolidated financial statements of Giga-World, the Hong Kong holding company of Shenzhen Wind and Solar, and its subsidiaries (the “Giga-World Group”) for the five years ended 31 December 2015 respectively:

Table 5.1

	Notes	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000
Turnover						
Figures extracted from SAIC filings of Shenzhen Wind and Solar		5,116	8,489	9,605	7,124	14,212
Reconciliation items:						
Turnover contributed by Giga-World		–	4,178	20,761	2,699	1,896
Timing difference for issuance of tax invoices	1	(4,179)	(534)	(389)	89	(231)
Other adjustments	2	(386)	(466)	(82)	(266)	(192)
Turnover of Giga-World Group under HKFRSs		<u>551</u>	<u>11,667</u>	<u>29,895</u>	<u>9,646</u>	<u>15,685</u>
Profit/(loss) for the year						
Figures extracted from SAIC filings of Shenzhen Wind and Solar		(858)	(145)	(667)	(791)	303
Reconciliation items:						
Profit/(loss) contributed by Giga-World		20,835	(2)	12,410	(20,751)	(9,551)
Under-statement of depreciation	3	(1,381)	(2,543)	(2,835)	(2,489)	(1,976)
(Under)/over-statement of impairment loss on other receivables	4	(1,701)	1,701	–	–	–
Under-statement of other tax expenses	5	–	(196)	–	–	–
Under-statement of loss on disposal of plant and machinery	6	–	–	–	–	(3,768)
Under-statement of accrual expenses	7	(1,019)	(781)	(685)	(759)	(3,105)
Elimination on inter-group transactions	8	–	(21)	(111)	20,602	9,212
Profit/(loss) for the year of Giga-World Group under HKFRSs		<u>15,876</u>	<u>(1,987)</u>	<u>8,112</u>	<u>(4,188)</u>	<u>(8,885)</u>

	<i>Notes</i>	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>
Net assets value						
Figures extracted from SAIC filings of Shenzhen Wind and Solar		32,077	31,654	30,987	29,933	30,236
Reconciliation items:						
Net assets contributed by Giga-World		53,739	53,566	65,350	45,319	37,122
Under-statement of loss of Shenzhen Wind and Solar	9	(4,101)	(5,920)	(9,439)	(12,687)	(21,537)
Other adjustments	10	(1,367)	(1,089)	(1,110)	(958)	(856)
Elimination on inter-group transactions	11	<u>(36,616)</u>	<u>(36,637)</u>	<u>(36,728)</u>	<u>(16,014)</u>	<u>(6,904)</u>
Net assets value of Giga-World Group under HKFRSs		<u>43,732</u>	<u>41,574</u>	<u>49,060</u>	<u>45,593</u>	<u>38,061</u>

Notes:

1. This item represented the timing difference on the recognition of turnover in the SAIC filings and financial statements prepared under HKFRSs.
2. This item represented the aggregated effect of (under)/over-accrual of sale tax, sales discount sales return arising from item 1, and other miscellaneous income recognised under HKFRSs.
3. This item represented the difference in depreciation expenses in the SAIC filings and financial statements prepared under HKFRSs.
4. This item represented the impairment loss on other receivables recognised in financial statements prepared under HKFRSs.
5. This item represented the difference in other tax expenses between the SAIC filings and financial statements prepared under HKFRSs.
6. This item represented the loss on disposal of property, plant and equipment recognised in financial statements prepared under HKFRSs.
7. The item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
8. The item represented the elimination of the investment cost in Shenzhen Wind and Solar and inter-company exchange difference on the consolidation level under HKFRSs.
9. This item represented the aggregate amount of differences in notes 3 to 7 above.
10. The item represented other miscellaneous differences between the SAIC filings and financial statements prepared under HKFRSs.
11. The item represented the elimination of the investment cost in Shenzhen Wind and Solar and inter-company exchange difference on the consolidation level under HKFRSs.

The table below sets forth a reconciliation of the revenue of sale of goods of Shenzhen Wind and Solar recognised under HKFRSs and the SAIC filings:

Table 5.2

Filed with SAIC in the year of:	Turnover recognised under HKFRSs in the year of:						SAIC filings RMB'000
	2010 or before RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	
Filed with SAIC in the year of							
2011	5,116 ⁽¹⁾	-	-	-	-	-	5,116
2012	712 ⁽¹⁾	551 ⁽²⁾	7,226 ⁽³⁾	-	-	-	8,489
2013	663 ⁽¹⁾	-	263 ⁽³⁾	8,679 ⁽⁴⁾	-	-	9,605
2014	1,251 ⁽¹⁾	-	-	455 ⁽⁴⁾	5,418 ⁽⁵⁾	-	7,124
2015	755 ⁽¹⁾	-	-	-	1,529 ⁽⁵⁾	11,928 ⁽⁶⁾	14,212
Not yet filed up to 31 December 2015		-	-	-	-	1,861	
Turnover recognised under HKFRSs		551^(2,7)	7,489^(3,7)	9,134^(4,7)	6,947^(5,7)	13,789^(6,7)	

Notes:

- (1) These represent the turnover of Shenzhen Wind and Solar recognised in 2010 or before under HKFRSs, which was prior to the acquisition of Giga-World by the Group in 2011 and which the Group has no control over. As advised by the vendor from which the Group acquired Giga-World, while it was the practice of Shenzhen Wind & Solar to issue relevant tax invoices upon clearance of the purchase price paid by the relevant customers, the delay in issuing the tax invoices to customers was due to the requests from the relevant customers to withhold the issuance of the same. Upon receiving subsequent requests from the relevant customers, Shenzhen Wind & Solar issued the tax invoices to the relevant customers.
- (2) As indicated in the table above, all of the revenue of sale of goods recognised in 2011 under HKFRSs, Shenzhen Wind and Solar issued tax invoices and reported the corresponding income in the SAIC filings in 2012.
- (3) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB7,489,000 recognised in 2012 under HKFRSs, Shenzhen Wind and Solar issued tax invoices and reported the corresponding income for approximately RMB7,226,000 and RMB263,000 in the SAIC filings in 2012 and 2013 respectively.
- (4) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB9,134,000 recognised in 2013 under HKFRSs, Shenzhen Wind and Solar issued tax invoices and reported the corresponding income for approximately RMB8,679,000 and RMB455,000 in the SAIC filings in 2013 and 2014 respectively.
- (5) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB6,947,000 recognised in 2014 under HKFRSs, Shenzhen Wind and Solar issued tax invoices and reported the corresponding income for approximately RMB5,418,000 and RMB1,529,000 in the SAIC filings in 2014 and 2015 respectively.
- (6) As indicated in the table above, out of the revenue of sale of goods in the amount of approximately RMB13,789,000 recognised in 2015 under HKFRSs, Shenzhen Wind and Solar issued tax invoices and reported the corresponding income for approximately RMB11,928,000 in the SAIC filings in 2015, and approximately RMB1,861,000 has yet to be filed with SAIC up to 31 December 2015. In addition, according to the VAT declaration forms of Shenzhen Wind and Solar, Shenzhen Wind and Solar had issued tax invoices for approximately RMB1,861,000 of the revenue of sale of goods recognised in 2015 under HKFRSs during the period from 1 January to 31 July 2016, and such amount will be recognised in the SAIC filings for the year of 2016.
- (7) This items represented the aggregate amount of turnover of Shenzhen Wind and Solar shown in SAIC filings and notes 1 to 2 in Tables 5.1 above.

The above tables clearly demonstrate that the Group has not fabricated, exaggerated or misled its Shareholders and potential investors about any of its published information concerning its operation and financial position. The profit guarantee certificates of each of the abovementioned sub-groups were confirmed and issued by the then auditors of the Company in prior years (which is not the Auditor), details of which have been disclosed in the announcements of the Company dated 23 May 2012, 21 November 2012 and 19 February 2013 respectively.

The Auditor has been engaged to perform and has performed agreed-upon procedures to agree the figures (shown in the tables in Tables 2.1, 2.2, 3.1, 3.2, 4.1, 4.2, 5.1 and 5.2 above) to the supporting documents provided by the Company. The work performed by the Auditor in this respect did not constitute an assurance engagement made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Auditor.

The Audit Committee has also reviewed the explanations provided by the Board, the reconciliations prepared by the Board, and taking into account the results of the agreed-upon procedures by the Auditor, the Audit Committee satisfies with the figures (including the reconciliations) contained in the above tables.

Based on that above, the Board considers that the allegations of Glaucus are unfounded and inaccurate.

MATERIAL DISCREPANCIES BETWEEN FIGURES AS SHOWN IN THE GLAUCUS REPORT AND THE SAIC FILING RECORDS OF THE GROUP

It is also noted by the Board that some of the information as shown in the Glaucus Report is materially different from the SAIC filing records of the Group, including but not limited to the following:

Total assets of Jiangxi Lantian in the years 2011 and 2012

As shown on page 18 of the Glaucus Report (extract of which is shown below), the total assets of Jiangxi Lantian for the years 2011 and 2012 are RMB137,775,000 and RMB504,760,000 respectively.

Jiangxi Lantian Wei Guang Technology Company Limited

江西蓝田伟光科技有限公司

SAIC Financials

RMB'000	2011	2012	2013	2014	2015	Cumulative
Total Assets	137,775	504,760	55,869	38,732	35,292	n/a
Total liabilities	5,400	38,936	43,574	26,640	22,185	n/a
Total Equity	132,315	465,823	12,295	12,091	10,407	n/a
Sales Revenue	4,849	69,538	65,594	45,034	31,323	216,338
Profit before tax	9	4,296	1,007	594	(1,665)	4,241
Net profit	7	3,222	755	505	(1,665)	2,824
Net profit margin	0%	5%	1%	1%	-5%	1%

Source: Wei Guang's SAIC Filings

However, according to the SAIC filing records of Jiangxi Lantian (extracts of which are shown below), the total assets of Jiangxi Lantian for the years 2011 and 2012 should be RMB13,777,539.64 and RMB50,475,958.85 respectively.

SAIC filing records of Jiangxi Lantian for the year 2011

销售（营业）收入	4849122.21 元	其中：服务营业收入	0 元
国内销售额	4849122.21 元	其中：服务营业额	0 元
纳税总额	76304.47 元	其中：关税	0 元
利润总额	9109.3 元	净利润	6831.97 元
资产总额	13777539.64 元	其中：长期投资	0 元
负债总额	5460007.67 元	其中：长期负债	0 元
	国别（地区）	出口额（万美元）	进口额（万美元）

SAIC filing records of Jiangxi Lantian for the year 2012

五、本年度生产经营情况表

销售（营业）收入	69538409.66 元	其中：服务营业收入	0 元
国内销售额	69538409.66 元	其中：服务营业额	0 元
纳税总额	3366949.62 元	其中：关税	0 元
利润总额	4296376.17 元	净利润	3222282.13 元
资产总额	50475958.85 元	其中：长期投资	0 元
负债总额	38936144.75 元	其中：长期负债	0 元
	国别（地区）	出口额（万美元）	进口额（万美元）

Turnover of Shenzhen Wind and Solar for the year 2012

As shown on page 26 of the Glaucus Report (extract of which is shown below), the revenue of Shenzhen Wind and Solar for the year 2012 is RMB30,977,000.

Extracts of page 26 of the Glaucus Report

Shenzhen Wind and Solar New Energy Company Limited

深圳风光新能源有限公司

SAIC Financials

RMB'000	2011	2012	2013	2014	2015	Cumulative
Total Assets	66,529	62,630	62,501	62,223	63,992	n/a
Total liabilities	34,452	30,977	31,514	35,591	33,756	n/a
Total Equity	32,077	31,654	30,987	29,933	30,236	n/a
Sales Revenues	5,116	30,977	9,605	7,124	14,212	67,033
Profit before tax	(858)	(140)	(662)	(787)	305	(2,143)
Net profit	(858)	(145)	(667)	(791)	303	(2,158)
Net profit margin	-17%	0%	-7%	-11%	2%	-3%

Source: Shenzhen Wind and Solar's SAIC Filings

However, according to the SAIC filing records of Shenzhen Wind and Solar (extract of which is shown below), the revenue of Shenzhen Wind and Solar for the year 2012 should be RMB8,489,351.66.

SAIC filing records of Shenzhen Wind and Solar for the year 2012

五、本年度生产经营情况表

销售（营业）收入	8489351.66元	其中：服务营业收入	0元
国内销售额	2408863.08元	其中：服务营业额	0元
纳税总额	185279.88元	其中：关税	元
利润总额	-139863.34元	净利润	-144970.84元
资产总额	62630331.79元	其中：长期投资	0元
负债总额	30976585.09元	其中：长期负债	0元
	国别（地区）	出口额（万美元）	进口额（万美元）

To the understanding of the Company, after the introduction of the SAIC online filing system in 2013, under appropriate and proper and normal circumstances, only authorised persons are entitled to obtain copies of documents/records from the SAIC filings. The Company hereby, on behalf of all of its subsidiaries established in the PRC, confirms that, the Group has never granted any authority to any persons other than the staff of the Group to obtain copies of the SAIC filings. The Company does not know where and how did Glaucus obtain the purported SAIC filing of the Group's PRC subsidiaries, which, as shown in the above, is materially different from the SAIC filing records of the Group. **The Board considers the information contained in the Glaucus Report to be incorrect and materially misleading and would recommend Shareholders and potential investors of the Company to rely solely on the information published by the Company.**

CONCLUSIONS

Based on the clarifications as stated above, the Board is of the view that the allegations and comments contained in the Glaucus Report were made without due consideration of the underlying facts, and based on erroneous beliefs and misinterpretation of information, and are considered to be inappropriate and materially misleading.

Save as disclosed in this announcement, after having made reasonable enquiries with respect to the Group as is reasonable in the circumstances, the Board confirms that it is not aware of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the SFO.

All the allegations contained in the Glaucus Report, which the Board considers to be incomplete, biasedly-selected and -presented, and materially misleading, has been fully refuted by the Company in this announcement. **The Board would recommend the Shareholders of the Company and potential investors to exercise extreme caution when dealing in the securities of the Company, and to rely solely on the information published by the Company.**

The Board reiterates that the Company will consider and adopt all reasonable measures to protect the interest of the Shareholders, including but not limited to taking necessary legal actions against Glaucus as also disclosed in the announcement of the Company dated 29 August 2016.

This announcement is made by order of the Company. The Board collectively and individually accepts responsibility for the accuracy of this announcement.

By order of the Board
Tech Pro Technology Development Limited
Li Wing Sang
Chairman

Hong Kong, 26 October 2016

* *English transliterations or translations of Chinese terms for identification purpose only*

As at the date of this announcement, the executive Directors are Mr. Li Wing Sang, Mr. Liu Xinsheng, Mr. Chiu Chi Hong and Mr. Lee Tsz Hang; the independent non-executive Directors are Mr. Lau Wan Cheung, Mr. Ng Wai Hung and Mr. Tam Tak Wah.