THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Greater China Financial Holdings Limited**, you should at once hand this circular, the accompanying notice of special general meeting and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

大中華金融控股有限公司

GREATER CHINA FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 431)

website: http://www.irasia.com/listco/hk/greaterchina/index.htm

MAJOR TRANSACTION
PROPOSED ACQUISITION OF
SINO WEALTH INVESTMENT CO., LIMITED

Capitalized terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 5 to 19 of this circular. A notice convening the SGM to be held at Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Monday, 9 October, 2017 at 11:00 a.m. together with the form of proxy are enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

15 September 2017

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Access China Group"	Access China Group Limited and its subsidiaries
"Acquisition"	the acquisition of the Sale Shares and the Sale Loan by the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
"Adjustment"	adjustment which may have to be made to the Consideration in accordance with the terms and conditions of the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 28 July 2017 in relation to the Acquisition
"AJSH"	北京安家世行融資擔保有限公司 (Beijing An Jia Shi Hang Financing Guarantee Company Limited*), a limited liability company incorporated in the PRC
"Board"	the board of Directors
"Business Day(s)"	means a day on which licensed banks in Hong Kong are generally open for business (other than a Saturday or Sunday or public holiday in Hong Kong)
"BVI"	the British Virgin Islands
"Company"	Greater China Financial Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listing on the Main Board of the Stock Exchange (Stock Code: 431)
"Completion"	completion of the transactions contemplated under the Sale and Purchase Agreement
"Condition(s)"	the condition(s) precedent set out in the Sale and Purchase Agreement
"Consideration"	the consideration of HK$300 million payable by the Purchaser to the Vendor in cash for acquiring the Sale Shares and accepting the assignment of the Sale Loan under the Sale and Purchase Agreement

"CSN"	北京決策尚諾科技有限公司 (Beijing Jue Ce Shang Nuo Technology Company Limited*), a limited liability company incorporated in the PRC
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as if Completion under the Sale and Purchase Agreement had taken place and "member of the Enlarged Group" means any of such companies
"Group"	the Company and its subsidiaries (from time to time)
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Shareholders"	Shareholders who are not required by the Listing Rules to abstain from voting at the SGM
"Independent Third Party(ies)"	third party(ies) independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company
"Latest Practicable Date"	13 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended or supplemented from time to time
"Long Stop Date"	being 31 December 2017 or such other date as all parties to the Sale and Purchase Agreement may agree in writing
"PRC" or "China"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Profit Guarantee"	the profit guarantee given by the Vendor under the Sale and Purchase Agreement
"Purchaser"	Harmonic Edge Limited, a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency in the PRC

"Sale and Purchase Agreement"	the Sale and Purchase Agreement dated 28 July 2017 (as supplemented by supplemental letters dated 24 August 2017 and 13 September 2017) entered into among the Purchaser, the Vendor and the Vendor Guarantor relating to the Acquisition
"Sale Loan"	the shareholder's loan owing by the Target Group to the Vendor at Completion
"Sale Share(s)"	50,000 issued shares of US$1 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
"SFH"	北京晟峰惠咨詢有限公司 (Beijing Sheng Feng Hui Advisory Company Limited*), a wholly foreign-owned enterprise established in the PRC
"SFO"	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), as amended and supplemented from time to time
"SGM"	a special general meeting of the Company to be convened at Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Monday, 9 October, 2017 at 11:00 a.m. and held for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SMIL"	Success Mark Inc Limited, a limited liability company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Sino Wealth Investment Co., Limited, a company incorporated in BVI with limited liability
"Target Group"	the Target Company and its subsidiaries

"US$"	United States Dollars
"Vendor"	New Wealth Investment Co., Limited, a company incorporated in BVI with limited liability
"Vendor Guarantor"	Mr. Yang Dayong (楊大勇先生), who is the beneficial owner of the entire equity interest of the Vendor and who, together with his associates, are also interested in 614,826,000 Shares as at the Latest Practicable Date
"%"	per cent.

For the purposes of illustration only, any amounts denominated in RMB in this circular are translated into HK$ at the rate of RMB0.8675 = HK$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted of any particular rate at all.

* *for identification purpose only.*

大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 431)
website: http://www.irasia.com/listco/hk/greaterchina/index.htm

Executive Directors:
Mr. Liu Kequan *(Chairman and Chief Executive Officer)*
Mr. Zhang Peidong

Independent Non-executive Directors:
Mr. Kwan Kei Chor
Dr. Rui Mingjie
Mr. Zhou Liangyu
Dr. Lyu Ziang

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal place of business in Hong Kong:
Suites 3001-11, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

15 September 2017

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
PROPOSED ACQUISITION OF
SINO WEALTH INVESTMENT CO., LIMITED**

INTRODUCTION

Reference is made to the Announcement. On 28th July 2017 (after trading hours), the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Vendor Guarantor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and accept the assignment of, and the Vendor has conditionally agreed to sell the Sale Shares and assign the Sale Loan.

The purpose of this circular is to provide you with, among other things, (i) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) unaudited pro forma financial information of the Enlarged Group; (iii) financial information of the Target Group; (iv) valuation report of AJSH; and (v) notice of the SGM.

THE SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY SUPPLEMENTAL LETTERS DATED 24 AUGUST 2017 AND 13 SEPTEMBER 2017)

The principal terms and conditions of the Sale and Purchase Agreement are as follows:

Date: 28 July 2017

Parties:
(i) The Purchaser (a direct wholly-owned subsidiary of the Company);
(ii) The Vendor; and
(iii) The Vendor Guarantor.

The Vendor is beneficially and wholly owned by the Vendor Guarantor. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the interest of the Vendor Guarantor (and his associates) in 614,826,000 Shares, representing approximately 8.96% of the issued share capital of the Company as at the Latest Practicable Date, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the assets to be acquired by the Company are the Sale Shares and the Sale Loan. The Purchaser has conditionally agreed to acquire and accept the assignment of, and the Vendor has conditionally agreed to sell the Sale Shares and assign the Sale Loan.

The Sale Shares represent the entire issued share capital of the Target Company, which are beneficially owned as to 100% by the Vendor. The Sale Loan represents the shareholder's loan owing by the Target Group to the Vendor at Completion. As at the date of the Sale and Purchase Agreement, the Sale Loan amounted to approximately RMB203,000,000.

Consideration

The consideration for the Sale Loan will be the amount of the shareholder's loan owing by the Target Group to the Vendor as at Completion and the consideration for the Sale Shares will be the remaining balance of the Consideration after deducting the consideration for the Sale Loan.

The aggregate consideration for the Sale Shares and the Sale Loan is HK$300 million (subject to Adjustment), which shall be satisfied by the Purchaser in cash in the following manner:

(a) HK$40 million shall be paid by the Purchaser to the Vendor or its nominee within five Business Days from the date of the Sale and Purchase Agreement (the "**Initial Payment**");

(b) HK$180 million shall be paid by the Purchaser to the Vendor or its nominee upon Completion;

(c) HK$33 million shall be paid by the Purchaser to the Vendor or its nominee on 31 December 2017 (or such later date as the Purchaser and Vendor may agree in writing);

(d) HK$30 million shall be paid by the Purchaser to the Vendor or its nominee within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2017 subject to the Adjustment mentioned in the section headed "Profit Guarantee" below (the "**First Instalment**");

(e) HK$11 million shall be paid by the Purchaser to the Vendor or its nominee within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2018 subject to the Adjustment mentioned in the section headed "Profit Guarantee" below (the "**Second Instalment**"); and

(f) HK$6 million shall be paid by the Purchaser to the Vendor or its nominee within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2019 subject to the Adjustment mentioned in the section headed "Profit Guarantee" below (the "**Third Instalment**").

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the valuation of AJSH of HK$305,900,000 as at 30 June 2017 according to the valuation report, using the market approach, issued by an independent valuer; (ii) the profit guarantee to be provided by the Vendor as set out in the section headed "Profit Guarantee" below; and (iii) the opportunity for the Group to broaden its coverage in the financial market as a result of the Acquisition.

It is expected that HK$150 million of the Consideration will be financed by the net proceeds from the open offer of the Company which had completed in June 2017 (the "**Open Offer**") and the balance will be financed by the Group's internal resources.

Conditions precedent

Completion is conditional upon the fulfillment of, *inter alia*, the following conditions:

(i) the Target Group having collected its entrusted loan of RMB130 million shown in the management account at the end of the first calendar month before the date of Completion and all interest arising therefrom on or before five Business Days prior to the date of Completion. If the entrusted loan has been partially repaid five Business Days prior to the date of Completion, the Target Group is required to collect the remaining entrusted loan with all interest arising therefrom until five Business Days prior to the date of Completion. If the entrusted loan and all interest arising therefrom have been fully repaid five Business Days prior to the date of Completion, the Target Group shall notify the Purchaser and, upon receipt of the written confirmation by the Purchaser, this condition precedent will be deemed to have been satisfied;

(ii) the Vendor and the Vendor Guarantor having signed the guarantee letter to guarantee the account receivables (together with any bad debt arising from such account receivables) as stated on the management accounts of all companies in the Target Group as at the date of Completion;

(iii) the Vendor Guarantor having signed an unconditional and irrevocable undertaking to guarantee the Vendor's obligations under the Sale and Purchase Agreement and to pledge his (and his associates') interests in the 614,826,000 Shares as security;

(iv) the Target Group having held not less than RMB150 million in its bank account as at the date of Completion;

(v) the Purchaser having received a signed PRC legal opinion from the PRC lawyer jointly appointed by the Purchaser and the Vendor, in which the Purchaser having notified the Vendor in writing that it is reasonably satisfied with the PRC legal opinion;

(vi) the Independent Shareholders having passed the necessary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM in accordance with the Listing Rules;

(vii) the Purchaser having notified the Vendor that it is reasonably satisfied with the result of its due diligence review; and

(viii) the Vendor giving an undertaking that the statements in the Sale and Purchase Agreement are true, accurate, not misleading and there have been no material adverse effect in all aspects.

The Purchaser may at any time waive in writing any conditions precedent above (other than condition (vi)). If any of the above conditions precedent have not been fulfilled or waived by the Purchaser by the Long Stop Date, any party to the Sale and Purchase Agreement shall have the right to inform the other parties to terminate the Sale and Purchase Agreement in writing within seven Business Days from the Long Stop Date. Upon termination of the Sale and Purchase Agreement, all rights and obligations of the parties to the Sale and Purchase Agreement shall cease to have effect except in respect of any accrued rights and obligations of such parties. In addition, the Initial Payment shall be returned to the Purchaser within five Business Days upon the termination of the Sale and Purchase Agreement without interest.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

The Irrevocable Undertakings

Pursuant to the supplemental letter dated on 13 September 2017 entered into among the Purchaser, the Vendor and the Vendor Guarantor, the Vendor has agreed to irrevocably and unconditionally undertake, among other things, to guarantee the other loan receivables as stated in the accountant's report of the Target Group as at 30 June 2017 (the "**Other Loan Receivables**") would be fully repaid within one year upon the date in which the relevant Other Loan Receivables were incurred, subject to Completion. The Vendor and Vendor Guarantor have also irrevocably and unconditionally agreed to further undertake and guarantee that they will fully indemnify the Purchaser for any outstanding amount of the Other Loan Receivables which remain outstanding after the relevant repayment due dates (the "**Irrevocable Undertakings**").

Completion

Completion shall take place on the fifth Business Day following the date on which the above conditions precedent have been fulfilled or waived (as the case may be) (or such other date as the parties to the Sale and Purchase Agreement may mutually agree in writing).

Upon Completion, the Target Group will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated with the Group.

PROFIT GUARANTEE

Pursuant to the Sale and Purchase Agreement, the Vendor and the Purchaser agreed that the Consideration may be subject to Adjustment, as such, the Vendor irrevocably warrants and guarantees that:

(a) the audited net profit after tax of AJSH for the year ending 31 December 2017 (the "**2017 Actual Profit**") shall be not less than RMB10,000,000 (the "**2017 Target Profit**");

(b) the audited net profit after tax of AJSH for the year ending 31 December 2018 (the "**2018 Actual Profit**") shall be not less than RMB20,000,000 (the "**2018 Target Profit**"); and

(c) the audited net profit after tax of AJSH for the year ending 31 December 2019 (the "**2019 Actual Profit**") shall be not less than RMB30,000,000 (the "**2019 Target Profit**").

If the 2017 Target Profit is not met, the Vendor shall indemnify the Purchaser the 2017 Shortfall (as defined below) by way of deducting the shortfall from the payment amount of the First Instalment on the fifth Business Day after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2017:

2017 Shortfall = (2017 Target Profit – 2017 Actual Profit) x 1.2

If the 2018 Target Profit is not met, the Vendor shall indemnify the Purchaser the 2018 Shortfall (as defined below) by way of deducting the shortfall from the payment amount of the Second Instalment on the fifth Business Day after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2018:

2018 Shortfall = (2018 Target Profit – 2018 Actual Profit) x 1.2

If the 2019 Target Profit is not met, the Vendor shall indemnify the Purchaser the 2019 Shortfall (as defined below) by way of deducting the shortfall from the payment amount of the Third Instalment on the fifth Business Day after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2019:

2019 Shortfall = (2019 Target Profit – 2019 Actual Profit) x 1.2

If the Second Instalment and the Third Instalment are not sufficient to offset the 2018 Shortfall and the 2019 Shortfall respectively, the Vendor shall compensate the amount of difference in cash, in HK$ equivalent to the amount of RMB calculated by reference to the middle exchange rate of RMB announced by the People's Bank of China one day prior to the date of payment, on or before the fifth Business Day after the issue of the relevant audited consolidated financial statements of the Target Group or the Purchaser has the right to deduct the amount of difference from the assets pledged to the Purchaser under the guarantee letter signed by the Vendor Guarantor.

The multiplier for the Shortfalls above of 1.2 times was arrived at after arm's length negotiations between the Vendor and the Purchaser after taking into account the downside risk if the Target Company fails to achieve the predetermined target profits.

The Purchaser and the Vendor shall procure the Target Group to issue the audited consolidated financial statements to be audited by the auditors appointed by the Purchaser in accordance with the Hong Kong reporting standards, within 60 days from the relevant financial year end.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company incorporated in BVI with limited liability and is beneficially and wholly owned by the Vendor Guarantor. The Vendor owns the ultimate beneficial interests of each of the Target Company, SMIL, SFH, CSN and AJSH respectively.

With reference to (i) the announcements of the Company dated 4 July 2016 and 14 July 2016, Eternally Sunny Limited, a company wholly-owned by the Vendor Guarantor, subscribed 452,810,000 Shares (the "**Subscription**"), representing approximately 12.13% and 10.82% of the issued share capital of the Company immediately before and after completion of the Subscription respectively and completion of the Subscription took place on 14 July 2016; and (ii) the Open Offer, Eternally Sunny Limited subscribed 160,000,000 Shares under the Open Offer and completion of the Open Offer took place on 20 June 2017. Accordingly, Eternally Sunny Limited was deemed interested in 612,810,000 Shares, representing approximately 8.93% of the issued share capital of the Company immediately after completion of the Open Offer.

As informed by the Vendor Guarantor, the spouse of the Vendor Guarantor held 2,016,000 Shares, representing approximately 0.03% of the issued share capital of the Company as at the Latest Practicable Date. As such, the Vendor Guarantor and his associates were interested in 614,826,000 Shares, representing approximately 8.96% of the issued share capital of the Company as at the Latest Practicable Date.

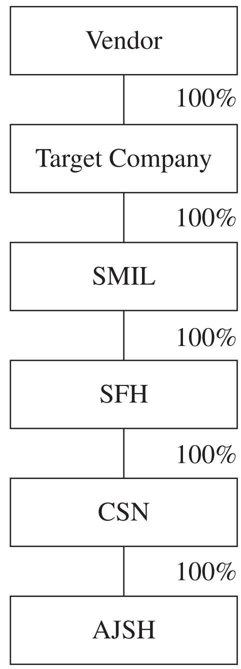
To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the interest of the Vendor Guarantor (and his associates) in 614,826,000 Shares, representing approximately 8.96% of the issued share capital of the Company as at the Latest Practicable Date and that the Target Group currently still has strategic business relationship with Access China Group, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties and do not have any business relationship with the Group (other than in a position as the Vendor Guarantor of the Acquisition).

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in BVI with limited liability. The entire issued share capital of the Target Company is owned by the Vendor. The Target Company currently has four wholly-owned subsidiaries, namely SMIL, SFH and CSN, which are also investment holdings companies, and AJSH which is the operating company of the Target Group.

AJSH is a limited liability company incorporated in the PRC with a paid up registered capital of RMB200,000,000.

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date:



BUSINESS OVERVIEW OF THE TARGET GROUP

The Target Group is principally engaged in the provision of credit-based financing guarantee and related loan arrangement and consultancy services in the PRC. It had obtained the license issued from Beijing Municipal Bureau of Financial Work to provide financing guarantee to individuals and non state-owned small to medium sized enterprises (the "**SMEs**"). The Target Group is a member of 北京市融資擔保業協會 (Beijing Financing Guarantee Association*) which provides professional financing opinions in the development of laws and regulations for the sustainable development of the industry. The following is a brief description of the business provided by the Target Group:–

(i) Credit-based financing guarantee services

Providing guarantees on behalf of its customers including individual business proprietors and SMEs to guarantee the repayment of their loans or performance of their certain contractual obligations.

(ii) Financial consultancy services

Providing consultancy services by introducing methods of financing based on customers' need and circumstance and assist them to apply for financing.

The Target Group mainly acts as an intermediary between the asset partners (the "**Asset Partners**") (資產合作方) and the fund partners (the "**Fund Partners**") (資金合作方) to provide their services. Details are as below:

The Asset Partners

The Asset Partners mainly comprise of borrowers such as SMEs looking for loans to fund their daily operations or business expansion. Notwithstanding the availability of assets which could be pledged as collaterals, many SMEs are facing difficulties in sourcing traditional funding from banks due to their small business size and non state-owned company background. The Target Group would bridge the pathways for SMEs to access funding sources by providing financing guarantees and arrangement services. In return, the Target Group would charge the Asset Partners a service fee calculated based on the amount of the loan guaranteed and the term of the loan period. The service fee typically ranges from 1% to 3% depending on the associated risks of the loans guaranteed upon assessment by the Target Group.

The Fund Partners

The Fund Partners are mainly comprise of commercial banks and other financial institutions looking for investment returns for their idle cash. Apart from that, peer-to-peer financing platforms are another major financing source for the supply chain type financing. A peer-to-peer financing platform is an internet platform for individuals or businesses enterprises to borrow money through online services that match the borrower(s) directly with the financiers. Since the peer-to-peer financing platform providers offer these services through online platforms, they can operate with lower overheads and provide their services at relatively lower costs than traditional financial institutions. As a result, the lenders often earn higher returns through the platform, while the borrowers may borrow at lower interest rates.

The Target Group has taken the below measures for risk assessment and control in its operation:

(i) Risk Evaluation on the Asset Partners

All potential Asset Partners will undergo an evaluation process before becoming the Target Group's Asset Partners. Factors considered include: (1) team structure of the relevant Asset Partner; (2) internal risk management process; (3) historical financials; (4) cash flow projections; (5) customers of the relevant Asset Partner; and (6) quality of collaterals. Only those with satisfactory evaluation results will be shortlisted as the Asset Partners of the Target Group.

(ii) Counter-guarantees from the Asset Partners

To minimize the risks associated with the loan-guarantee, the Asset Partners or related parties are required to provide counter-guarantees to the Target Group. The counter-guarantees are in the form of joint liability such that in the event of payment delay or default, the Target Group will be entitled to take actions against the Asset Partners or relevant third parties for loss recovery.

(iii) Credit Control Software

The Target Group has adopted Tongdun (同盾) (and hereinafter the "**Software**"), a credit control software based on big data technology to evaluate the credit risks of each loan applicant. The Software would assess the risk levels and detect frauds by identifying abnormalities in the personal details of the applicant such as the validity of identity card number(s), contact number(s), address(es), and email address(es). The Software takes into account credit records in courts, banks, credit institutions, consumer financing companies, as well as other various platforms during the risk evaluation process. The Software is also connected to the databases of a number of online financial institutions for cross checking if the applicant is applying loans in several platforms simultaneously.

Financial information of the Target Group

Set out below are certain financial information of the Target Group based on the audited consolidated management account of the Target Group for the two years ended 31 December 2015 and 2016 and for the six months ended 30 June 2017 prepared under the Hong Kong Financial Reporting Standards:

	For the year ended 31 December		**For the six months ended 30 June**
	2015	**2016**	**2017**
	Audited	*Audited*	*Audited*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	35,861	34,074	14,503
Profit before taxation	16,704	14,226	14,418
Profit after taxation	18,041	10,480	10,791
Net (liabilities)/assets	(8,981)	1,495	8,566

The major assets of the Target Group as at 31 December 2016 and 30 June 2017 mainly include the Other Loan Receivables, which comprised of loans to individual third parties (the "**Independent Borrowers**") to finance their business, bearing an interest rate at a range of 5% to 8% per annum and were unsecured and repayable within one year. As informed by the Vendor, although providing loan financing to the Independent Borrowers (the "**Loan Financing Activities**") are not in the ordinary course of business of the Target Group, the Loan Financing Activities could enhance the utilization efficiency of idle funds of the Target Group which in turn could enhance the profitability of the Target Group. Under the Company's due diligence process and the legal advice obtained by the Company, the Directors are of the view that based on the documents provided by the Target Group, the loan agreements under the Loan Financing Activities (i) are in compliance with relevant PRC laws, regulations, departmental rules and the rulings of and judicial interpretations issued by the Supreme People's Court of the PRC; (ii) do not amount to a violation of laws and administrative regulations of the mandatory provisions given the situation; and (iii) based on the current relevant laws, regulations, departmental rules and the Supreme People's Court of the judicial interpretation of the relevant provisions, will not be treated as illegal and/or invalid. The Directors confirmed that the Target Group will not further provide such loans after Completion.

To assess the credit risk and recoverability of the Other Loan Receivables, the Group has:

– conducted site visits to the Target Group and certain Independent Borrowers to access the operations of these parties;

– reviewed due diligence and credit risk assessment report prepared by the Target Group on the Independent Borrowers; and

– reviewed the Independent Borrowers' repayment record in the past to ensure timeliness of repayment history.

In addition, the Group has also obtained Irrevocable Undertakings from the Vendor and Vendor Guarantor that they will fully indemnify the Purchaser for any outstanding amount of the Other Loan Receivables which remain unsettled at the expiry of the relevant repayment due dates.

Having considered the above and given the fact that the Target Group has long term business relationships with the Independent Borrowers, the Directors are of the view that the recoverability of the Other Loan Receivables is satisfactory and the overall assessments performed by the Target Group together with the Irrevocable Undertakings are sufficient to protect the interest of the Group and its Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, loan referral and consultancy services.

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Directors will continue to (i) identify opportunities to add value to the existing operations and explore new ways to expand the business to another level and (ii) explore new investment opportunities including but not limited to financial service related business with the aim to enhance the returns to the Shareholders. As mentioned in the circular of the Company dated 26 May 2017 regarding the Open Offer with net proceeds of approximately HK$222.7 million, the Company has commenced the negotiation with the Target Company and planned to allocate the proceeds from the Open Offer to acquire the Target Group.

On 14 December 2016, the Group as purchaser entered into an a sale and purchase agreement with Heroic Fiction International Limited as vendor and Chong Kwok Wing (being the ultimate shareholder of Heroic Fiction International Limited) as guarantor, to acquire the entire equity interest of Access China Group Limited (the "**Previous Acquisition**").

As informed by the Vendor Guarantor, Access China Group has strategic business relationship with the Target Group to share their respective customer bases, in which Access China Group has started providing consultancy services to the customers while the Target Group has started providing customers with financial guarantee services. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries and the Vendor Guarantor confirmed that the Vendor Guarantor (i) had disposed 90% of the equity interests of one of the subsidiaries of the Access China Group to an Independent Third Party in 2012 (the "**2012 Disposal**") and resigned as a director and legal representative of such subsidiary in 2012; and (ii) had no directorship and no shareholding in the Access China Group since the completion of the 2012 Disposal.

The Vendor Guarantor confirmed that save for the 2012 Disposal and his current interests in the Target Group which has strategic business relationship with the Access China Group and to the best of his information, knowledge and belief, the Vendor Guarantor and his associates have no relationship among themselves, the Access China Group and Mr. Chong Kwok Wing and his associates and there has been no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among the above parties.

The Group acquired Prominence Financials Limited, which is principally engaged in the provision of type 1 (dealing in securities) regulated activities under the SFO in Hong Kong. and Prominence Asset Management Limited, which is principally engaged in the provision of type 9 (asset management) regulated activities under the SFO in Hong Kong (together, the "**Prominence Group**") from Beta Breaker Holdings Limited ("**Beta Breaker**") in September 2015.

The Vendor Guarantor confirmed that save for the Vendor Guarantor had introduced the Group to the potential business opportunity in acquiring the entire interests of Access China Group and to the best of his information, knowledge and belief, the Vendor Guarantor and his associates have (i) no involvement in the negotiation of the Previous Acquisition and the acquisition of the Prominence Group; and (ii) no relationship among themselves, the Prominence Group, Beta Breaker and its ultimate beneficial owner and his associates; and there has been no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among the above parties.

Beta Breaker and its ultimate beneficial owner confirmed that to the best of their information, knowledge and belief, that Beta Breaker and its ultimate beneficial owner and his associates have no relationship among themselves, the Vendor Guarantor and his associates, Mr. Chong Kwok Wing and his associates and the Access China Group, and there has been no agreement, arrangement, understanding or undertaking (whether formal or informal and whether express or implied) among the above parties.

The Directors considered that the Previous Acquisition and the Acquisition will achieve synergies in terms of customer base coverage and operation efficiency which in turn enable the Group to provide financing solutions to customers.

Having considered, among other things:

(i) the Acquisition provides the Group to tap into financial guarantee business in the PRC;

(ii) the Acquisition has no dilution impact as the Consideration will be fully settled in cash;

(iii) the expected market potential of financing guarantee business in the PRC;

(iv) the Sale and Purchase Agreement has in place the profit guarantees covering the period up to 31 December 2019 and a corresponding Adjustment mechanism on the Consideration to safeguard the interests of the Company; and

(v) under the Target Group's existing credit evaluation mechanism, the credit worthiness of relevant customers has been assessed by a systematic process, including comprehensive customer due diligence prior to the provision of the credit-guarantee service by the Target Group and the ongoing monitoring of financial position of customers, it is expected that the Group's risk assessment process will be enhanced after leveraging the mechanism and the expertise of the Target Group,

the Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms after arm's length negotiation and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT OF THE ACQUISITION

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such pro forma financial information, the Group's total assets and total liabilities would be increased by approximately HK$177.3 million and approximately HK$179.3 million respectively as a result of the Acquisition. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out, for illustration purpose only, in Appendix III to this circular.

The Acquisition would have increased the profits of the Group had the Acquisition been completed on 30 June 2017.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition calculated exceed 25% but is less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As such, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE SGM

The SGM will be convened and held at Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Monday, 9 October 2017 at 11:00 a.m., the notice of which is set out on pages SGM-1 to SGM-3 of this circular, for the Shareholders or Independent Shareholders (as the case may be) to consider and, if thought fit, approve the Acquisition and the transactions contemplated thereunder.

The Vendor Guarantor and his associates, who are interested in 614,826,000 Shares, representing approximately 8.96% of the total issued share capital of the Company as at the Latest Practicable Date are entitled to exercise control or control the voting rights in respect of their Shares. As the Vendor is beneficially and wholly-owned by the Vendor Guarantor, the Vendor Guarantor and his associates are required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

Any vote to be exercised by the Shareholders or Independent Shareholders (as the case may be) at the SGM shall be taken by way of poll.

The register of members of the Company will be closed from Tuesday, 3 October, 2017 to Monday, 9 October, 2017, both days inclusive, during which period no transfer of Shares will be registered. In order for you to be eligible to attend and vote at the SGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 September, 2017.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Acquisition are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution(s) as set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for each of the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 and the unaudited interim results for the six months ended 30 June 2017, have been disclosed in the following annual reports of the Company and results announcement of the Company which are available on the Company's website at www.irasia.com/listco/hk/greaterchina/index.htm and the website of the Stock Exchange at www.hkexnews.hk:

- the annual report of the Company for the year ended 31 December 2014 (pages 18 to 92) published on 26 March 2015;
- the annual report of the Company for the year ended 31 December 2015 (pages 39 to 164) published on 20 March 2016;
- the annual report of the Company for the year ended 31 December 2016 (pages 65 to 236) published on 26 March 2017; and
- the interim results announcement of the Company for the six months ended 30 June 2017 published on 22 August 2017.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 July 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding bank borrowings, shareholder's loan, other loans and convertible notes of approximately HK$396,620,000, details of which are as follows:

Shareholder's loan

The Enlarged Group had outstanding shareholder's loan of RMB202,435,818 (approximately to HK$233,355,410) which is unsecured, interest-free and repayable on demand. The amount of the shareholder's loan owing by the Target Group to the Vendor in the books of the Target Group will be assigned to amounts due to the Group and hence these amounts will become receivable balances due from the Target Group to the Group upon Completion.

Bank borrowings

The Enlarged Group had outstanding bank borrowings of RMB85,000,000 (approximately to HK$97,983,000) which comprised (i) short-term secured bank loan of RMB5,000,000 (approximately to HK$5,764,000) carried at interest rate of 6.37% per annum will be repayable this year; and (ii) long-term secured bank loan of RMB80,000,000 (approximately to HK$92,219,000) carried at interest rate of 6.37% per annum will be repayable semi-annually until year 2025 which secured by the pledge of prepaid lease payments of approximately RMB21,118,000 (approximately to HK$24,344,000) and warehouses of approximately RMB88,198,000 (approximately to HK$101,669,000). The total unutilised amount of banking facilities available to us amounted to RMB55,000,000 (approximately to HK$63,401,000).

Other loans

The Enlarged Group had the other loans amounted to RMB50,000,000 (approximately to HK$57,637,000) carried at interest rate 10-12% per annum. The other loans are unsecured, unguaranteed and repayable within one year.

Convertible notes

The Enlarged Group had outstanding zero-coupon convertible notes in principal amount of HK$5,124,106 and HK$2,520,000 due on 2 June 2020 and 14 March 2021 respectively with carrying amount of the liability portion of HK$3,774,632 and HK$1,584,851 respectively. The convertible notes, if not converted, are unsecured, unguaranteed and payable in one lump sum on their respective maturity dates at 100% of the principal amount.

Guarantees issued

At the close of business on 31 July 2017, the Enlarged Group has provided the total maximum guarantees to customers of amount to RMB342,601,096 (approximately to HK$394,929,000). The total maximum guarantee issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

Certain equity securities listed in Hong Kong classified as available-for-sale financial assets are placed in a margin account of a regulated securities broker. No margin facility is utilised as at 31 July 2017.

Save as disclosed above and otherwise mentioned in this circular, except and apart from the intra-group liabilities and normal trade and other payables, the Enlarged Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges or guarantees or other material contingent liabilities as at the close of business on 31 July 2017.

For the purpose of the indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing as at 31 July 2017.

3. WORKING CAPITAL STATEMENT

The Directors, after taking into account the internal financial resources available to the Group, including bank balances and cash, the available banking facilities and the effect of the Acquisition and after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the annual report of the Company for the year ended 31 December 2016, 2016 has been a difficult year with severe challenges for the Group. The Group has been affected adversely by the deconsolidation of its pawnshop operations and resulted in a significant loss of approximately HK$970 million. Overall speaking, the financial markets in both Hong Kong and China are volatile. However, the Group still managed to complete the acquisition of the financial related operations including the securities brokerage, asset management and insurance brokerage and commence those businesses during the year of 2016.

Despite the challenges encountered by the Group in 2016, the Board believed that 2017 would be a year full of opportunities. The Group has gradually diverted into the financial service business in Hong Kong as well as in China. In Hong Kong, the Company will further develop its operations in securities brokerage, loan financing, insurance brokerage and asset management. In China, the Company will develop the financing consultancy business which was newly acquired by the end of 2016 and will continue to identify opportunities to add value to the existing operations and explore new ways to expand the business to another level. The Group will continue to explore new investment opportunities including but not limited to financial service related business with the aim to enhance the returns to the Shareholders.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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15 September 2017

The Board of Directors
Greater China Financial Holdings Limited
Suites 3001-11, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sirs,

We report on the historical financial information of Sino Wealth Investment Co., Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-6 to II-51, which comprises the consolidated statements of financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended and for the six months ended 30 June 2017 (the "Relevant Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information of the Target Group"). The Historical Financial Information of the Target Group set out on pages II-6 to II-51 forms an integral part of this report, which has been prepared for inclusion in the circular of Greater China Financial Holdings Limited (the "Company") dated 15 September 2017 (the "Circular") in connection with the acquisition of the entire equity interest in Sino Wealth Investment Co., Limited (the "Acquisition").

Director's responsibility for the Historical Financial Information of the Target Group

The director of the Target Company is responsible for the preparation of Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information of the Target Group, and for such internal control as the director of the Target Company determines is necessary to enable the preparation of Historical Financial Information of the Target Group that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information of the Target Group and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information of the Target Group is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information of the Target Group. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information of the Target Group, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information of the Target Group that gives a true and fair view in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information of the Target Group in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information of the Target Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information of the Target Group gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2014, 2015 and 2016 and 30 June 2017 and of the Target Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information of the Target Group.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.2 to the Historical Financial Information of the Target Group which indicates that, the Target Group's capital deficiency attributable to the owner of the Target Company were approximately HK$33,205,000, HK$14,476,000 and HK$3,946,000 as at 31 December 2014, 2015 and 2016 respectively. The Target Group's total current liabilities exceeded its total current assets by approximately HK$27,900,000, HK$15,044,000, HK$8,195,000 and HK$1,882,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively and net liabilities of the Target Group was approximately HK$27,832,000 and HK$8,981,000 as at 31 December 2014 and 2015 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern. As explained in Note 2.2 to the Historical Financial Information of the Target Group, these Historical Financial Information of the Target Group have been prepared on a going concern basis.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the ''Stub Period Comparative Financial Information of the Target Group''). The director of the Target Company is responsible for the preparation of the Stub Period Comparative Financial Information of the Target Group in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information of the Target Group. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information of the Target Group based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information of the Target Group, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.2 to the Historical Financial Information of the Target Group.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information of the Target Group is stated after making such adjustments to the Historical and Underlying Financial Statements of the Target Group as defined on page II-5 as were considered necessary.

Dividends

We refer to Note 11 to the Historical Financial Information of the Target Group which states that no dividends have been paid by the Target Group in respect of the Relevant Period.

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

15 September 2017

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information of the Target Group

Set out below is the Historical Financial Information of the Target Group which forms an integral part of this accountants' report.

The Historical Financial Information of the Target Group in this report was prepared based on previously issued financial statements of the Target Group for the years ended 31 December 2014, 2015 and 2016. For the six months ended 30 June 2017, the director of the Target Company has prepared the consolidated financial statements of the Target Group and we have audited the consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by HKICPA (collectively ''Historical and Underlying Financial Statements of the Target Group'').

The Historical Financial Information of the Target Group is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December			For the six months ended 30 June	
		2014	**2015**	**2016**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*7*	12,761	35,861	34,074	15,401	14,503
Other income, gains or losses	*8*	181	135	4,626	1,557	8,463
Administrative expenses		(25,418)	(19,292)	(24,474)	(14,066)	(8,548)
(Loss) profit before tax		(12,476)	16,704	14,226	2,892	14,418
Income tax	*10*	–	1,337	(3,746)	(737)	(3,627)
(Loss) profit for the year/ period	*9*	(12,476)	18,041	10,480	2,155	10,791
(Loss) profit for the year/ period attributable to:						
– Owner of the Target Company		(12,164)	17,590	10,219	2,103	10,571
– Non-controlling interests		(312)	451	261	52	220
(Loss) profit for the year/ period		(12,476)	18,041	10,480	2,155	10,791
Other comprehensive income (expense) for the year/ period that may be reclassified subsequently to profit or loss						
Exchange differences on translation of foreign operations		508	810	(4)	(1,276)	422
Total comprehensive (expense) income for the year/period		(11,968)	18,851	10,476	879	11,213
Total comprehensive (expenses) income for the year/period attributable to:						
– Owner of the Target Company		(12,026)	18,729	10,530	897	10,725
– Non-controlling interests		58	122	(54)	(18)	488
Total comprehensive (expense) income for the year/period		(11,968)	18,851	10,476	879	11,213

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2014	2015	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Plant and equipment	13	68	135	397	809
Deferred tax asset	14	–	5,928	9,293	9,639
		68	6,063	9,690	10,448
Current assets					
Trade receivables, other receivables and prepayments	15	11,023	30,349	31,568	37,091
Other loan receivables	16	–	–	21,619	106,239
Restricted bank deposits	17	14,020	4,012	18,308	13,237
Bank balances and cash	17	260,689	238,359	87,752	22,342
Entrusted bank loan		–	–	144,462	149,843
		285,732	272,720	303,709	328,752
Current liabilities					
Receipts in advance		11,597	6,110	1,313	–
Other payables and accruals	18	243,741	211,705	102,700	44,100
Liabilities from financial guarantees	19	39,950	48,076	53,128	52,003
Tax payables	14	–	4,549	4,420	1,193
Amounts due to related companies	20	18,344	17,324	150,343	233,338
		313,632	287,764	311,904	330,634
Net current liabilities		(27,900)	(15,044)	(8,195)	(1,882)
Net (liabilities) assets		(27,832)	(8,981)	1,495	8,566
Capital and reserves					
Share capital		1,061	1,061	1,061	388
Reserves		(34,266)	(15,537)	(5,007)	8,178
(Capital deficiency) total equity attributable to owner of the Target Company		(33,205)	(14,476)	(3,946)	8,566
Non-controlling interests		5,373	5,495	5,441	–
(Capital deficiency) total equity		(27,832)	(8,981)	1,495	8,566

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owner of the Target Company							
	Share capital HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Merger reserve HK$'000	(Accumulated loss) Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	(Capital deficiency) Total equity HK$'000
Balance as at 1 January 2014	1,061	212	(1,008)	–	(21,444)	(21,179)	5,315	(15,864)
Comprehensive income								
Loss for the year	–	–	–	–	(12,164)	(12,164)	(312)	(12,476)
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	138	–	–	138	370	508
Total comprehensive income (expense) for the year	–	–	138	–	(12,164)	(12,026)	58	(11,968)
Balance as at 31 December 2014	1,061	212	(870)	–	(33,608)	(33,205)	5,373	(27,832)
Comprehensive income								
Profit for the year	–	–	–	–	17,590	17,590	451	18,041
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	1,139	–	–	1,139	(329)	810
Total comprehensive income for the year	–	–	1,139	–	17,590	18,729	122	18,851
Balance as at 31 December 2015	1,061	212	269	–	(16,018)	(14,476)	5,495	(8,981)
Comprehensive income								
Profit for the year	–	–	–	–	10,219	10,219	261	10,480
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	311	–	–	311	(315)	(4)
Total comprehensive income for the year	–	–	311	–	10,219	10,530	(54)	10,476
Balance as at 31 December 2016	1,061	212	580	–	(5,799)	(3,946)	5,441	1,495
Comprehensive income								
Profit for the period	–	–	–	–	10,571	10,571	220	10,791
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	154	–	–	154	268	422
Total comprehensive income for the period	–	–	154	–	10,571	10,725	488	11,213
Effect of reorganisation	(1,061)	–	–	1,069	–	8	–	8
Acquisition of non-controlling interest	–	–	–	–	1,391	1,391	(5,929)	(4,538)
Increase in share capital	388	–	–	–	–	388	–	388
Balance as at 30 June 2017	388	212	734	1,069	6,163	8,566	–	8,566
For the six months ended 30 June 2016 (unaudited)								
Balance as at 1 January 2016	1,061	212	269	–	(16,018)	(14,476)	5,495	(8,981)
Comprehensive income								
Profit for the period	–	–	–	–	2,103	2,103	52	2,155
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	(1,206)	–	–	(1,206)	(70)	(1,276)
Total comprehensive (expenses) income for the period	–	–	(1,206)	–	2,103	897	(18)	879
Balance as at 30 June 2016 (unaudited)	1,061	212	(937)	–	(13,915)	(13,579)	5,477	(8,102)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	For the year ended 31 December			For the six months ended 30 June	
		2014	2015	2016	2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Operating activities						
(Loss) profit before tax		(12,476)	16,704	14,226	2,892	14,418
Adjustments for:						
Bank interest income		(181)	(135)	(233)	(139)	(92)
Depreciation		13	18	52	17	64
Provision of guarantee		21,820	10,905	8,085	9,051	(3,053)
Written off of plant and equipment		–	–	–	–	26
Operating cash flows before movements in working capital		9,176	27,492	22,130	11,821	11,363
Increase in trade receivables, other receivables and prepayments		(6,209)	(19,326)	(1,219)	(5,644)	(5,523)
Increase in other loan receivables		–	–	(21,619)	–	(84,620)
Decrease (increase) in restricted bank deposits		2,877	10,008	(14,296)	(8,803)	5,070
Increase in entrusted bank loan		–	–	(144,462)	(150,956)	(5,382)
Increase (decrease) in receipt in advance		9,913	(5,472)	(4,798)	(3,085)	(1,312)
(Decrease) increase in other payables and accruals		(49,507)	(32,051)	(109,005)	64,692	(58,600)
(Decrease) increase in amount due to related companies		(472)	(1,020)	133,019	(17,324)	82,994
Cash used in operations		(34,222)	(20,369)	(140,250)	(109,299)	(56,010)
Income tax paid		–	(106)	(7,495)	(5,856)	(7,035)
Net cash used in operating activities		(34,222)	(20,475)	(147,745)	(115,155)	(63,045)

	Notes	For the year ended 31 December			For the six months ended 30 June	
		2014	2015	2016	2016	2017
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(Unaudited)	
Investing activities						
Purchase of plant and equipment		–	(92)	(334)	(74)	(473)
Interest received		181	135	233	139	92
Investment in subsidiary		–	(329)	(315)	(70)	(4,271)
Net cash generated from (used in) investing activities		181	(286)	(416)	(5)	(4,652)
Financing activities						
Proceeds from issue of shares		–	–	–	–	388
Net cash generated from financing activities		–	–	–	–	388
Net decrease in cash and cash equivalents		**(34,041)**	**(20,761)**	**(148,161)**	**(115,160)**	**(67,309)**
Cash and cash equivalents at beginning of the year/period		294,884	260,689	238,359	238,359	87,752
Effect of foreign exchange rate changes		(154)	(1,569)	(2,446)	(389)	1,899
Cash and cash equivalent at end of the year/period		**260,689**	**238,359**	**87,752**	**122,810**	**22,342**
Analysis of balances of cash and cash equivalent:						
Bank balances and cash	*17*	260,689	238,359	87,752	122,810	22,342

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. Corporate Information

Sino Wealth Investment Co., Limited ("Sino Wealth") is a limited liability company established in the British Virgin Islands on 25 April 2017. The registered office of Sino Wealth is located at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands.

Sino Wealth is an investment holding company. During the Relevant Period, the Target Group is principally engaged in financial guarantee services and financial consulting services.

On 25 April 2017, the Target Company was established in the BVI with registered capital of US$50,000. On 16 May 2017, the Target Company acquired 100% of the equity interests of Success Mark Inc Limited ("SMIL") from Mr. Yang Dayong ("Vendor Guarantor"). On 13 April 2017, Beijing Sheng Feng Hui Advisory Company Limited ("SFH") was established in the PRC with registered capital of RMB100,000 and the sole shareholder was SMIL. On 1 June 2017, SFH acquired 100% of the equity interests of Beijing Jue Ce Shang Nuo Technology Company Limited ("CSN") which is controlled by Mr. Yang Dayong by declaration of trusts from the date on 29 February 2008. Sino Wealth became the holding company of the subsidiaries comprising the Target Group upon the completion of the reorganisation ("the Reorganisation").

Prior to the Reorganisation, the Target Company's subsidiaries were owned by Mr. Yang Dayong, the controlling shareholder through its immediate holding company, Sino Wealth Investment Co., Limited.

Accordingly, for the purpose of the preparation of the Historical Financial Information of the Target Group, the Target Company has been considered as the holding company of the companies now comprising the Target Group throughout the Relevant Period. The Target Group comprising the Target Company and its subsidiaries, the Target Company's subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Target Group was under the control of Mr. Yang Dayong prior to and after the Reorganisation.

As at the end of the Relevant Period, Sino Wealth has direct or indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to Sino Wealth		Principal activities
			Direct	Indirect	
Success Mark Inc Limited ("SMIL")	Hong Kong/ Hong Kong 12/12/2016	HK$1	100%	–	Investment holding
北京晟峰惠咨詢有限公司 (Beijing Sheng Feng Hui Advisory Company Limited)* ("SFH")	PRC/PRC 13/4/2017	RMB100,000	–	100%	Investment holding
北京決策尚諾科技有限公司 (Beijing Jue Ce Shang Nuo Technology Company Limited)* ("CSN")	PRC/PRC 4/7/2005	RMB200,000,000	–	100%	Investment holding
北京安家世行融資擔保有限公司 (Beijing An Jia Shi Hang Financial Guarantee Company Limited)* ("AJSH")	PRC/PRC 18/8/2004	RMB200,000,000	–	100%	Financing guarantee and consulting services

* *The English transliteration of Chinese name is for reference only and should not be regarded as its official English name.*

Notes:

(1) The statutory financial statements of CSN and AJSH for the years ended 31 December 2014, 2015 and 2016 prepared under the relevant accounting principles applicable to enterprises established in Mainland China (the "PRC GAAP") were audited by certified public accountants registered in the PRC.

2.1 Basis of Presentation

Pursuant to the Reorganisation, Sino Wealth became the holding company of the companies now comprising the Target Group on 1 June 2017. The companies now comprising the Target Group were under the common control of controlling shareholder Mr. Yang Dayong ("Mr. Yang") before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information of the Target Group has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for the Relevant Period including the results and cash flows of all companies now comprising Target Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Mr. Yang, where this is a shorter period. The consolidated statements of financial position of the Target Group as at 31 December 2014, 2015 and 2016 and 30 June 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Mr. Yang's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than Mr. Yang and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

2.2 Basis of Preparation

The Historical Financial Information of the Target Group has been prepared in accordance with "HKFRSs" (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the relevant accounting periods, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information of the Target Group for the purposes of presenting consolidated historical financial information.

The Historical Financial Information of the Target Group has been prepared under the historical cost convention. The Historical Financial Information of the Target Group is presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

For the years ended 31 December 2014, 2015 and 2016, the Target Group's capital deficiencies attributable to the owner of the Target Company were approximately HK$33,205,000, HK$14,476,000 and HK$3,946,000 respectively. The Target Group's total current liabilities exceeded its total current assets by approximately HK$27,900,000, HK$15,044,000, HK$8,195,000 and HK$1,882,000 as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively and the Target Group had net liabilities of approximately HK$27,832,000 and HK$8,981,000 as at 31 December 2014 and 2015 respectively. The Vendor, New Wealth Investment Co., Limited has confirmed its intention to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and the Target Company to continue their businesses for twelve months after the respective years ended 31 December 2014, 2015 and 2016 respectively if the proposed transaction is not completed, and to the completion date if the proposed transaction is completed. The Company has confirmed its intention to provide sufficient financial support to the Target Group and the Target Company so as to enable the Target Group and the Target Company to meet all their liabilities and obligations as and when they fall due and to enable the Target Group and the Target Company to continue their businesses from the completion date of the proposed transaction up to twelve months after the year ended 31 December 2017 if the proposed transaction is completed. Consequently, the Historical Financial Information of the Target Group has been prepared on a going concern basis.

3. Issued But Not Yet Effective Hong Kong Financial Reporting Standards ("HKFRSs")

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information of the Target Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
HKFRS 16	Leases[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except amendements to HKFRS 12[1]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

3 Effective for annual periods beginning on or after a date to be determined.

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Historical Financial Information of the Target Group.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Target Group are described as follows:

- all recognised financial assets that are within the scope of HKFRS 9 are required 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, 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.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments: Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Target Group's financial instruments and risk management policies as at 30 June 2017, upon application of HKFRS 9, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Target Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the director of the Target Company performs a detailed review.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue 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.

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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The director of the Target Company anticipates that the application of HKFRS 15 in the future may result in more disclosures, however, the director of the Target Company does not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

4. Summary of Significant Accounting Policies

(a) Merger accounting for common control combinations

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous end of reporting period or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(b) Acquisition method for non-common control combination

The Target Group applies the acquisition method of accounting to account for business combinations, other than the common control combinations (note 4(a)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Target Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss and other comprehensive income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Target Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Target Company.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Target Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Basis of consolidation

This Historical Financial Information of the Target Group includes the financial statements of Target Company and its subsidiaries for the Relevant Period.

The financial statements of the subsidiaries are prepared for the same reporting period as Sino Wealth, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group 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 Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

As explained in note 2.1 of Section II above, the acquisition of subsidiaries under common control has been accounted for using the merger accounting.

(e) Fair value measurement

The Target Group measures its equity and debt investments at fair value at the end of each of the Relevant Period. 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 at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interests.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information of the Target Group are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information of the Target Group on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Period.

(f) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Gains or losses arising from the retirement or disposal of an item of equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful life
Motor vehicle	5 years
Furniture and fittings	3 – 5 years
Office equipment	3 – 5 years

Where parts of an item of equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets of the Target Group are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Impairment of financial assets

The Target Group assesses at the end of each of the Relevant Period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Target Group are classified, at initial recognition, as other financial liabilities, including amounts due to related companies, other payables and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Target Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, contingent liabilities and contingent assets; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Target 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 the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, bank balances including term deposits, which are not restricted as to use.

(i) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pursuant to the relevant laws and regulations of the PRC, the Target Group's subsidiaries in the PRC have joined defined contributions for the employees, such as basic pension scheme, housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Target Group makes contributions to the above mentioned schemes at the applicable rates based on the amounts stipulated by the government organisation. The contributions are charged to profit or loss on an accrual basis.

(j) Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the ''holder'') for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Target Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within liabilities from guarantees. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the statement of profit or loss on initial recognition of any deferred income.

The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued. In addition, provisions are recognised in accordance with Note 4(k) if and when (i) it becomes probable that the holder of the guarantee will call upon the Target Group under the guarantee, and (ii) the amount of that claim on the Target Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(k) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) ***Income tax***

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from the rendering of services is recognised by reference to the stage of completion of the transaction based on the services performed to date as a percentage of the total services to be performed.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that it is probable be recoverable.

(ii) Guarantee fee income

The amount of the guarantee is recognised when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. The fair value of the guarantee is initially recognised as deferred income and is amortised in profit or loss over the term of the guarantee as guarantee fee income (see Note 4 (j)).

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(n) 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on 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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information of the Target Group, the assets and liabilities of the Target Group are translated into the presentation currency of the Target Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(o) Related parties

(i) A person, or a close member of that person's family, is related to the Target Group if that person:

(a) has control or joint control of the Target Group;

(b) has significant influence over the Target Group; or

(c) is a member of the key management personnel of the Target Group or of a parent of the Target Group.

(ii) An entity is related to the Target Group if any of the following conditions applies:

(a) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. Significant accounting judgements and estimates

The preparation of the Target Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

(a) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses was HK$17,741,000 as at 31 December 2014.

(b) Provision of guarantee losses

The Target Group makes reasonable estimate on expense required to fulfil the relevant obligation of guarantee contracts when the Target Group computes the provisions of guarantee losses. Such estimation is made based on the available information as at the end of each reporting period and is determined by the Target Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit or loss in future years.

6. Operating segment information

The Target Group's revenue arises principally from financial guarantee services.

For the purpose of resources allocation and performance assessment, the Target Group's management focuses on the operating results of the Target Group as a whole as the Target Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

The Target Group's revenue is derived solely from its operations in PRC.

All non-current assets held were located in PRC.

Total segment assets and liabilities equal to the total assets and liabilities of the Target Group.

7. Revenue

Revenue represents income from the provision of financial guarantee and financial consultancy services during the Relevant Period.

The amount of each significant category of revenue recognised during the year/period is as follows:

	For the year ended 31 December			**For the six months ended 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Guarantee fee income	12,506	17,213	11,244	6,598	6,526
Service fee from consultancy services	255	18,648	22,830	8,803	7,977
	12,761	35,861	34,074	15,401	14,503

8. Other income, gains or losses

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	181	135	233	139	92
Interest income from other loan receivables	–	–	–	–	2,449
Interest income from entrusted bank loans	–	–	4,255	1,418	2,751
Others	–	–	138	–	118
Provision for financial guarantees written back	–	–	–	–	3,053
	181	135	4,626	1,557	8,463

9. (Loss) profit for the year/period

Target Group's (loss) profit for the Relevant Period is stated after charging (crediting) the following:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	(181)	(135)	(233)	(139)	(92)
Charges for (written back of) provision for financial guarantees	21,820	10,905	8,085	9,051	(3,053)
Depreciation of plant and equipment	13	18	52	17	64
Operating lease charges in respect of rented premises	–	1,603	2,465	1,226	1,398
Retirement benefits schemes contributions	333	482	630	–	321
Staff costs (including director's emoluments):					
Salaries and other costs	1,391	2,123	2,999	–	2,667
Written off of plant and equipment	–	–	–	–	26

9A. Emoluments of director and employees

	For the year ended 31 December 2014			
	Director's fees	Salaries/ service fee and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director				
Mr. Yang Dayong	–	–	–	–

	For the year ended 31 December 2015			
	Director's fees	Salaries/ service fee and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director				
Mr. Yang Dayong	–	–	–	–

	For the year ended 31 December 2016			
	Director's fees	Salaries/ service fee and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director				
Mr. Yang Dayong	–	165	35	200

	For the six months ended 30 June 2016 (unaudited)			
	Director's fees	Salaries/ service fee and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director				
Mr. Yang Dayong	–	403	30	433

	For the six months ended 30 June 2017			
	Director's fees	Salaries/ service fee and other benefits	Retirement benefits scheme contributions	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Director				
Mr. Yang Dayong	–	401	59	460

9B. Five highest paid individuals

The five highest paid individuals for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 included the director of the Target Company, Mr. Yang Dayong for the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017, details of whose remunerations are set out follows:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, bonus and allowances	533	535	636	300	664
Retirement benefits schemes contributions	84	84	67	31	67

The number of these highest paid individuals, whose emolument fell within the following bands is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

10. Income tax

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Deferred income tax	–	(6,201)	(3,876)	–	–
PRC enterprise income tax	–	4,864	7,622	737	3,627
Income tax (credit) expense	–	(1,337)	3,746	737	3,627

(a) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax had been made as the Target Group did not generate any assessable profits in Hong Kong in the Relevant Period.

(b) PRC enterprise income tax ("EIT")

EIT is provided on the assessable income of entities within the Target Group incorporated in the PRC, calculated in accordance with the relevant regulations of the PRC at the rate of 25% on the estimated assessable profit for the Relevant Period.

(b) Reconciliation between tax (credit) expense charged to profit or loss and accounting profit

A reconciliation of the tax (credit) expense applicable to (loss)/profit before tax using the PRC statutory tax rate to the tax expense at the effective tax rate, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
(Loss) profit before tax	(12,476)	16,704	14,226	2,892	14,418
Tax at the PRC enterprise income tax rate of 25%	(3,119)	4,176	3,557	723	3,605
Tax effect of expenses not deductible for tax purpose	3	70	192	14	22
Tax effect on temporary differences not recognised	1,648	(2,821)	–	–	–
Tax effect on tax losses not recognised	1,468	–	–	–	–
Utilisation of tax losses previously not recognised	–	(2,762)	(3)	–	–
Income tax (credit) expense	–	(1,337)	3,746	737	3,627

11. Dividends

No dividend was paid or proposed to the shareholder of Target Company during the Relevant Period.

12. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

13. Plant and equipment

	Motor vehicle	Office equipment	Furniture and fittings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1 January 2014	–	451	152	603
Effect of foreign currency exchange differences	–	(11)	(4)	(15)
At 31 December 2014 and 1 January 2015	–	440	148	588
Additions	–	92	–	92
Effect of foreign currency exchange differences	–	(29)	(9)	(38)
At 31 December 2015 and 1 January 2016	–	503	139	642
Additions	–	129	205	334
Effect of foreign currency exchange differences	–	(34)	(17)	(51)
At 31 December 2016 and 1 January 2017	–	598	327	925
Additions	453	20	–	473
Written off	–	(134)	(122)	(256)
Effect of foreign currency exchange differences	8	20	17	45
At 30 June 2017	461	504	222	1,187
ACCUMULATED DEPRECIATION				
At January 2014	–	383	137	520
Charge for the year	–	13	–	13
Effect of foreign currency exchange differences	–	(10)	(3)	(13)
At 31 December 2014	–	386	134	520

	Motor vehicle *HK$'000*	Office equipment *HK$'000*	Furniture and fittings *HK$'000*	Total *HK$'000*
Charge for the year	–	18	–	18
Effect of foreign currency exchange differences	–	(23)	(8)	(31)
At 31 December 2015 and 1 January 2016	–	381	126	507
Charge for the year	–	39	13	52
Effect of foreign currency exchange differences	–	(23)	(8)	(31)
At 31 December 2016 and 1 January 2017	–	397	131	528
Charge for the period	14	32	18	64
Written off	–	(121)	(109)	(230)
Effect of foreign currency exchange differences	–	13	3	16
At 30 June 2017	14	321	43	378
CARRYING AMOUNTS				
At 31 December 2014	–	54	14	68
At 31 December 2015	–	122	13	135
At 31 December 2016	–	201	196	397
At 30 June 2017	447	183	179	809

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

Furniture and fittings	3-5 years
Office equipment	3-5 years
Motor vehicle	5 years

14. Deferred taxation

(a) The component of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Provision for financial guarantee losses
	HK$'000
At 1 January 2014	–
Credited to profit or loss	–
At 31 December 2014 and 1 January 2015	–
Under provision of deferred tax assets in prior year	3,855
Credited to profit or loss	2,346
Exchange realignment	(273)
At 31 December 2015 and 1 January 2016	5,928
Credited to profit or loss	3,876
Exchange realignment	(511)
At 31 December 2016 and 1 January 2017	9,293
Exchange realignment	346
At 30 June 2017	9,639

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 4(l), the Target Group has not recognised deferred tax assets of approximately HK$3,855,000 for the year ended 31 December 2014 in respect of cumulative tax losses of approximately HK$17,741,000 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(c) Current taxation in the consolidated statement of financial position represents:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	–	4,549	4,420
Provision for PRC income tax for the year/period	–	4,864	7,622	3,627
PRC income tax paid	–	(106)	(7,495)	(7,035)
Exchange realignment	–	(209)	(256)	181
At the end of the year/period	–	4,549	4,420	1,193

15. Trade receivables, other receivables and prepayments

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	10,969	30,349	29,887	33,893
Prepayments	54	–	1,055	285
Trade receivables	–	–	626	2,913
	11,023	30,349	31,568	37,091

Note:

As at 31 December 2014, 2015, 2016 and 30 June 2017, these relate to numbers of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as following:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	–	–	626	2,913

16 Other loan receivables

The Target Group entered into loan agreements with independent third parties to finance their business. Other loan receivables of HK$21,619,000 and HK$106,239,000 which carry interests in the range of 5% to 8% per annum, unsecured and repayable within one year at 31 December 2016 and 30 June 2017 respectively.

17. Restricted bank deposits and bank balances and cash

As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank balances and restricted bank deposits carry interests at prevailing market rates which range from 0.35% to 3.35%, 0.35% to 3.75%, 0.35% to 3.75% and 0.35% to 4.75% per annum, respectively.

Restricted bank deposits represented the received guarantee business pledged customer deposits with tripartite custodian agreement among online lending platform, guarantee customer and the Target Group. For the purpose of the consolidated cash flow statement, the Target Group's restricted bank deposits with banks have been excluded from cash and cash equivalents.

18. Other payables and accruals

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	58	258	188	626
Deposits received	–	117	2,307	421
Other payables	243,683	211,330	100,205	43,053
	243,741	211,705	102,700	44,100

19. Liabilities from financial guarantees

	Notes	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 June 2017 HK$'000
Deferred income	*(a)*	11,880	5,995	3,566	593
Provision of financial guarantee losses	*(b)*	28,070	42,081	49,562	51,410
		39,950	48,076	53,128	52,003

(a) Deferred income

	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 June 2017 HK$'000
At the beginning of the year/period	4,069	11,880	5,995	3,566
Provision (written back) for the year/period	7,983	(5,439)	(2,206)	(3,053)
Exchange realignment	(172)	(446)	(223)	80
At the end of the year/period	11,880	5,995	3,566	593

(b) Provision of financial guarantee losses

	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 June 2017 HK$'000
At the beginning of the year/period	14,724	28,070	42,081	49,562
Provision for the year/period	13,837	16,344	10,291	–
Exchange realignment	(491)	(2,333)	(2,810)	1,848
At the end of the year/period	28,070	42,081	49,562	51,410

20. Amounts due to related companies

The Target Group had the following outstanding balances at the end of the Relevant Period:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts due to related companies:				
尚諾科技(中國)有限公司 (Shang Nuo Ke Ji (China) Limited Company)*	18,344	17,324	150,343	–
New Wealth Investment Co., Limited	–	–	–	233,338
	18,344	17,324	150,343	233,338

* *The English transliteration of Chinese name is for reference only and should not be regarded as its official English name.*

Both entities are under control of Mr. Yang Dayong, ultimate controlling party of the Target Group.

Amounts due to related companies are included in current account for cashflow needs for daily operation. The amounts are unsecured, interest-free and repayable on demand.

21. Major non-cash transaction

The Target Group had the following major non-cash transaction during the Relevant Period:

(a) During the six months ended 30 June 2017, an amount due to the previous shareholders of HK$233,338,000 (equivalent to RMB202,436,000) was assigned to the vendor, New Wealth Investment Co., Limited, under a sale and purchase agreement between the parties.

22. Operating leases

Target Group as lessee

The Target Group recognised minimum lease payments in respect of its office premises amounting to approximately HK$nil, HK$1,603,000, HK$2,465,000, HK$1,226,000 (unaudited) and HK1,398,000 during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, respectively.

At the end of each of the Reporting Period, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			**As at 30 June**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Within one year	–	3,088	1,459	3,049	2,739
In the second to fifth year inclusive	–	1,544	–	–	–
	–	4,632	1,459	3,049	2,739

23. Guarantees issued

At the end of the Relevant Period, the total maximum guarantees issued are as follows:

	Year ended 31 December			Six months ended 30 June
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial guarantees	1,371,497	1,562,605	980,128	573,276

The total maximum guarantees issued represents the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

24. Contingent liabilities

As at the end of the Relevant Period, the Target Group did not have any significant contingent liabilities, except for financial guarantees issued as disclosed in Note 23.

25. Financial risk management and fair values

Exposure to credit, market and liquidity risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practice used by the Target Group to manage these risks are described below.

(a) Credit risk

Credit risk primarily arises from the possibility that a customer or counterparty in the transaction may default, leading to losses. Credit risk is primarily attributable to unexpired financial guarantees (Note 23) issued by the Target Group, trade and other receivables and other loan receivables.

The Target Group has entered into financial guarantee contracts in which it has guaranteed the banks or online lending platforms the repayment of loans entered into by customers of the Target Group. The Target Group has the obligation to compensate lenders for the losses they would suffer if customers fail to repay.

The risk management department are tasked with organising and coordinating the risk management and internal control for guarantee business, respectively. The risk management department is comprised of the Target Group's internal personnel. The risk management department is responsible for (i) designing and implementation of overall risk management internal control policies and procedures and establishing appropriate risk appetite; (ii) designing and execution of due diligence procedures; (iii) reviewing the creditworthiness of customers before submitting to the executive director for final approval.

The Target Group has taken measures to identify credit risks arising from financial guarantees issued. The Target Group manages credit risk at every stage along the approval process, including pre-transaction, in-transaction and post-transaction monitoring processes. The Target Group conducts due diligence and evaluates customers by internal credit assessment system during the pre-approval process. Financial guarantees issuance is subject to approval of the management.

The project managers assigned to each case monitor the post-transaction status of the customers. Each manager is responsible for a number of customers. They visit the customers regularly to understand their operation and financial status by checking their financial reports, sale contracts, sale invoices, value added tax filing documents, utility bills and bank statements and other relevant documents.

(i) Risk concentration

When a certain number of customers undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Target Group's operating results to specific industries or geographical locations. As the Target Group mainly operates its businesses in Hebei Province of the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the local economic conditions.

The maximum exposure to credit risk in respect of these guarantees as at 30 June 2017 is as follows:

(ii) Guarantee loss assessment

The Target Group makes provision on guarantees issued if there is objective evidence of impairment as a result of one or more events that occur after initial recognition (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the guarantees or group of guarantees that can be reliably estimated.

Basis of provision against the outstanding guarantees issued

The Target Group assesses (either individually or collectively) the contingent liabilities arise from its outstanding guarantees issued in accordance with HKFRS 37 and HKFRS 39. If it is determined that the Target Group has a legal or constructive obligation arising as a result of past event (i.e. contingent liabilities) and if it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made, then a ''provision of guarantee losses'' is recognised and the loss is recognised in the consolidated statement of profit or loss. The provisions are determined by using individual and collective assessments for the outstanding guarantees as at the end of the reporting period. Provisions are stated at the present value of the expenditure expected to settle the obligation.

The historical default rate, loss rate and economy cycle are considered by the Target Group to be indicators of losses from its financial guarantee business. Default rate is the rate at which guarantee holders default on the guaranteed loans amount that they owe. Loss rate is the rate at which loss incurred by the Target Group for the defaulted amounts.

For those financial guarantees that are not considered individually significant and those financial guarantees that have been individually assessed, but for which there is no objective evidence of losses, the Target Group adopts a methodology to collectively assess whether there is objective evidence that losses on group of financial guarantees are already incurred. For the purposes of a collective evaluation of losses, financial guarantees are grouped on the basis of similar risk characteristics and the Target Group use a methodology which utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic and credit environment and judgment on inherent loss based on management's historical experience.

If it is probable that an outflow of economic benefits will be required to settle the obligation arising from the individual and collective assessments, provisions will be recognised as liabilities in the consolidated statement of financial position item ''Liabilities from financial guarantees'' and the losses are included in ''Impairment and provision (charged)/written back'' in the consolidated statement of profit or loss.

Basis of provision of impairment for "Receivables from guarantee payments"

When customers default on settling the loans advanced from online lending platform, the Target Group is required to honor the guarantee contracts and required to settle the loans on behalf of customer. Accordingly, the Target Group records the "Receivables from guarantee payments" as "Other receivables".

The Target Group performs individual credit assessments for those recorded trade receivables. If there is objective evidence of impairment of trade receivables, the loss is measured as the excess of its carrying amount over the present value of the estimated future cash inflows, discounted at the original effective interest rate. The calculation of the present value of the estimated future cash flows focuses on individual customer's financial status and information specific to the customers, including cash flows generated from operation or insurance claims, foreclosure less costs for obtaining and selling the collateral, and any customers' pledged deposits received.

The losses arising from individual assessments are deducted from the carrying value of the "trade receivables" on the consolidated statement of financial position and the losses are included in "Impairment and provision (charged)/written back" in the consolidated statement of profit or loss and other comprehensive income.

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Target Group's on-balance sheet and off-balance sheet businesses. The Target Group's market risk mainly arises from currency risk and interest rate risk.

(i) Currency risk

The Target Group's businesses are principally conducted in RMB, while most of the Target Group's monetary assets and liabilities are denominated in RMB. At the end of the reporting period, the recognised assets or liabilities are mainly denominated in the functional currency of the Target Group entity to which they relate. Accordingly, the director considered the Target Group's exposure to foreign currency risk is not significant during the Relevant Period.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Target Group from satisfying sufficient foreign currency demands and the Target Group may not be able to pay dividend in foreign currencies to its equity shareholders.

(ii) Interest risk

The Target Group is principally engaged in the provision of guarantee service and related consulting services to SME enterprises in the PRC. Its interest rate risk arises primarily from deposits with banks.

(c) Estimation of fair value

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2016 and 30 June 2017.

The following summaries the major methods and assumptions used in estimating the fair value of financial instruments.

(i) Trade and other receivables

Trade receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of reporting period.

(ii) Guarantees issued

The fair value of guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

I. BASIS OF PREPARATION

The following is the unaudited pro forma consolidated statement of financial position of the Enlarged Group (the "Unaudited Pro Forma Consolidated Statement of Financial Position") which has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 30 June 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared using the accounting policies consistent with those of the Group as set out in the published interim results of the Company for the six months ended 30 June 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the published interim results of the Company for the six months ended 30 June 2017; and (ii) the audited consolidated statement of financial position of Sino Wealth Investment Co., Limited and its subsidiary as at 30 June 2017 as extracted from the accountants' report set out in Appendix II to this circular, after making unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2017.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the Directors based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its nature, it may not give a true picture of the consolidated financial position of the Enlarged Group as at 30 June 2017 or any future dates. Accordingly, the Unaudited Pro Forma Consolidated Statement of Financial Position does not purport to describe the consolidated financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 30 June 2017, nor purport to predict the future consolidated financial position of the Enlarged Group.

II. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 (Unaudited)	Audited consolidated statement of financial position of the Target Group as at 30 June 2017 (Audited)	Sub-total	Unaudited pro forma adjustments	Notes	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note a	*Note b*				
Non-current assets						
Property, plant and equipment	111,852	809	112,661			112,661
Prepaid lease payments	23,675	–	23,675			23,675
Goodwill	123,612	–	123,612	58,095	(d)	181,707
Intangible assets	11,055	–	11,055			11,055
Available-for-sale financial assets	24,388	–	24,388			24,388
Financial assets at fair value through profit or loss	20,710	–	20,710			20,710
Contingent consideration receivable	8,528	–	8,528			8,528
Deposits	3,325	–	3,325			3,325
Deferred tax asset	–	9,639	9,639			9,639
Total non-current assets	327,145	10,448	337,593			395,688
Current assets						
Loans and interests receivables	79,143	–	79,143			79,143
Trade and other receivables	15,492	37,091	52,583			52,583
Other loan receivables	–	106,239	106,239			106,239
Prepaid lease payments	728	–	728			728
Contingent consideration receivable	2,421	–	2,421			2,421
Prepayments and deposits	7,094	–	7,094			7,094
Tax receivables	1	–	1			1
Cash held on behalf of clients	22,154	–	22,154			22,154
Entrusted bank loan	–	149,843	149,844			149,844
Amounts due from Target Group	–	–	–	233,338	(c)	233,338
				(233,338)	(c)	(233,338)
Pledged bank deposits	–	13,237	13,237			13,237
Bank balances and cash	486,525	22,342	508,867	(220,000)	(c)	288,867
Total current assets	613,558	328,752	942,311			722,311

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 (Unaudited)	Audited consolidated statement of financial position of the Target Group as at 30 June 2017 (Audited)	Sub-total	Unaudited pro forma adjustments	Notes	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*		*HK$'000*
	Note a	*Note b*				
Current liabilities						
Trade payables, other payables and accruals	45,245	44,100	89,345	2,000	(f)	91,345
Shareholder's loan	–	233,338	233,338	(233,338)	(d)	–
Deferred consideration	7,813	–	7,813			7,813
Consideration payables	–	–	–	33,000	(c)	33,000
Consideration payables in respect of the Profit Guarantee	–	–	–	30,000	(c)	30,000
Liabilities from financial guarantees	–	52,003	52,003			52,003
Borrowings	29,382	–	29,382			29,382
Tax payables	1,440	1,193	2,633			2,633
Total current liabilities	83,880	330,634	414,514			246,176
Net current assets (liabilities)	529,678	(1,881)	527,797			476,135
Non-current liabilities						
Deferred consideration	18,258	–	18,258			18,258
Convertible notes	5,359	–	5,359			5,359
Borrowings	95,098	–	95,098			95,098
Consideration payables in respect of the Profit Guarantee	–	–	–	17,000	(c)	17,000
	118,715	–	118,715			135,715
Net assets	738,108	8,566	746,675			736,108
Share Capital	6,864	388	7,252	(388)	(e)	6,864
Reserves	730,528	8,178	738,707	(8,179)	(e)	728,528
				(2,000)	(f)	
Equity attributable to owners of the Company	737,392	8,566	745,959			735,392
Non-controlling interests	716	–	716			716
Total equity	738,108	8,566	746,675			736,108

III. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published interim results dated 22 August 2017.

(b) The amounts are extracted from the Accountants' Report of the Target Group set out in Appendix II to this Circular.

(c) On 28 July 2017, the Purchaser, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the ''Agreement'') with the Vendor in relation to the acquisition of the Sale Shares and the Sale Loan at an aggregate consideration of HK$300 million in cash.

Pursuant to the Agreement, the Sale Shares represent the entire issued share capital of the Target Company, which are beneficially owned as to 100% by the Vendor. The Sale Loan represents the shareholder's loan owing by the Target Group to the Vendor at Completion.

The aggregate consideration shall be satisfied by the purchaser in cash in the following manner:

(i) as to HK$40 million in cash within five Business Days from the date of the Agreement;

(ii) as to HK$180 million in cash on completion date;

(iii) as to HK$33 million in cash on 31 December 2017;

(iv) in the event that the audited net profit after taxation of Beijing An Jia Shi Hang Financing Guarantee Company Limited (''AJSH'') for the year ending 31 December 2017 shall be not less than RMB10 million (equivalent to approximately HK$11.5 million), the Group shall pay to the Vendor a further amount of HK$30 million in cash within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2017 (the ''First Instalment'');

(v) in the event that the audited net profit after taxation of AJSH for the year ending 31 December 2018 shall be not less than RMB20 million (equivalent to approximately HK$23 million), the Group shall pay to the Vendor a further amount of HK$11 million in cash within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2018 (the "Second Instalment"); and

(vi) in the event that the audited net profit after taxation of AJSH for the year ending 31 December 2019 shall be not less than RMB30 million (equivalent to approximately HK$34.6 million), the Group shall pay to the Vendor a further amount of HK$6 million in cash within five Business Days after the issue of the audited consolidated financial statements of the Target Group for the year ending 31 December 2019 (the "Third Instalment").

Pursuant to the Agreement, the Vendor shall indemnify the Purchaser the 2017 Shortfall, 2018 Shortfall and 2019 Shortfall by way of deducting the shortfall from the payment amount of the consideration payables in cash in respect of the Profit Guarantee.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors have assumed that the conditions as set out in the First instalment, the Second Instalment, the Third Instalment and the profit guarantees will be attained.

Sale Loan

As the consideration includes the Sale Loan, amount of the shareholder's loan amount to approximately RMB203 million (equivalent to approximately HK$233.7 million) owing by the Target Group to the Vendor in the books of the Target Group will be assigned to amounts due to the Group and hence these amounts will become receivable balances due from the Target Group to the Group upon Completion.

In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" (the "HKFRS 3"), any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, which considers the facts and circumstances that existed as of that date or, if known, during the measurement period.

The fair values of the consideration payables in cash in respect of the Profit Guarantees are expected to be recognised entirely as financial liabilities of the Group at Completion. Subsequent changes to the fair values of the consideration payables in cash in respect of the Profit Guarantees will be recognised in profit or loss.

An analysis of the total estimated cost of the Acquisition assuming the Acquisition had taken place on 30 June 2017 is set out as follows:

	HK$'000
Consideration:	
Consideration to be recognised	
– Cash from the date of the Agreement	40,000
– Cash on completion date	180,000
– Cash on 31 December 2017 *(note 1)*	33,000
– Consideration payable in cash in respect of the Profit Guarantee	
– within 1 year *(note 1)*	30,000
– Consideration payables in cash in respect of the Profit Guarantee	
– over 1 year *(note 1)*	17,000
Total consideration settled by cash	300,000
Less: amount due from target group *(note 2)*	(233,338)
Cost of investment at the Completion	66,662

Notes:

(1) On Completion, the fair values of the consideration in cash will have to be assessed and subject to change since the actual fair values on completion date would be different from the estimated consideration used in the preparation of the Unaudited Pro Forma Financial Information presented above.

(2) The Sale Loan is determined based on the aggregate of the amounts due to the Vendor. This balance is to be eliminated on consolidation in the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities.

(d) The acquisition of the Target Company is accounted for using the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("HKFRS 3 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the pro forma fair values of the identifiable assets and liabilities (other than goodwill) of the Target Group as at 30 June 2017, approximate their carrying amounts as at 30 June 2017 as if the Acquisition had been completed as at 30 June 2017. The excess of fair value of consideration over the fair value of the identifiable assets and liabilities of the Target Group is accounted for as goodwill as below.

	HK$'000
Total consideration *(note d)*	66,662
Less: Fair value of the identifiable net assets of the Target Group	(8,567)
Goodwill arising on acquisition	58,095

The Directors have assessed whether there is any impairment on the goodwill of the Group and the goodwill arising from the Acquisition as if the Acquisition had been taken place on 30 June 2017 in accordance with HKAS 36 Impairment of Assets ("HKAS 36") and concluded that there is no impairment in respect of the goodwill. The recoverable amount of the cash generating unit comprising the pro forma goodwill is determined based on value in use calculation. The calculation uses cash flow forecast based on the most recent financial budget of the cash generating unit for the next twelve months approved by the management of the Group and the Target Group. Key assumptions of the value in use calculations of the cash generating unit relate to the estimation of cash inflows or outflows which include budgeted gross margins and operating expenses. Such estimation is based on the cash generating unit's past performance and the management's expectations for the market development. The Company' auditors have reviewed and agreed with the impairment assessment of the Enlarged Group's Goodwill made by the Board under HKAS 36. There is no impairment in respect of the Enlarged Group's goodwill.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Group in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The fair values of consideration and the identifiable assets and liabilities of the Target Group are subject to change upon the finalisation of the valuation for the completion date of the Acquisition (the "Final Valuation"), which may be different from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

(e) The adjustment represents the elimination of the pre-acquisition reserves and share capital of the Target Group.

(f) The adjustment represents accrual for estimated acquisition-related costs of approximately HK$2,000,000 which would be expensed in profit or loss upon completion of the Acquisition.

(g) On 13 September 2017, the Purchaser, the Vendor and the Vendor Guarantor entered into a supplemental letter (the "**Supplemental Letter**").

Pursuant to the Supplemental Letter, the Vendor has agreed to irrevocably and unconditionally undertake, among other things, to guarantee the other loan receivables as stated in the Accountant's Report of the Target Group as at 30 June 2017 (the "**Other Loan Receivables**") would be fully repaid on or before the relevant repayment due date of Other Loan Receivables, subject to the Completion. The Vendor and Vendor Guarantor have also irrevocably and unconditionally agreed to further undertake and guarantee that they will fully indemnify the Purchaser for any outstanding amount of the Other Loan Receivables which remain outstanding after the relevant repayment due dates.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Greater China Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Greater China Financial Holdings Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and related notes as set out on pages III-2 to III-8 of the circular issued by the Company dated 15 September 2017 (the ''Circular''). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-9 to III-12 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the major transaction relating to acquisition of Sino Wealth Investment Co., Limited engaged in provision of the financial guarantee service (the ''Acquisition'') on the Group's condensed consolidated financial position as at 30 June 2017 as if the Acquisition had taken place at 30 June 2017. As part of this process, information about the Group's condensed consolidated financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2017, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (the "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLM CPA Limited
Certified Public Accountants
Ho Pak Tat
Practising Certificate Number: P05215
Hong Kong

15 September 2017

Set out below is the management discussion and analysis on the Target Group.

Revenue

The following shows the amount of each significant category of revenue recognized by the Target Group for the periods specified below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Guarantee fee income	12,506	17,213	11,244	6,598	6,526
Service fee from consultancy services	255	18,648	22,830	8,803	7,977
	12,761	35,861	34,074	15,401	14,503

The guarantee fee income increased by approximately HK$4.7 million, or approximately 37.6%, to approximately HK$17.2 million for the year ended 31 December 2015 and decreased by approximately HK$6.0 million, or approximately 34.7%, to approximately HK$11.2 million for the year ended 31 December 2016. The increase in guarantee fee income in 2015 was mainly attributable to the need of new customers in parallel import vehicle business for credit base loan financing for their business and the increase in demand in second hand vehicle financing guarantees. However, during the year ended 31 December 2016, due to the adjustment to the structure of the guarantee business, the Target Group focused on the development and expansion of the parallel import vehicle business and ceased the second hand vehicle financing guarantee business. Nonetheless, the Target Group devoted more resources to carry out financial consultancy services for the two years ended 31 December 2015 and 2016. The financial consultancy services increased by approximately HK$18.4 million, or approximately 7,212.9%, from approximately HK$0.3 million for the year ended 31 December 2015 to approximately HK$18.6 million and increased by approximately HK$4.2 million, or approximately 22.4%, to approximately HK$22.8 million for the year ended 31 December 2016. During the six months ended 30 June 2017, the total revenue of the Target Group remained stable at HK$14.5 million as compared with the same period in 2016 (2016: HK$15.4 million).

Other Income

Other income of the Target Group for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 were approximately HK$181,000, HK$135,000, HK$4,262,000 and HK$8,463,000 respectively, which mainly comprised bank interest income. The significant increase in other income for the year ended 31 December 2016 was due to the fact that the Target Group placed its idle cash in bank into entrusted bank loans which generated higher returns. The significant increase in other income for the six months ended 30 June 2017 was mainly due to the provision for guarantee written back and interest income from independent third parties.

Provision for Guarantee Losses

Provisions for guarantee losses primarily reflect the Target Group management's estimation on the level of provisions adequate for its guarantee business. The provisions of guarantee losses were approximately HK$13.3 million, HK$14.0 million, HK$7.5 million and HK$1.8 million for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 respectively. The default rates of financial guarantee business were 0.67%, 0.41% and 0.10% for the three years ended 31 December 2014, 2015 and 2016 respectively. Due to the adjustment to the business structure and the downward trend in the default rate of financial guarantee business, the Target Group's provision of guarantee losses decreased by approximately HK$6.5 million in 2016.

NET PROFIT

The net profit after taxation of the Target Group for the six months ended 30 June 2017 was approximately HK$10.8 million, as compared with the net profit after taxation of approximately HK$2.2 million for the six months ended 30 June 2016. Such change was primarily due to an increase in interest income from third party loans and entrusted bank loans of approximately HK$2.5 million and HK$2.8 million for the six months ended 30 June 2017 while there were HK$ nil and approximately HK$1.4 million for the six months ended 30 June 2016 respectively. In addition, the Target Group had recorded a gain from provision for guarantee of approximately HK$3.1 million during the six months ended 30 June 2017.

The net profit after taxation of the Target Group for the year ended 31 December 2016 was approximately HK$10.5 million, as compared with the net profit after taxation of approximately HK$18.0 million for the year ended 31 December 2015. Such change was primarily due to adjustment to the structure of guarantee income mention above.

The net profit after taxation of the Target Group for the year ended 31 December 2015 was approximately HK$18.0 million, as compared with the net loss after taxation of approximately HK$12.5 million for the year ended 31 December 2014. Such change was primarily due to an increase in guarantee fee income and service fee from consulting services.

Liquidity and financial resources

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group had (i) trade and other payables of approximately HK$243.8 million, HK$211.7 million, HK$102.7 million and HK$44.1 million respectively; and (ii) cash and cash equivalents of approximately HK$274.7 million, HK$242.4 million, HK$106.1 million and HK$35.6 million respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group's current ratio (calculated by current assets divided by current liabilities) was approximately 0.91 times, 0.95 times, 0.97 times and 0.99 times respectively.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group had no borrowings from third party.

Foreign exchange management

The major operation entity of Target Group is a limited liability company incorporated in the PRC and most of its monetary assets, liabilities, incomes and expenses were denominated in RMB. The Target Group did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

The Target Group adopts a prudent funding and treasury policy towards its overall business operations with an aim to minimise financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group had no capital commitment.

Significant investment, material acquisition and disposals

The Target Group did not have any significant investments, material acquisition or disposal for the period from 1 January 2014 to 30 June 2017.

Contingent liabilities

As at 31 December 2014, 2015, 2016 and 30 June 2017, the Target Group did not have any significant contingent liabilities.

Charge on assets

Saved as disclosed below, the Target Group did not have any charge on assets as at 31 December 2014, 2015, 2016 and 30 June 2017.

Employee information

As at 30 June 2017, the Target Group had 42 employees.

Remuneration policy

The Target Group recruits, employs, promotes and remunerates its employees based on their qualifications, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonuses given to the employees of the Target Group have been determined after taking into account the financial results of the Target Group and the performance of employees. During the three years ended 31 December 2014, 2015, 2016 and the six months period ended 30 June 2016, remuneration paid to the employees of the Target Group was approximately HK$1,724,000, HK$2,605,000, HK$3,629,000 and HK$2,988,000 respectively.

The remuneration policy of the Target Group's senior management is also regularly monitored by the Group's remuneration committee.

The Group will provide in-house or external training to their employees when necessary.

Prospects and Future Developments in the Business of the Target Group

In 2015, the State Council of the PRC issued the 推進普惠金融發展規劃 (2016-2020年)(the Plan for Advancing Inclusive Finance Development (2016-2020)(the ''Plan'')). Inclusive Finance means providing financial services to all social strata and groups with demands for appropriate and valid financial services, at affordable cost, based on the principle of opportunity equality and commercial sustainability. The Plan encourages banks and financial institutions to improve the financial services for the agricultural sector, promote consumer financing and to fulfill the financing needs of SMEs with an aim to develop a comprehensive inclusive financial services and assurance system to the public by 2020.

Specifically, the Plan encourages large banks to accelerate construction of special institutions for serving small and micro businesses and gradually develop the business of providing micro loans and enlarge the scope of business in relation to the agricultural sector. The Plan also promotes functional transformation of provincial rural credit unions, and acceleration of establishments of village banks in counties in poverty-stricken regions in the middle and western regions of China.

Keeping abreast of the prevailing trend of the economic development and capitalizing on the opportunity arising from various government's initiatives, the Target Group, on one hand, has been exploring new business opportunities according to the Plan, keeping stringent control over risks management, carrying out the financing guarantee business progressively and developing the low-risk businesses including micro loans with financial institutions vigorously. The Target Group has also been focusing on the supply chain business in the agricultural sector, parallel import vehicle supply chain business and other non-financial guarantee consulting services, and has pro-actively innovated its business model and planned for the industrial layout availing of the favorable policy. On the other hand, the Target Group will further optimize the internal organizational structure and management process, in hope to fully capitalize and reinforce the application of the internet and the information technology so as to improve the management efficiency of the Company.

According to the regulatory requirements set by the relevant regulatory authorities, the risk multiplier of the financing guarantee business is capped at 10 times of the net assets amount. The risk multiplier of the Target Group's financing guarantee business ranged from 4.1 to 7.5 for 2015 and 2016, which is below the cap set by the relevant regulatory authorities. Therefore, the Target Group still has a significant room for expanding its financing guarantee business.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer in connection with the valuation of AJSH as at 30 June 2017.

Peak Vision
Appraisals Limited

12/F, Effectual Building
14-16 Hennessy Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

15 September 2017

The Board of Directors
Greater China Financial Holdings Limited
Suites 3001-11
Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest in 北京安家世行融資擔保有限公司

In accordance with your instruction, we have conducted a valuation of the market value of 100% equity interest in 北京安家世行融資擔保有限公司 (unofficially translated as "Beijing An Jia Shi Hang Financing Guarantee Company Limited", the "**Business Enterprise**"). It is our understanding that the Business Enterprise is principally engaged in the provision of financing guarantee and related loan arrangement and consultancy services in the People's Republic of China (the "**PRC**" or "**China**"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business Enterprise as at 30 June 2017 (the "**Valuation Date**").

The following report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") has been engaged by Greater China Financial Holdings Limited (the "**Company**") to independently determine the market value of 100% equity interest in the Business Enterprise as at 30 June 2017 (the Valuation Date).

This report is being prepared for the use of the directors and management of the Company, and the Business Enterprise (together, the "**Management**") for internal reference and incorporation into the circular of the Company in relation to the proposed acquisition (the "**Proposed Acquisition**") of the entire issued share capital of the Business Enterprise.

Peak Vision Appraisals acknowledges that this report may be used by the Company as one of the sources of information for the Proposed Acquisition. The Proposed Acquisition, if materialized, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be solely responsible for determining the consideration of the Proposed Acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2012 Edition (the "**HKIS Valuation Standards**") published by the Hong Kong Institute of Surveyors, the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, and the International Valuation Standards 2017 (the "**IVS**") published by the International Valuation Standards Council, where applicable.

Our valuation of the 100% equity interest of the Business Enterprise is based on the going concern premise and conducted on a market value basis. **Market Value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we conducted physical company visit of the Business Enterprise in July 2017 and had discussions with the Management on the financing guarantee and related loan arrangement and consultancy industries and the development of the Business Enterprise. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials have been provided by the Management. Other information are extracted from public sources such as government sources, Thomson Reuters, Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Company brochure of the Business Enterprise;
- Audited financial information of the Business Enterprise for the year ending 31 December 2016;
- Management accounts of the Business Enterprise as of 30 June 2017;
- Agreements and contracts entered into by the Business Enterprise;
- Business and operational information of the Business Enterprise as discussed with the Management; and
- Industry and economic data.

We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

This report is based upon financial, business and operational information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the management accounts or other records of the Business Enterprise. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and has been prepared in a manner which truly and accurately reflects the financial positions of the Business Enterprise as at the respective balance sheet dates.

We are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

5.0 CORPORATE PROFILE

北京安家世行融資擔保有限公司 (the Business Enterprise) is a limited liability company established in the PRC on 18 August 2004, with a registered capital of RMB200,000,000.

The following table summarizes the business registration details of the Business Enterprise, according to the National Enterprise Credit Information Publicity System (i.e. 國家企業信用信息公示系統).

Uniform Social Credit Code	:	91110000766272106H
Name	:	北京安家世行融資擔保有限公司 (unofficially translated as "Beijing An Jia Shi Hang Financing Guarantee Company Limited", the Business Enterprise)
Registered address	:	中華人民共和國北京市東城區東四十條68號西區3層303室(Unofficially translated as "Flat 303, Level 3, West Zone, No. 68, Dongsishitiao, Dongcheng District, Beijing, the PRC")
Registered capital	:	RMB200,000,000
Incorporation date	:	18 August 2004
Operating period	:	18 August 2004 – 17 August 2024
Incorporation type	:	Limited liability company (legal person sole proprietorship) (i.e. 有限責任公司(法人獨資))

Confined business scope	:	Financing guarantee business: loan guarantee, bill acceptance guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee and other financing guarantee businesses; Other businesses approved by supervisory departments: bond guarantee, litigation guarantee, tender guarantee, prepayment guarantee, project performance guarantee, final payment guarantee, etc., other financing guarantee related advising and intermediary services; Self-owned fund investment; Financing guarantee business (financial institutions operating permit is valid until 4 January 2022); Engaging in real estate brokerage business; Technical training; Business management consulting; Conference services; Investment advisory; Economic information consulting; Project investment; Investment management. (1. Prohibited from raising funds publicly without prior approval from the relevant departments; 2. Prohibited from carrying out securities and financial derivatives trading activities publicly; 3. Prohibited from lending money; 4. Prohibited from providing guarantee to other enterprises other than the invested enterprises; 5. Prohibited from committing any minimum return on investment principal or preservation of capital; The enterprise shall choose its own business scopes for carrying out business activities in accordance with the law; Activities requiring approval by law, require approval from relevant departments before carrying out business activities; Not allowed to engage in business activities prohibited or restricted by the municipality's industry policy)

Table 1: Business registration details of the Business Enterprise

Source: National Enterprise Credit Information Publicity System

6.0 BUSINESS OVERVIEW

6.1 Business Model

The Business Enterprise is principally engaged in the provision of financing guarantee and related loan arrangement and consultancy services in the PRC. The Business Enterprise is a member of 北京市融資擔保業協會 (translated as "Beijing Financing Guarantee Association") which provides professional financing opinions in the development of laws and regulations for the sustainable development of the industry. As advised by the Management, the Business Enterprise acts as a financing arrangement intermediary between borrowers, as referred by the Management as 資產合作方 (the "**Asset Partners**"), and investors, as referred by the Management as 資金合作方 (the "**Fund Partners**"). Details are further elaborated as below:

6.1.1 資產合作方 (the Asset Partners)

The Asset Partners are mainly comprised of borrowers such as non-state owned small to medium enterprises (the "**SMEs**") looking for loans to fund their daily operations or business expansion. Notwithstanding the availability of assets which could be pledged as collaterals, many SMEs are facing difficulties in sourcing traditional funding from sources such as banks due to small business size and non-state owned company background, whereby the Business Enterprise would enable SMEs to access funding sources by providing financing guarantees and arrangement services. In return, the Business Enterprise would charge the Asset Partners a service fee based on the amount of the loan guaranteed and the length of the loan period. According to the Management, the service fee is typically a one-off fee ranging from 1% to 3% of the loan amount depending on the associated risks of the loans guaranteed upon assessment by the Business Enterprise. As advised by the Management, the total outstanding guarantee balance amount of the Business Enterprise was approximately RMB497,000,000 as at the Valuation Date.

6.1.2 資金合作方 (the Fund Partners)

The Fund Partners are mainly comprised of commercial banks, other financial institutions, investors from peer-to-peer financing platforms, looking for investment returns for their idle cash.

Peer-to-peer financing platforms are one of the major financing sources for the supply chain type financing. A peer-to-peer financing platform is an internet platform for individuals or businesses to borrow money through online services that match borrowers directly with investors. Since peer-to-peer financing platform providers offer these services online, they can operate with lower overheads and provide their services with higher cost efficiency than traditional financial institutions. As a result, investors often earn higher returns through the platforms, while borrowers may borrow at lower interest rates.

鳳凰金融 ("**Phoenix Finance**") and 碧有信 ("**Biyouxin**") are the major peer-to-peer financing platforms currently working closely with the Business Enterprise.

Phoenix Finance is a subsidiary of Phoenix Satellite Television Holdings Limited and offers investment and financial products through its online platform "www.fengjr.com". According to our understanding, the platform offers various investment products, including short term loans for investors to invest. The platform will gather funds from investors and borrowers with good quality collaterals and creditworthiness for matching.

Biyouxin is a subsidiary of Country Garden Holdings Company Limited. Similar to Phoenix Finance, Biyouxin offers peer-to-peer financing platform linking the investors and borrowers.

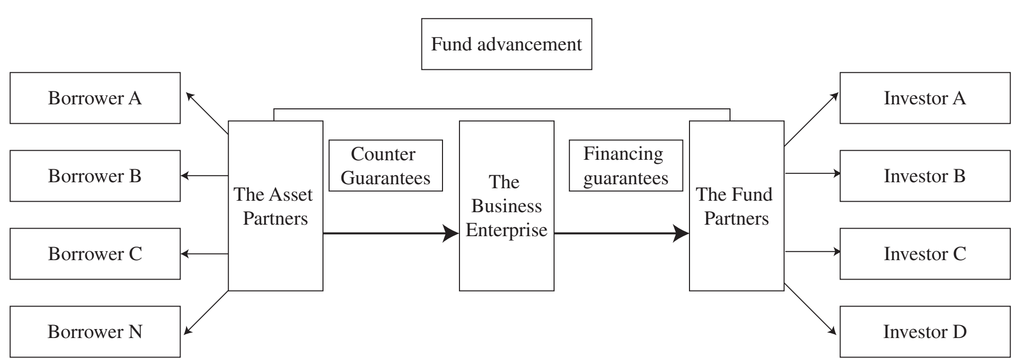

Figure 1: Business model of the Business Enterprise
Source: Management

6.2 Risk Management Process

As advised by the Management, the associated risks of the financing guarantee business encountered by the Business Enterprise have been on a downward trend. The default rate of loans guaranteed by the Business Enterprise was 0.10% in 2016, which represents a substantial decrease from 0.67% and 0.41% in 2014 and 2015 respectively.

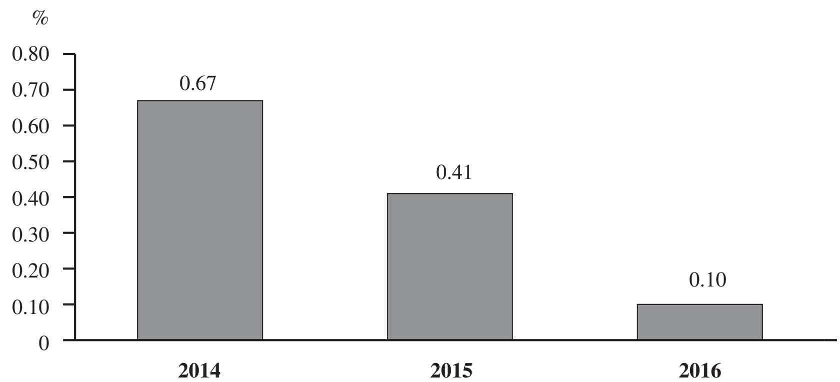

Figure 2 : Historical default rates of the financing guarantee business of the Business Enterprise (in percentage)

Source : Management

According to the Management, the Business Enterprise has taken the following measures for risk assessment and control:

6.2.1 Risk Evaluation on the Asset Partners

As advised by the Management, all candidates will undergo an evaluation process before becoming the Asset Partners of the Business Enterprise. Factors considered include: (1) corporate structure of the company; (2) historical financials; (3) cash flow projections; (4) customers of the company; and (5) quality of collaterals. Only companies with satisfactory evaluation results will be shortlisted as the Asset Partners of the Business Enterprise.

6.2.2 Counter-guarantees from the Asset Partners

To minimize the risks associated with the loans guaranteed, the Asset Partners or related parties are required to provide counter-guarantees to the Business Enterprise. The counter-guarantees are in the form of joint liability that in the event of payment delay or default, the Business Enterprise will be entitled the right to take legitimate actions to the Asset Partners or other third parties for loss recovery.

6.2.3 Credit Control Software

As advised by the Management, the Business Enterprise has employed「同盾」(“Tongdun”, and hereinafter the “**Software**”), a credit control software based on big data technology to evaluate the credit risks of each of the loan applicants. The Software would assess the risk levels and detect frauds by identifying abnormalities in the personal details of the applicant such as validity of identity card numbers, contact numbers, addresses, and email addresses. The Software takes into account credit records in courts, banks, credit institutions, consumer financing companies, and other platforms during the risk evaluation process. The Software is also connected to the databases of a number of online financial institutions for cross checking if the applicant is applying for loans in several platforms simultaneously.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management in relation to the financing guarantee and related loan arrangement and consultancy industries in the PRC, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Business Enterprise provided to us by the Management.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operation of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Business Enterprise;
- Historical information of the Business Enterprise;
- Financial condition of the Business Enterprise;
- Proposed business development of the Business Enterprise;
- Regulations and rules of the financing guarantee and related loan arrangement and consultancy industries in the PRC; and
- Economic and industry data affecting the financing guarantee and related loan arrangement and consultancy industries.

8.0 GENERAL VALUATION APPROACHES

There are three generally accepted approaches to obtain the value of a business subject:

- Market Approach;
- Asset Approach; and
- Income Approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and derive an indication of value.

8.2 Asset Approach

The Asset Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital (equity and debt capital). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity (equity) and investors who lend money to the business entity (debt). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation, amortization and impairment, to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

9.0 VALUATION ANALYSIS

9.1 Methodology

In the process of valuing the business subject, we have considered the nature of the Business Enterprise, specialty of its operation and the industry it is participating. Having considered the three general valuation methodologies, we considered the Market Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Income Approach is not adopted as long-term forecasts would involve a high level of uncertainty in estimates and underlying assumptions. The Asset Approach is not applied as the valuation of the Business Enterprise is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. We have therefore relied solely on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Business Enterprise identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of the Comparable Transaction Method is limited as there are insufficient comparable transactions to form a reliable opinion of value.

For the valuation of the Business Enterprise, we have employed the Enterprise Value to Earnings Before Interest and Tax (EV/EBIT) ratio and Price to Earnings (P/E) ratio. We consider EV/EBIT and P/E ratios are more representative than other commonly adopted multiples such as Price to Sales (P/S) and Price to Book (P/B) ratios due to the following reasons:

- Price to Sales (P/S) ratio does not account for the profitability of the financing guarantee and related loan arrangement and consultancy business, and fails to reflect the true earnings power and value of the business; and
- Financing guarantee companies are subject to different capital requirements by local regulatory authorities and therefore book value of equity may not be useful when comparing companies across different countries. Therefore, book value of equity is not representative in valuing the Business Enterprise.

Due to the above, we have therefore employed EV/EBIT and P/E ratios. EV/EBIT and P/E ratios are considered to be the most appropriate multiples in valuing the Business Enterprise for the following reasons:

- Enterprise value and EBIT measurements are useful for comparisons across different jurisdictions because they exclude the distorting effects of individual countries' taxation policies; and
- Earnings is the primary determinant of value.

9.2 Comparable Companies

The Business Enterprise is principally engaged in the provision of financing guarantee and related loan arrangement and consultancy services in the PRC, and there are no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the Business Enterprise. However, the comparable companies we gathered are mainly engaged in the provision of financing guarantee and related loan arrangement and consultancy services, and therefore we consider they are subject to similar business, industry, economic risks and rewards as the Business Enterprise.

Selection criteria of comparable companies are listed below:

a. Companies that are actively traded and publicly listed (globally); and

b. Over 50% of the revenue is derived from the provision of financing guarantee and related loan arrangement and consultancy services.

Based on our exhaustive search of the Thomson Reuters database using the criteria above, we have identified 10 guideline public companies which are set out below:

9.2.1 China Success Finance Group Holdings Ltd. (Thomson Reuters Ticker: 3623.HK)

China Success Finance Group Holdings Ltd., listed in Hong Kong, is an investment holding company principally engaged in the provision of financial and non-financial guarantees services, financial leasing and financial consultancy services in the PRC. According to the annual report released by the company, over 70% of its revenue was derived from the provision of guarantee and related services during the last financial year ended 31 December 2016.

9.2.2 Hanhua Financial Holding Co., Ltd. (Thomson Reuters Ticker: 3903.HK)

Hanhua Financial Holding Co., Ltd., listed in Hong Kong, is principally engaged in the provision of guarantee and related consulting services to small and medium-size enterprise (SMEs) and microenterprises in the PRC. According to the annual report released by the company, over 70% of its revenue was derived from the provision of guarantee and related services during the last financial year ended 31 December 2016.

9.2.3 Guangdong Join-Share Financing Guarantee Investment Co., Ltd. (Thomson Reuters Ticker: 1543.HK)

Guangdong Join-Share Financing Guarantee Investment Co., Ltd., listed in Hong Kong, is principally engaged in the provision of a range of guarantee services and related consulting service to customers. According to the annual report released by the company, over 60% of its revenue was derived from the provision of guarantee and related services during the last financial year ended 31 December 2016.

9.2.4 Jordan Loan Guarantee Corporation PSC (Thomson Reuters Ticker: JLGC.AM)

Jordan Loan Guarantee Corporation PSC, listed in Jordan, is a Jordan-based financial solutions provider that offers loan and credit guarantee related solutions through Islamic and non-Islamic products and services. The company's services include micro loan guarantee, industrial modernization loan guarantee, leasing guarantee, housing loan guarantee, urban development loan guarantee, land purchase loan guarantee, export credit guarantee, domestic credit guarantee, as well as small and medium enterprises loan guarantees.

9.2.5 eGuarantee Inc. (Thomson Reuters Ticker: 8771.T)

eGuarantee Inc., listed in Japan, is a Japan-based company engaged in the credit guarantee business. The company is involved in the analysis and screening of information based on the corporate credit information database, as well as the promotion of liquidation for transference of credit risks. The company provides guarantee services for industrial corporations, such as trading and contract agreements, as well as guarantee services for financial corporations.

9.2.6 Zenkoku Hosho Co., Ltd. (Thomson Reuters Ticker: 7164.T)

Zenkoku Hosho Co., Ltd., listed in Japan, is mainly engaged in the operation of credit guarantee business. The company's guarantee products comprise three categories: (1) Housing loan guarantee; (2) Education loan guarantee; and (3) Apartment loan guarantee products.

9.2.7 Ding Sheng Xin Finance Co., Ltd. (Thomson Reuters Ticker: DXF.AX)

Ding Sheng Xin Finance Co., Ltd., listed in Australia, is an Australia-based holding company providing financing and non-financing guarantee services to its customers. The company's non-financing guarantee services include performance guarantees, which includes the guarantee of a party's obligations under a contract, and litigation guarantees, which includes the guarantee of a party's obligations to court during litigation.

9.2.8 J-Lease Co., Ltd. (Thomson Reuters Ticker: 7187.T)

J-Lease Co., Ltd., listed in Japan, is a Japan-based company mainly engaged in house rent debt guarantee business for rental houses, and real estate leasing related various support services. It operates two business segments: (1) House rent debt guarantee business segment engages in real estate rental agreement credit enhancement and rent guarantee; (2) Real estate brokerage business segment engages in real estate brokerage services, as well as rental management business for real estate owners.

9.2.9 Entrust Inc. (Thomson Reuters Ticker: 7191.T)

Entrust Inc., listed in Japan, is a Japan-based company mainly engaged in provision of solution services related to house rent guarantee services. The guarantee service provides house rent guarantee, nursing care expenses guarantee and medical cost guarantee services.

9.2.10 Ambac Financial Group Inc. (Thomson Reuters Ticker: AMBC.OQ)

Ambac Financial Group Inc., listed in the United States, is mainly engaged in financial guarantee that protects the holder of a debt obligation against non-payment when due. It is also engaged in the provision of financial and investment products, such as investment agreements, funding conduits and interest rate swaps, principally to the clients of its financial guarantee business.

The above comparable companies, together with the Business Enterprise, are similarly subject to fluctuations in the economy and performance of the financing guarantee and related loan arrangement industries, among other factors. Thus, we consider they are confronted with similar risks and rewards.

Furthermore, since there are relatively few companies principally engaged in the provision of financing guarantee and listed in Hong Kong, we have selected financing guarantee companies listed globally to form a more representative valuation. We consider these foreign companies are representative since they are also principally engaged in the same line of business as the Business Enterprise and subject to similar industry risks and rewards.

9.3 Multiple Ratios

Thomson Reuters Ticker	Name	Multiple Ratio EV(3)/ EBIT(4)	P(5)/E(6)
3623.HK	China Success Finance Group Holdings Ltd.	19.98	38.47(1)
3903.HK	Hanhua Financial Holding Co., Ltd.	15.37	10.91
1543.HK	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	8.12	11.57
JLGC.AM	Jordan Loan Guarantee Corporation PSC	N/A(2)	59.52(1)
8771.T	eGuarantee Inc.	10.03	20.14
7164.T	Zenkoku Hosho Co., Ltd.	4.75	15.68
DXF.AX	Ding Sheng Xin Finance Co., Ltd.	N/A(2)	3.01(1)
7187.T	J-Lease Co., Ltd.	11.17	17.95
7191.T	Entrust Inc.	11.85	22.99
AMBC.OQ	Ambac Financial Group Inc.	52.63(1)	10.55
	Mean	16.74	21.08
	Standard deviation	15.21	16.52
	Mean excluding outliers(1)	11.61	15.68
	Applied ratio	11.61	15.68

Notes:

(1) Sample values outside one standard deviation of the mean are determined as outliers.

(2) N/A means negative value or extreme value which are not applicable for comparable analysis.

(3) Enterprise Value (EV) is calculated as the market capitalization plus debt, minority interest and preferred shares, minus total cash and cash equivalents sourced from Thomson Reuters.

(4) Earnings Before Interest & Tax (EBIT) is calculated as revenue minus operating expenses, sourced from Thomson Reuters.

(5) Price (P) is the price per share of the company as at the Valuation Date, sourced from Thomson Reuters.

(6) Earnings (E) is the earnings per share of the company based on profit after tax attributable to the shareholders of the company, sourced from Thomson Reuters.

Table 2: Multiple ratios of the guideline public companies

Source: Thomson Reuters, Peak Vision Appraisals

Based on the above table, the EV/EBIT ratios of the comparable companies ranged from the minimum of 4.75x to the maximum of 52.63x, resulting in a mean of approximately 16.74x and mean excluding outliers of approximately 11.61x. The P/E ratios of the comparable companies ranged from the minimum of 3.01x to the maximum of 59.52x, resulting in a mean of approximately 21.08x and mean excluding outliers of approximately 15.68x. To avoid distortions from outliers, for each multiple, we have adopted the mean excluding outliers as our multiples since mean excluding outliers are not influenced by extreme values. We then applied the multiples to the corresponding measurement bases, which are based on the latest available financial data of the Business Enterprise.

For the trailing twelve months ended 30 June 2017, the adjusted Earnings Before Interest and Tax (EBIT) and profit after tax(1) of the Business Enterprise were approximately HK$11,881,000 and HK$8,899,000 respectively.

(1) EBIT and profit after tax of the Business Enterprise is calculated as revenue minus operating expenses, and EBIT after tax and interest expense respectively. In deriving the adjusted EBIT and profit after tax, we have also excluded interest income derived from the entrusted loans advanced to other third parties by the Business Enterprise (i.e. the net other non-operating asset), on a trailing twelve months basis. Detailed calculations of the adjusted EBIT and profit after tax are as follows:

	Jul – Dec 2016 (6 months)	**Jan – Jun 2017 (6 months)**	**Jul 2016 – Jun 2017 (Trailing twelve months)**	**Jul 2016 – Jun 2017 (Trailing twelve months)**
	RMB	*RMB*	*RMB*	*HKD*
Revenue	14,281,000	12,701,000	26,982,000	31,056,000
Add: Interest income	2,440,000	2,427,000	4,867,000	5,602,000
Less: Operating expenses	(9,466,000)	(7,193,000)	(16,659,000)	(19,175,000)
	7,255,000	7,935,000	15,190,000	17,483,000
Less: Interest income	(2,440,000)	(2,427,000)	(4,867,000)	(5,602,000)
Earnings Before Interest and Tax (EBIT)	4,815,000	5,508,000	10,323,000	11,881,000
Less: Profit tax			(2,591,000)	(2,982,000)
Profit after tax			7,732,000	8,899,000

* *Figures above are subject to rounding*

9.4 Non-Operating Assets and Liabilities

In computing the market value of the Business Enterprise, we have adjusted the assessed value for the cash and cash equivalents, interest bearing debts, and net other non-operating assets and liabilities of the Business Enterprise as at the Valuation Date where appropriate. Based on the latest available management accounts provided by the Management, the cash and cash equivalents, interest bearing debts, net other non-operating assets and liabilities as at the Valuation Date were as follows:

	(HK$)
Cash and cash equivalents	35,176,000
Interest bearing debts	–
Net other non-operating assets and liabilities	149,630,000

* *Figures above are subject to rounding*

Note:

(1) The net other non-operating assets and liabilities are not directly related to the day to day operations of the Business Enterprise, it was not reflected in the guideline public company multiples, and therefore they need to be adjusted in arriving the market value of the Business Enterprise.

(2) HK$149,630,000 represents the entrusted loans of the Business Enterprise, in the sum of RMB130,000,000. As advised by the Management, entrusted loans will be redeemed and converted into cash in a short period of time and therefore we have adjusted such loans as the net other non-operating assets and liabilities.

(3) For the guideline public companies, we have not adjusted for the net other non-operating assets and liabilities as we have not noted any significant net other non-operating assets and liabilities similar in nature to that of the Business Enterprise. Since we have also excluded the corresponding interest income of the Business Enterprise attributable to the entrusted loans, we are of the view that the multiples of the guideline public companies are representative and could be applied to the Business Enterprise.

(4) Figures above are subject to rounding.

Table 3: Non-operating assets and liabilities of the Business Enterprise
Source: Management

9.5 Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Business Enterprise. Based on research published by Mergerstat Control Premium Study(1), the international control premium median as of the Valuation Date was approximately 27.00%.

Note:

(1) Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and software company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.

9.6 Marketability Discount

We have adopted a lack of marketability discount of approximately 11.52% as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

The marketability discount for ownership interest in private companies can range from 3% to 35% according to empirical research. In our valuation, we applied an option pricing model to estimate the marketability discount. A discount for lack of marketability can be estimated by a put option since the holder can purchase an at-the-money put option of similar stock to hedge the current value of the underlying stock.

9.7 Exchange Rate

The exchange rate adopted in our valuation is approximately RMB1 = HK$1.151 (rounded), which was the approximate prevailing exchange rate as at the Valuation Date.

9.8 Valuation Summary

Under the EV/EBIT ratio, we determined a multiple of 11.61x and Earnings Before Interest and Tax (EBIT) of approximately HK$11,881,000 for the trailing twelve months ended 30 June 2017, resulting in an indicative value of approximately HK$137,940,000 before adjustments for control premium, net other non-operating assets and liabilities, marketability discount, cash and cash equivalents, and interest bearing debts. After the adjustments, the indicative value under the EV/EBIT ratio is approximately **HK$322,600,000 (HONG KONG DOLLARS THREE HUNDRED AND TWENTY TWO MILLION SIX HUNDRED THOUSAND ONLY)**. Our calculation is tabulated as follows:

	(HK$)
Applied EV/EBIT ratio	11.61x
Multiplication factor (earnings before interest and tax)	11,881,000
Implied value for operating assets	137,940,000
Adjustments:	
Add: Control premium	37,244,000
Add: Net other non-operating assets and liabilities	149,630,000
	324,814,000
Less: Discount lack of marketability	(37,422,000)
	287,392,000
Add: Cash and cash equivalents	35,176,000
Less: Interest bearing debts	–
Indicated value under EV/EBIT ratio	322,568,000

* *Figures above are subject to rounding*

Under the P/E ratio, we determined a multiple of 15.68x and profit after tax of approximately HK$8,899,000, resulting in an indicative value of approximately HK$139,571,000 before adjustments for control premium, net other non-operating assets and liabilities, and marketability discount. After the adjustments, the indicative value under the P/E ratio is approximately **HK$289,200,000 (HONG KONG DOLLARS TWO HUNDRED AND EIGHTY NINE MILLION TWO HUNDRED THOUSAND ONLY)**. Breakdown of our calculation as follows:

	(HK$)
Applied P/E ratio	15.68x
Multiplication factor (profit after tax)	8,899,000
Implied value for operating assets	139,571,000
Adjustments:	
Add: Control premium	37,684,000
Add: Net other non-operating assets and liabilities	149,630,000
	326,885,000
Less: Discount lack of marketability	(37,661,000)
Indicated value under P/E ratio	289,224,000

* *Figures above are subject to rounding*

Upon above analysis, the implied value of the Business Enterprise was in the range of HK$322,600,000 to HK$289,200,000 as at the Valuation Date. Both the EV/EBIT ratio and the P/E ratio are considered to be appropriate indicators for the value of the Business Enterprise. We have therefore assigned equal weights to the values implied under each multiple, which is acceptable to the general market practice for valuation. Based on the above, our opinion of the market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **HK$305,900,000 (HONG KONG DOLLARS THREE HUNDRED AND FIVE MILLION NINE HUNDRED THOUSAND ONLY)**.

10.0 GENERAL VALUATION ASSUMPTIONS

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;

- Market trends and conditions where the Business Enterprise operates will not deviate significantly from economic forecasts in general;

- The unaudited financial statements of the Business Enterprise as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Business Enterprise as at the respective balance sheet dates;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operation of the Business Enterprise;

- There will be no material changes in the business strategy of the Business Enterprise and its operating structure;

- The availability of finance will not be a constraint on the development of the Business Enterprise in accordance with the business plans;

- The Business Enterprise shall have uninterrupted rights to operate their existing businesses during the unexpired term of their authorized operating period;

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated;

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise; and

- The Business Enterprise can be freely disposed and transferred, free of all encumbrances in the market to both local and overseas purchasers.

11.0 SENSITIVITY ANALYSIS

For reference, we have performed a sensitivity analysis of the Business Enterprise, in the case if we only include comparable companies listed in Hong Kong, and adopting the same basis and methodology, investigation and analysis, and assumptions, as follows:

Thomson Reuters Ticker	Name	Multiple Ratio EV/EBIT	Multiple Ratio P/E
3623.HK	China Success Finance Group Holdings Ltd.	19.98	38.47
3903.HK	Hanhua Financial Holding Co., Ltd.	15.37	10.91
1543.HK	Guangdong Join-Share Financing Guarantee Investment Co., Ltd.	8.12	11.57
Mean		14.49	20.32
Standard deviation		5.98	15.73
Mean excluding outliers		17.67	11.24
Applied ratio		17.67	11.24
Multiplication factor		11,881,000	8,899,000
Implied value for operating assets		209,980,000	100,028,000
Adjustments:			
Add: Control Premium		56,695,000	27,008,000
Add: Net other non-operating assets and liabilities		149,630,000	149,630,000
		416,305,000	276,666,000
Less: Discount lack of marketability		(47,963,000)	(31,875,000)
Add: Cash and cash equivalent		35,176,000	N/A
Less: Interest bearing debts		–	N/A
Indicated Value		403,518,000	244,791,000

* *Figures above are subject to rounding*

Upon above analysis, the implied value of the Business Enterprise was in the range of HK$244,800,000 and HK$403,500,000 as at the Valuation Date. Based on the above and assigning equal weights to the values implied under each multiple, the value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of HK$324,200,000.

12.0 RISK FACTORS

There are certain risks involved in the operations of the Business Enterprise and some of these risks are possibly beyond the control of the Management. Any of the risks and uncertainties described below could have a material adverse effect on the business, profitability and financial condition of the Business Enterprise. These risks can be characterized as (i) risks relating to the Business Enterprise and its operations, and (ii) risks relating to the market and industry.

(i) Risks relating to the Business Enterprise and its operations

- Owing to higher credit risk of small borrowers, the Business Enterprise is exposed to default risk;
- The collateral quality is of great importance and may not be sufficient to cover losses in case of borrower default; and
- The Business Enterprise may be exposed to fraud or other misconduct committed by their employees, customers or other third parties that could result in severe financial losses and sanctions imposed by governmental authorities.

(ii) Risks relating to the market and industry

- The competition in the money lending industry is intense; and
- Risk arises if new legislations or regulatory requirements are introduced by the government. It would result in higher costs of compliance and lower returns for the Business Enterprise.

13.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; however, no guarantee is made nor liability assumed for their accuracy.

We have made reference to the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for operational and financial information that have not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We believe that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

14.0 REMARKS

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprise and their subsidiaries and associated companies, or the value reported herein.

The Management has reviewed and confirmed the factual content of this report.

15.0 OPINION OF VALUE

Based on the investigation and analysis and on the valuation method employed, our opinion of the market value of the 100% equity interest in the Business Enterprise as at the Valuation Date was in the sum of **HK$305,900,000 (HONG KONG DOLLARS THREE HUNDRED AND FIVE MILLION NINE HUNDRED THOUSAND ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited
Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer
Director, Corporate Valuations

Note: Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 10 years of experience in the valuation of trade-related business assets and business enterprises in Hong Kong and overseas.

APPENDIX I – MARKET OVERVIEW

Overview

SMEs face the problem of raising funds as they are sometimes not catered to by commercial banks. Commercial banks are closely monitored by the Chinese authorities for the interest of public deposits. In addition, Chinese banks often do not trust the financial statements of SMEs who have few hard assets or property that they can pledge as collateral. To limit risk exposure, banks are required to apply risk control with many loan applications of SMEs rejected. The above has fueled the growth of financing guarantee companies which provide investors with an additional level of comfort that the investment will be repaid in the event that the borrowers would not be able to fulfill the contractual obligation to make timely payments. It also lowers the cost of financing for borrowers because the guarantee typically earns a higher credit rating and therefore lower interest rates.

Financing Guarantee Industry in China

The growth in aggregate financing to the real economy has fueled the expansion of the guarantee sector in China. Since the implementation of the qualitative and quantitative easing in 2008, the reserves of aggregate financing to the real economy has rapidly increased. As end of 2016, the reserves of aggregate financing to the real economy reached RMB155 trillion, which increased by approximately 12% from the previous year. According to the statistical report published, the reserves of aggregate financing to the real economy as end of June 2017 was RMB166 trillion, in increased with 12.8% growth year over year.

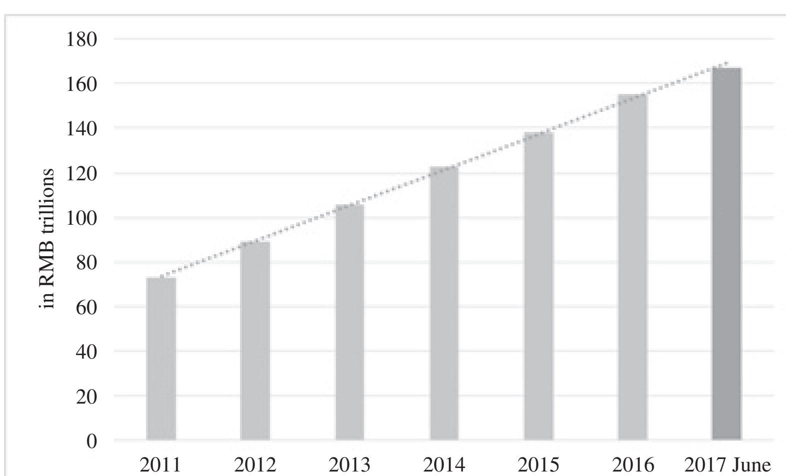

Figure 3: Reserves and growth rate of aggregate financing to the real economy
Source: National Bureau of Statistics of the PRC

In 2015, the State Council of the PRC issued the 推進普惠金融發展規劃(2016-2020年) (the Plan for Advancing Inclusive Finance Development (2016-2020), and hereinafter the "**Plan**"). Inclusive Finance means providing financial service to all social strata and groups with demands for appropriate and valid financial services, at affordable cost, based on the principle of opportunity equality and commercial sustainability. The Plan encourages banks and financial institutions to improve the financial services for urban low-income and impoverished groups including peasants, undergraduates, and workers with disabilities, and to fulfill the financing needs of small and micro-sized enterprises with an aim to develop a comprehensive inclusive financial services and assurance system to the public by 2020.

Specifically, the Plan encourages large banks to accelerate construction of special institutions for serving small and micro businesses and gradually develop the business of micro-loan and enlarge the scope of business in relation to the agriculture, peasants and rural areas. The Plan also promotes functional transformation of provincial rural credit unions, and acceleration of establishments of village banks in counties with a focus on arrangement for poverty-stricken regions in middle and western regions of China.

According to China Banking Regulatory Commission (the "**CBRC**"), as end of December 2014, there were 7,898 financing guarantee institutions in the PRC with outstanding financing guarantee amount of over RMB2 trillion.

Financing Guarantee Regulation in China

In China, territorial management system is adopted for the monitoring of financing guarantee industry. The financing guarantee companies are managed by regional, municipal, or provincial governments directly accordingly to the respective jurisdictions of the financing guarantee companies. The respective regional, municipal, or provincial governments are responsible for setting up regulatory authorities for daily supervision and risk assessment of the financing guarantee companies. A financing guarantee company or any of its branches can only be established upon the examination and approval of the respective regulatory authorities.

In Beijing, the financing guarantee companies are supervised by 北京市金融工作局 (Beijing Municipal Bureau of Financial Work, the "**Bureau**"). In 2016, the Bureau issued 北京市融資性擔保公司管理暫行辦法 (Interim Measures for the Administration of Financing Guarantee Companies, the "**Measures**"). According to the Measures, approvals from the corresponding municipal regulatory authorities are required before setting up financing guarantee companies and its branches in Beijing. The minimum registered capital of a financing guarantee company established in Beijing cannot not be less than RMB50 million yuan.

The Measures further states that the financing guarantee outstanding amounts are capped at 10 times of the respective net assets of the financing companies and provisions which equal to 50% of the revenue from financing guarantee business and 1% of outstanding guarantee balance amount respectively should be made as regulatory reserve every year. Meanwhile, all financing guarantee companies are prohibited from accepting money deposits, issuing loans, and engaging in entrusted investments.

Beijing Financing Guarantee Association

北京市融資擔保業協會 (Beijing Financing Guarantee Association, the "**Association**") is a self-regulatory organization approved by the People's Government of Beijing Municipality in March 2013 as an independent legal entity. The Association aims to adhere to the laws and regulation to enhance the communication between the government and members of the Association, and to regulate and maintain fair competition in the industry. The Association focuses on providing professional services for the financing guarantee industry, engaging in the development of laws and regulation to promote healthy development of the industry, and contributing to the construction and improvement of credit culture and credit environment in Beijing.

The Association has three major functions as follows:

(1) Industry self-regulatory

Engage in research and analyze the financing guarantee industry; provide opinions and advices on the related laws, regulations and various government department policies from the perspective of the industry; participate in the development of financing guarantee system in Beijing and the cooperation between members on their business; and establish customer information system and customer credit evaluation system.

(2) Industry right protection

Reflect the problem in reforming and developing financing guarantee industry to the related government department; encourage communication among government departments and the other related industry associations; and protect each members' legal rights.

(3) Industry services

Organize and participate in statistical research and release of information; carry out financing guarantee institutions management and provide consultation services on technology, information and legal affairs; organize and participate in research, review, promote and apply of financing guarantee industrial theories; provide training and assessment in accordance with the instruction from related laws or management department, and organize industry seminars.

APPENDIX II – ECONOMIC OVERVIEW

CHINA ECONOMIC OVERVIEW

According to International Monetary Fund ("**IMF**"), the nominal GDP growth rate of China kept decreasing from 11.3% in 2012 to 6.6% in 2016. IMF expects the nominal GDP growth rate will rebound in 2016 and will show a moderate increase afterwards. It is expected that a nominal growth rate of 8.4% will be achieved in 2020.

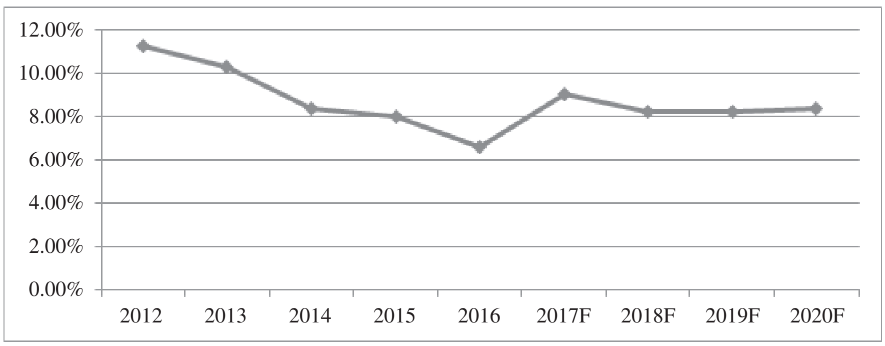

Figure 4: China nominal GDP growth rate, 2012 – 2020F
Source: IMF

According to the research conducted by Hong Kong Trade Development Council ("**HKTDC**") the PRC economy grew by 9.3% in 2011, and slowed to 7.7% in both 2012 and 2013. In 2014 and 2015, GDP grew by 7.3% and 6.9% respectively. In the four quarters of 2016, GDP grew by 6.7%, in the first three quarters and 6.8% in the last quarter, resulting in an average growth of 6.7% for 2016. The People's Bank of China ("**PBOC**") reduced the reserve requirement ratio by 0.5% on 1 March 2016. The base lending rates were cut by 0.25% each on 1 March 2015, 11 May 2015, 28 June 2015 and 26 August 2015 and 24 October 2015.

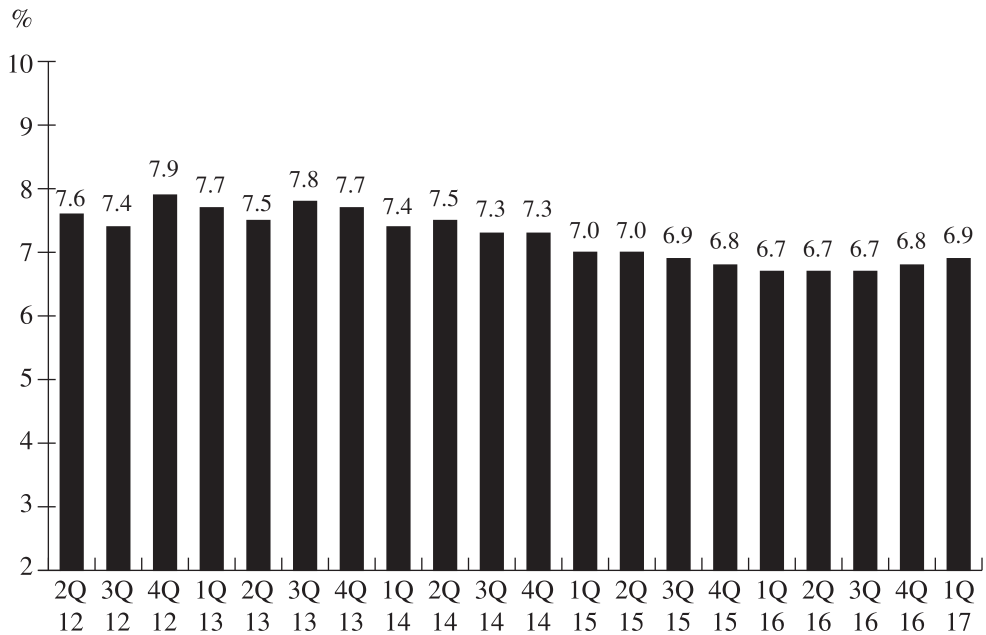

Figure 5: China quarterly economic growth, 2Q 2012 – 1Q 2017
Source: HKTDC

Fixed assets investment is one of the major driving forces of the economy. In 2015, fixed assets investment grew by 10.2%. In 2016, it grew by 8.1%. Between January to April 2017, fixed assets investments grew by 8.9%, down from 9.2% between January to March 2017.

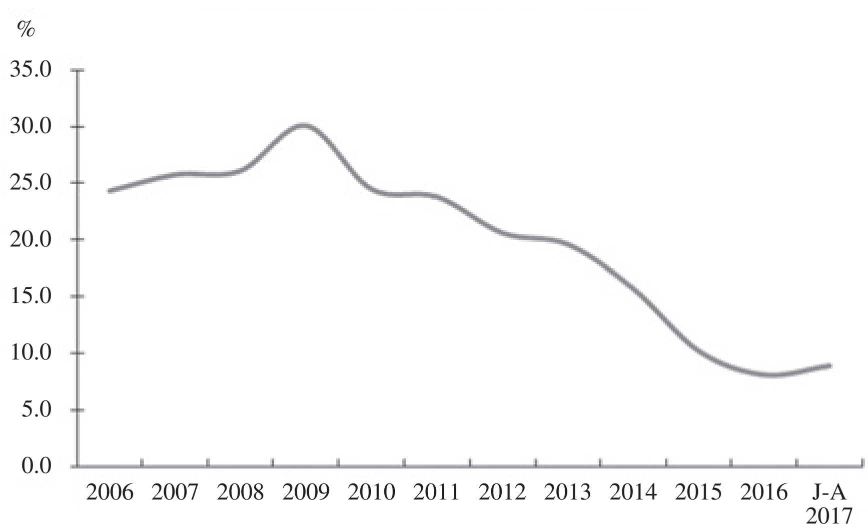

Figure 6: China fixed assets investment, 2006 – 1Q 2017
Source: HKTDC

In 2015, consumer price index ("**CPI**") increased by 1.4% with food prices increasing by 2.3% and non-food prices up by 1.0%. In 2016, CPI went up by 2.0% with food prices up by 4.6% and non-food prices up by 1.4%. Between January to April in 2017, CPI went up by 1.4% with food prices dropped by 2.4% and non-food prices up by 2.3%

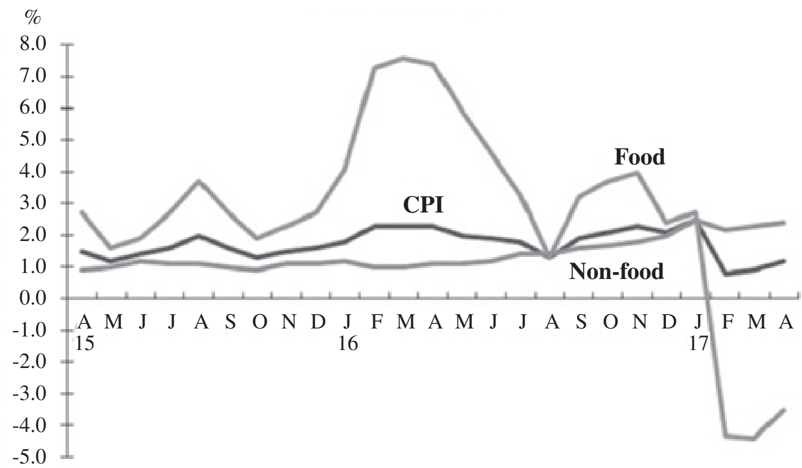

Figure 7: China monthly inflation rate, April 2015 – April 2017

Source: HKTDC

China's Manufacturing Purchasing Managers' Index ("**PMI**") dropped to 51.2 in April 2017 from 51.8 in March 2017.

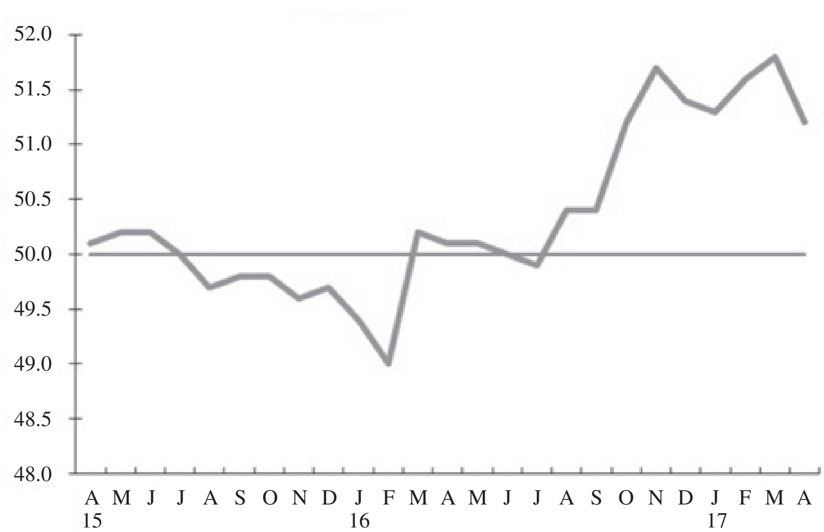

Figure 8: China's PMI, April 2015 – April 2017

Source: HKTDC

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executives

As at the Latest Practicable Date, the interest or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**")in Appendix 10 of the Listing Rules were as follows:

Long positions in the shares and underlying shares

Director	Nature of interests	Number of issued Shares held	Approximate percentage of the issued share capital
Mr. Liu Kequan ("**Mr. Liu**")	Corporate interests	807,750,000 *(Note 1)*	11.77%

Long position in shares and underlying shares of the Company's associated corporations (within the meaning of Part XV of the SFO)

Director	Name of associated corporation	Nature of interest	Class	Number of share/amount of registered capital	Approximate percentage of shareholding
Mr. Liu	Intraday Financial Information Service Limited	Corporate interests *(Note 2)*	Ordinary	55 shares	55%
	aBCD Enterprise Limited	Corporate interests *(Note 2)*	Ordinary	3 shares	100%
	鼎泰潤和投資諮詢(上海)有限公司 (Dingtai Runhe Investment Consulting (Shanghai) Co., Ltd.*)	Corporate interests *(Note 2)*	Registered capital	RMB31,000,000	100%

Notes:

1. The entire issued share capital of Eastern Spring Global Limited ("**Eastern Spring**") is wholly and beneficially owned by Mr. Liu and Eastern Spring is the legal and beneficial owner of 807,750,000 Shares.

2. 65.8% of the issued share capital of Long Tu Limited ("**Long Tu**") is owned by Mr. Liu. Long Tu is the legal and beneficial owner of 55 shares of Intraday Financial Information Service Limited ("**Intraday**") which is 55% of its issued share capital, whilst the remaining 45 shares, which represents 45% of the issued share capital of Intraday, is owned by the Company. Intraday is the legal and beneficial owner of 3 shares of aBCD Enterprise Limited ("**aBCD**"), which is 100% of its issued share capital. aBCD is the holder o RMB31,000,000 of the registered capital of Dingtai Runhe Investment Consulting (Shanghai) Co., Ltd., which is its entire equity interest.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(ii) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company and were recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position in shares and underlying shares

Name	Nature of interest	Number of Shares held	Approximate percentage of the issued share capital
Eastern Spring	Beneficial owner	807,750,000	11.77%
Eternally Sunny Limited	Beneficial owner	612,810,000 *(Note)*	8.93%
Mr. Yang Dayong	Corporate interests and deemed interests	614,826,000 *(Note)*	8.96%

Note: Mr. Yang Dayong is the beneficial owner of 100% of Eternally Sunny Limited and Eternally Sunny Limited is the beneficial owner of 612,810,000 Shares. As Mrs. Yang, being the spouse of Mr. Yang, is interested in 2,016,000 Shares, Mr. Yang is also deemed to be interested in 2,016,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other persons (other than a Director and chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Company.

4. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular and as at the Latest Practicable Date,

(a) Interests in service contracts

None of the Directors had any existing or proposed service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation));

(b) Interests in assets

None of the Directors has or had any interest, direct or indirect, in any asset which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up; and

(c) Interests in contracts or arrangements

None of the Directors was materially interested in any contract or arrangement entered into with any member of the Enlarged Group, which contract or arrangement is subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Enlarged Group taken as a whole.

5. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors or any of their respective associates that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

6. LITIGATION

Litigation in the PRC

The Group has appointed PRC legal advisers for the applications for arbitration to enforce the variable interest entity contracts (the "**VIE contracts**") in relation to 上海新盛典當有限公司 (Shanghai Xinsheng Pawnshop Limited*) ("**Xinsheng**") and 上海中源典當有限公司 (Shanghai Zhongyuan Pawnshop Company Limited*) ("**Zhongyuan**"). The applications had been filed and accepted by Shanghai Arbitration Commission in August 2016. The relief sought in the three applications for arbitration are enforcement of the exclusive call option agreement, authorization agreement, exclusive consulting service agreement and equity pledge agreement under the VIE contracts in relation to Xinsheng and Zhongyuan.

As stated in the announcement of the Company dated 23 February 2017, the arbitration cases in relation to Xinsheng and Zhongyuan were suspended as (i) the counterparties were involved in a criminal investigation conducted by one public security authority of Shanghai City, PRC; and (ii) the shares of Xinsheng and Zhongyuan were frozen by the PRC public security authority. As at the Latest Practicable Date, neither the Company nor the PRC legal advisers of the Company have received any notification from the Shanghai Arbitration Commission as to the resumption of the arbitration cases.

As at the Latest Practicable Date, save as disclosed above, none of the members of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and were or might be material:

(a) the letter of agreement dated 1 October 2015 entered into between the Company, Long Tu Limited and Mr. Shao Yonghua in relation to the release of the 71,800,000 Shares owned by Long Tu Limited from the escrow agent for a consideration of Mr. Shao Yonghua guaranteed the timely performance of any or all of the obligations of Long Tu Limited under the letter of agreement or deed and Mr. Shao Yonghua shall on demand indemnify and keep indemnified the company from and against all damages, costs, losses and expenses in relation to the failure of Long Tu Limited to observe the letter of agreement;

(b) the underwriting agreement dated 1 October 2015 entered into among the Company, Long Tu Limited and Orient Securities (Hong Kong) Limited relating to the rights issue of 215,623,557 rights shares on the basis of one rights share for every two shares held on record date at the subscription price of HK$2.2 per rights share;

(c) the subscription agreement dated 22 December 2015 entered into between Summit Yield Developments Limited ("**Summit Yield**"), a direct wholly-owned subsidiary of the Company, and ShiFang Holding Limited ("**ShiFang**") in respect of the subscription of 40,000,000 new shares of ShiFang for an aggregate subscription price of HK$32 million in cash by Summit Yield;

(d) a second supplemental agreement dated 8 January 2016 to the sale and purchase agreement dated 20 November 2014 entered into among the Company as purchaser, Rosy Start Investments Limited, Equity Partner Holdings Limited, Century Best Holdings Limited and Asiabiz Capital Investment Limited as vendors and Mr. Joseph Shie Jay Lang as vendor's guarantor in respect of the acquisition of the entire issued share capital of Oriental Credit Holdings Limited;

(e) the memorandum of understanding dated 22 February 2016 entered into between Champion Well Limited, an indirect wholly-owned subsidiary of the Company, and Shanghai Dangtian Asset Management Limited ("**Shanghai Dangtian Asset**") in respect of the subscription of not more than 20% of the enlarged equity interest of Shanghai Dangtian Asset for a consideration of HK$600,000,000 based on preliminary valuation of Shanghai Dangtian Asset of not more than HK$3,000,000,000;

(f) the placing agreement dated 11 March 2016 entered into between the Company and Orient Securities (Hong Kong) Limited in respect of the placing of up to 485,153,000 placing shares at HK$0.70 to HK$0.90 per placing share on a best effort basis, during the placing period;

(g) the subscription agreement dated 4 July 2016 entered into between the Company and Mr. Yang Dayong in respect of the subscription of a total of 452,810,000 Shares at the subscription price of HK$0.27 per Share;

(h) the acquisition agreement dated 14 December 2016 entered into among the Company as purchaser, Heroic Fiction International Limited as vendor and Mr. Chong Kwok Wing as vendor guarantor in respect of the acquisition of the entire issued share capital of and the shareholder's loan owed by Access China Group Limited for a consideration of HK$128,515,168;

(i) the supplemental agreement dated 2 February 2017 to the acquisition agreement dated 14 December 2016 entered into among the Company as purchaser, Heroic Fiction International Limited as vendor and Mr. Chong Kwok Wing as vendor guarantor in respect of the acquisition of the entire issued share capital of, and the shareholder's loan owed by Access China Group Limited;

(j) the underwriting agreement dated 5 May 2017 entered into between the Company and Zhongtai International Securities Limited (being the underwriter) in relation to the open offer of 2,287,947,142 offer shares at the subscription price of HK$0.100 each on the basis of one (1) offer share for every two (2) Shares; and

(k) the Sale and Purchase Agreement.

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given its opinions or advice as contained in this circular:

Name	Qualifications
HLM CPA Limited ("**HLM**")	Certified Public Accountants
Peak Vision Appraisals Limited ("**Peak**")	Professional valuer

As at the Latest Practicable Date, HLM and Peak were not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

HLM and Peak have given, and have not withdrawn their written consent to the issue of this circular with the inclusion of the references to their name and/or their opinions in the form and context in which they are included.

As at the Latest Practicable Date, HLM and Peak had no direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up.

9. GENERAL

(a) The secretary of the Company is Ms. Chan Siu Mun, who is a member of The Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong during normal business hours on any weekday other than public holidays from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016;

(c) the letter from HLM in respect of the unaudited pro forma financial information following completion of the Acquisition, the text of which is set out in Appendix II to this circular;

(d) the valuation report prepared by Peak in respect of the Target Company, the text of which is set out in Appendix VI to this circular;

(e) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(f) the letter from the Board the text of which is set out in this circular;

(g) the written consent from HLM referred to in the section headed "Experts and Consents" of this appendix; and

(h) this circular.

11. MISCELLANEOUS

In case of any inconsistency, the English text of this circular, the accompanying notice of the SGM and form of proxy shall prevail over its Chinese text.

大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)
(Stock Code: 431)
website: http://www.irasia.com/listco/hk/greaterchina/index.htm

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Greater China Financial Holdings Limited (the "**Company**") will be held at Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong on Monday, 9 October 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 28 July 2017 (as supplemented by supplemental letters dated 24 August 2017 and 13 September 2017) (the "**Sale and Purchase Agreement**") entered into among Harmonic Edge Limited (as the purchaser and a direct wholly-owned subsidiary of the Company), New Wealth Investment Co., Limited (as the "**Vendor**") and Mr. Yang Dayong (as the vendor guarantor) in relation to the acquisition of the entire issued share capital of Sino Wealth Investment Co., Limited ("**Sino Wealth**") and the assignment of the shareholder's loan owed by Sino Wealth and its subsidiaries to the Vendor at completion (a copy of which has been produced to the Meeting and marked "A" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorized to execute all such documents, instruments, agreements and deeds and to do all such acts, matters and things that are of administrative nature only and ancillary to the transactions contemplated under the Sale and Purchase Agreement, as he or she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to agree to such variation of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable."

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 15 September 2017

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Suites 3001-11
Tower Two, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Notes:

1. All resolutions will be put to vote at the Meeting by way of poll.

2. Any shareholder of the Company (the "**Shareholder**") entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

3. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the Meeting and in such event, the form of proxy shall be deemed to be revoked.

5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the Meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.

6. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting, and in default thereof the form of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date of its execution.

7. For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 3 October, 2017 to Monday, 9 October, 2017, both days inclusive, during which period no transfer of shares will be registered. In order for a Shareholder to be eligible to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 September, 2017.