THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Realord Group Holdings Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Realord

偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1196)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF TOP EAGLE INTERNATIONAL TRADING LIMITED INVOLVING THE ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

Capitalised terms used on this cover page shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A notice convening the SGM to be held at 11:00 a.m. on Friday, 17 February 2017 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar 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 of the SGM or any adjournment thereof (as the case may be) or the poll concerned. 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) or the poll concerned should you so wish.

25 January 2017

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 5 September 2016 (as amended and supplemented by a supplemental agreement thereto dated 30 December 2016 in relation to the extension of the long stop date) entered into among the Company, the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
"Acquisition Announcement"	the announcement of the Company dated 5 September 2016 in relation to the Acquisition
"Board"	the board of Directors
"Business Day(s)"	a day(s) (excluding Saturday, Sunday or public holiday) on which licensed banks in Hong Kong generally open for business throughout their normal business hours
"Company"	Realord Group Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1196)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Consideration"	the consideration in respect of the Acquisition at a maximum amount of HK$60,000,000
"Consideration Shares"	the new Shares to be allotted and issued by the Company as part of the Consideration
"Director(s)"	director(s) of the Company
"Dr. Lin"	Dr. Lin Xiaohui, an executive Director and the Chairman of the Company, the spouse of Madam Su
"Enlarged Group"	the Group and the Target Group
"Group"	the Company and its subsidiaries
"Guarantor"	鍾春梅女士 (Ms. Zhong Chunmei*), being the ultimate beneficial owner of the Vendor

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Last Trading Day"	5 September 2016, being the date of the Acquisition Agreement and the last trading day of the Shares immediately prior to the release of the Acquisition Announcement
"Latest Practicable Date"	23 January 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Letter of Intent"	the letter of intent dated 9 May 2016 (as amended and supplemented by a supplemental letter of intent thereto dated 9 August 2016) entered into between the Company and the Vendor in relation to the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Madam Su"	Madam Su Jiaohua, an executive Director and the spouse of Dr. Lin
"Manureen Holdings"	Manureen Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder, the issued shares of which are owned as to 70% by Dr. Lin and as to 30% by Madam Su
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region and Taiwan
"PRC Company"	廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
"Purchaser"	Way Strong Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
"Qualified Profit"	being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss
"Relevant Financial Year"	the financial year ended 31 December 2016 or the financial years ending 31 December 2017 or 2018 (as the case may be)

"Sale Shares"	9,000,000 shares in the Target Company, representing 60% of the issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.1 each in the issued share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Top Eagle International Trading Limited, a company incorporated in Hong Kong with limited liability
"Target Group"	the Target Company and the PRC Company
"Target Profit(s)"	the Qualified Profit of HK$15,000,000 for the financial year ended 31 December 2016, HK$35,000,000 for the financial year ending 31 December 2017 or HK$50,000,000 for the financial year ending 31 December 2018 (as the case may be)
"Vendor"	Fortune Victory Asia Corporation, a company incorporated in the British Virgin Islands with limited liability
"EUR"	Euro, the lawful currency of the European Union
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

In this circular, amounts in RMB are translated into HK$ on the basis of RMB1 = HK$1.12. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at such rate or at all.

* The English translation of Chinese names or words in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1196)

Executive Directors:
Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive Directors:
Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

25 January 2017

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF
TOP EAGLE INTERNATIONAL TRADING LIMITED
INVOLVING THE ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 9 May 2016 and 9 August 2016 in relation to the entering into of the Letter of Intent between the Company and the Vendor in respect of the possible acquisition of 60% of the issued share capital of the Target Company; and (ii) the announcements of the Company dated 5 September 2016 and 30 December 2016 in relation to the Acquisition.

After the trading hours of the Stock Exchange on 5 September 2016, the Company, the Purchaser (a direct wholly-owned subsidiary of the Company), the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at a maximum consideration of HK$60,000,000. The Sale Shares represent 60% of the issued share capital of the Target Company. The Consideration shall be satisfied by the Purchaser to the Vendor as to HK$25,000,000 in cash and as to a maximum of HK$35,000,000 (subject to adjustment) by way of allotment and issuance of up to 5,000,000 Consideration Shares by the Company at the issue price of HK$7.00 per Consideration Share to the Vendor (or its nominee(s)). The Consideration Shares will be allotted and issued under a specific mandate of the Company to be sought at the SGM.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to, among other things, the Shareholders' approval requirements.

The purpose of this circular is to provide you with, among other things, (i) the details of the Acquisition Agreement; (ii) the financial information of the Group; (iii) the financial information of the Target Group; (iv) the financial information of the PRC Company; (v) the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place; (vi) other information as required under the Listing Rules; and (vii) the notice convening the SGM at which the Shareholders will consider and, if thought fit, approve the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares).

THE ACQUISITION AGREEMENT

Date

5 September 2016

Parties

(i) Way Strong Holdings Limited, a direct wholly-owned subsidiary of the Company, being the Purchaser;

(ii) Fortune Victory Asia Corporation, being the Vendor;

(iii) the Company, being the guarantor to guarantee the due performance of the obligations of the Purchaser under the Acquisition Agreement; and

(iv) 鍾春梅女士 (Ms. Zhong Chunmei*), being the Guarantor to guarantee the due performance of the obligations of the Vendor under the Acquisition Agreement.

The Vendor is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owner (being the Guarantor) are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the counterparties of the notifiable transactions conducted by the Group in the past two years and their respective ultimate beneficial owners.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares. The Sale Shares, representing 60% of the issued share capital of the Target Company, will be sold free from all encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution declared, made or paid after Completion. The Target Company is principally engaged in trading of scrap materials and owns the entire equity interest in the PRC Company, which is principally engaged in dismantling and sales of scrap materials in the PRC. Please refer to the section headed ''Information on the Target Group'' below for further details.

Consideration

The maximum Consideration of HK$60,000,000 shall be satisfied by the Purchaser to the Vendor in the following manner:

(i) as to HK$3,000,000 by way of cash as a refundable deposit which has been paid by the Company to the Vendor upon signing of the Letter of Intent;

(ii) as to HK$22,000,000 payable by the Purchaser in cash at Completion; and

(iii) as to a maximum of HK$35,000,000 by way of allotment and issuance of up to 5,000,000 Consideration Shares (subject to the adjustments mechanism as described below) by the Company, to be credited as fully paid, at the issue price of HK$7.00 per Consideration Share in the following manner:

(a) 750,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group, being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss, for the financial year ended 31 December 2016 was not less than HK$15,000,000;

(b) 1,750,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group for the financial year ending 31 December 2017 is not less than HK$35,000,000; and

(c) 2,500,000 Consideration Shares shall be allotted and issued by the Company to the Vendor or its nominee(s) within 10 Business Days following the Purchaser and the Vendor agreeing in writing that the Qualified Profit of the Target Group for the financial year ending 31 December 2018 is not less than HK$50,000,000.

The refundable deposit of HK$3,000,000 has been paid out of the internal resources of the Group and will be applied towards the payment of the Consideration at Completion. The cash consideration payable of HK$22,000,000 (as referred to above) is expected to be funded by borrowings from the controlling Shareholders, Manureen Holdings. The borrowings to be provided by Manureen Holdings will be on normal commercial terms or better to the Company and will not be secured by the assets of the Group. Such borrowings would therefore constitute a fully exempt connected transaction of the Company under the Listing Rules.

Adjustments to Consideration and Consideration Shares

Pursuant to the Acquisition Agreement, the Consideration Shares that may be allotted and issued by the Company to the Vendor or its nominee(s) as part of the Consideration shall be subject to the following adjustment mechanism:

In the event that the Qualified Profit, being the consolidated net profit after tax of the Target Group after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss (the "**Excluded P&L Items**"):

(i) is equal to or more than the Target Profit for the Relevant Financial Year (being HK$15,000,000 for the financial year ended 31 December 2016, HK$35,000,000 for the financial year ending 31 December 2017 and HK$50,000,000 for the financial year ending 31 December 2018), the Company shall allot and issue the corresponding amount of the Consideration Shares for each of the Relevant Financial Year to the Vendor or its nominee(s) within 10 Business Days (or in such other time as the Purchaser and the Vendor may agree) following the Purchaser and the Vendor agreeing in writing in relation to the Qualified Profit for the Relevant Financial Year; or

(ii) is less than the Target Profit for the Relevant Financial Year, the Company is not required to allot and issue any of the corresponding amount of the Consideration Shares under the respective tranches to the Vendor.

The Purchaser and the Vendor considered the Excluded P&L Items are of non-cash nature, which may distort the results of the Target Group's operation. Save for the aforesaid items, there are no other extraordinary items which would be excluded from the Qualified Profit.

The Qualified Profit of the Target Group for each of the financial year ended 31 December 2016 and ending 31 December 2017 and 2018 (each being the Relevant Financial Year respectively) shall be calculated based on the audited consolidated financial statements of the Target Group for the Relevant Financial Year prepared in accordance with the Hong Kong Financial Reporting Standards, which include the disclosure of the consolidated net profit after tax of the Target Group and the Excluded P&L Items (if any). The Purchaser shall procure the auditors of the Company to provide to the Purchaser such audited consolidated financial statements within five months after the end of the Relevant Financial Year. The Purchaser and the Vendor shall agree in writing for the Qualified Profit for the Relevant Financial Year within five Business Days after the issuance of the aforesaid audited consolidated financial statements of the Target Group by the auditors of the Company. Further announcement(s) will be made by the Company to inform the Shareholders as to whether the Target Profit for the Relevant Financial Year has been fulfilled.

In the event that the Qualified Profit is less than the Target Profit for the Relevant Financial Year, the Vendor is not required to compensate the Purchaser for any shortfall of the Qualified Profit from the Target Profit.

The Target Profit of the Target Group for each of the respective financial years ended 31 December 2016 and ending 31 December 2017 and 2018 was determined among the parties to the Acquisition Agreement, after taking into account, among other things, (i) the business development plan of the Target Group; (ii) the realisation of the intended synergies by the Target Group (details of which is disclosed in the section headed "Reasons for and benefits for the Acquisition" below); and (iii) the recent business performance of the Target Group in 2016. Based on the accountants' report of the Target Group as set out in Appendix II to this circular, the consolidated net profit after tax of the Target Group for the eight months ended 31 August 2016 amounted to approximately HK$15.0 million, which approximate to the Target Profit to be fulfilled for the year ended 31 December 2016. The PRC Company has an annual capacity of dismantling imported scrap materials of 40,000 tonnes, of which approximately 85% can be recycled and resold as copper, aluminum, iron or plastics. As advised by the management of the Target Group, given that the renovation was taken place in the industrial park where the PRC Company is situated, the Target Group has only processed around 10,000 tonnes of scrap materials during the eight months ended 31 August 2016. Under normal circumstances, the Target Group would have processed over 30,000 tonnes of scrap materials annually. After taking into account the gross profit margin for the eight months ended 31 August 2016, the management of the Target Group considered that it is fair and reasonable to set the Target Profit at HK$35 million for the year ending 31 December 2017. Furthermore, the Target Group intends to expand the production site and equip with more machineries and equipment to facilitate the production growth. The Target Group also plans to seek the approval from relevant authorities to increase the annual limit of processing the import scrap materials from 40,000 tonnes to 80,000 tonnes. It is expected that the aforementioned expansion of production capacity will be completed in the second half year of 2017. Based on the aforesaid development plan, the Target Profit of HK$50 million has been determined for the year ending 31 December 2018. The growth potential of the Target Group is currently limited by its production capacity as well as the working capital to support a larger business scale. As the Target Company will become an indirect non-wholly owned subsidiary of the Company upon Completion, the Company is able to contribute to the growth of the Target Group by enabling it to gain access to more financing channels, which will facilitate the implementation of its business development plan. In the event that the Target Profits are not achieved by the Target Group, the Vendor is not entitled to the corresponding amount of the Consideration Shares under the respective tranches. In light of the above, the Board considers the Target Profits have been reasonably determined and the adjustments to the Consideration and Consideration Shares are fair and reasonable.

Consideration Shares

Pursuant to the terms of Acquisition Agreement, a maximum of 5,000,000 Consideration Shares will be allotted and issued at the issue price of HK$7.00 per Consideration Share. The issue price of HK$7.00 per Consideration Share represents:

(i) a premium of approximately 38.6% over the closing price of HK$5.05 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 47.7% over the average of the closing prices as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$4.74 per Share;

(iii) a premium of approximately 52.5% over the average of the closing prices as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day of approximately HK$4.59 per Share; and

(iv) a premium of approximately 39.7% over the closing prices of HK$5.01 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The issue price of HK$7.00 per Consideration Share was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account the growth trend of price of the Shares prior to the date of the Acquisition Agreement and the future prospects of the Enlarged Group. The Directors are optimistic about the business development of the Enlarged Group. The Directors consider the issue price of the Consideration Share, which sets at a premium over prevailing market price of the Shares, is fair and reasonable.

The 5,000,000 Consideration Shares, when all allotted and issued, will represent (i) approximately 0.4% of the existing issued Shares as at the Latest Practicable Date; and (ii) approximately 0.4% of the issued Shares as enlarged by the allotment and issuance of the Consideration Shares. As such, the allotment and issuance of the Consideration Shares will not result a change of control of the Company.

The Consideration Shares will be allotted and issued under special mandate of the Company to be sought at the SGM. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares then in issue.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

(i) the Vendor having obtained all necessary consents, authorisations and approvals in respect of the sale and purchase of the Sales Shares;

(ii) the Purchaser having obtained all necessary consents, authorisations and approvals in respect of the sale and purchase of the Sales Shares;

(iii) there being no situation, facts or circumstances which constitute or may constitute any breach of warranties under the Acquisition Agreement;

(iv) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares;

(v) the passing of the necessary resolution(s) by the Shareholders at the SGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares);

(vi) the Purchaser having obtained a legal opinion issued by a firm of PRC lawyers appointed by the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the due incorporation and valid existence of the PRC Company, the legality of the title of the land use rights in relation to the properties owned or possessed by the PRC Company and the legality in respect of the ownership of assets and operation of business by the Target Group after Completion) in such form and substance satisfactory to the Purchaser; and

(vii) the Purchaser being satisfied with the results of the due diligence review on the assets, liabilities, operations and affairs of the Target Group to be carried out by the Purchaser.

The Purchaser may in its absolute discretion at any time waive the conditions set out in (iii), (vi) and (vii) above by notice in writing to the Vendor. No other conditions may be waived by any parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived by the Purchaser (as the case may be) on or before 28 February 2017 (or such later date as agreed by the parties to the Acquisition Agreement in writing), the Vendor shall immediately return the deposit of HK$3,000,000 already paid by the Purchaser under the Acquisition Agreement in full without interest to the Purchaser and the Acquisition Agreement shall cease and determine and no party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Acquisition Agreement.

As at the Latest Practicable Date, the Purchaser did not waive any of the conditions and none of the above conditions have been fulfilled.

Completion

Completion shall take place on the third Business Day after all the conditions precedent under the Acquisition Agreement having been fulfiled or waived by the Purchaser (as the case may be) (or such other date as agreed by the parties to the Acquisition Agreement).

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

Guarantee

In consideration of the Vendor agreeing to enter into the Acquisition Agreement, the Company has agreed to guarantee the performance by the Purchaser of its obligations (including the payment obligations of the Purchaser) under the Acquisition Agreement subject to and upon the terms and conditions of the Acquisition Agreement.

In consideration of the Purchaser agreeing to enter into the Acquisition Agreement, the Guarantor has agreed to guarantee the performance by the Vendor of its obligations under the Acquisition Agreement subject to and upon the terms and conditions of the Acquisition Agreement.

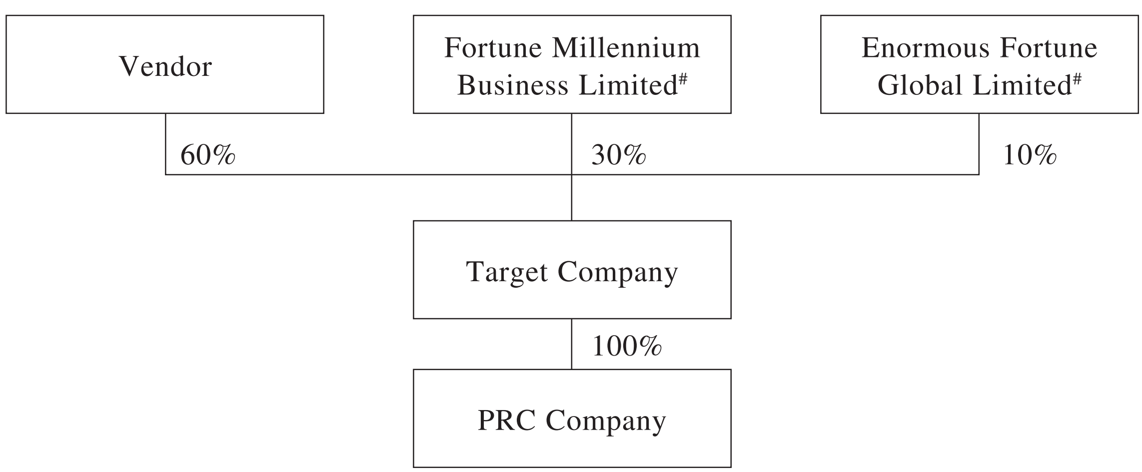
The Guarantor unconditionally and irrevocably undertakes to the Purchaser to procure the due and punctual performance by the Vendor of all the obligations expressed to be imposed on or assumed by it under the Acquisition Agreement and undertakes to indemnify and keep effectively indemnified the Purchaser against all liabilities, losses, damages, costs and expenses stipulated under the Acquisition Agreement or otherwise which the Purchaser may suffer or incur in connection with any default or delay on the part of the Vendor in the performance of any such obligations or in the observance and compliance of such covenants.

INFORMATION ON THE TARGET GROUP

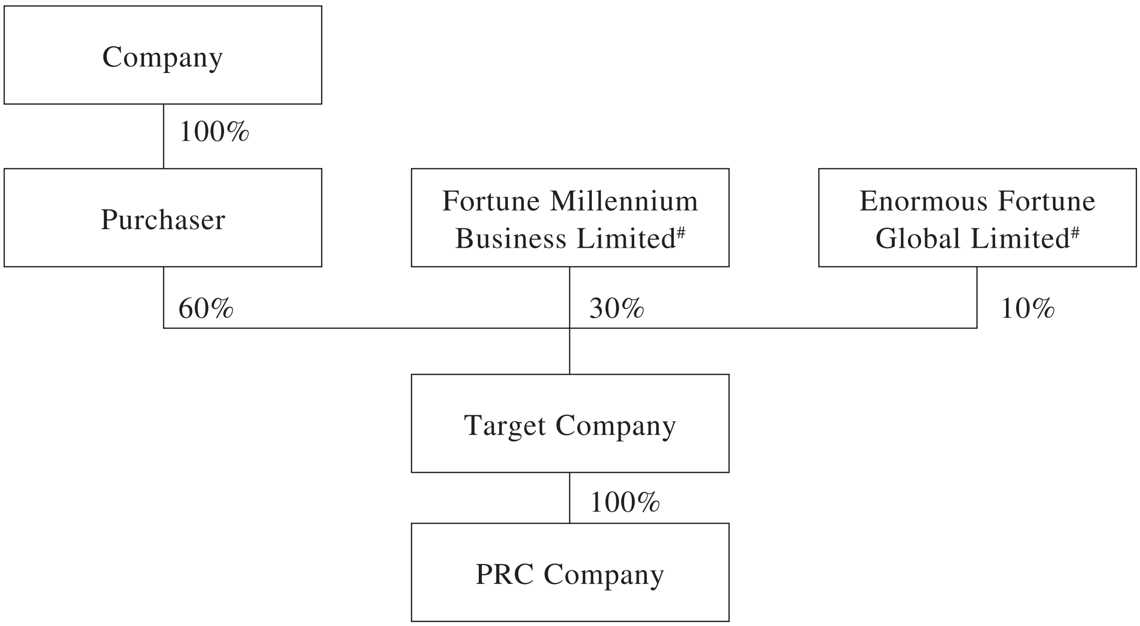
Set out below are the group structure of the Target Group, the business of the Target Group and the financial information on the Target Group:

Group structure of the Target Group

The diagram below depicts the group structure of the Target Group as at the Latest Practicable Date:



The diagram below depicts the group structure of the Target Group immediately after Completion (assuming no other changes in the shareholding structure of the Target Group):



\# *To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Fortune Millennium Business Limited, Enormous Fortune Global Limited and their respective ultimate beneficial owner(s) are third parties independent of (i) the Company and its connected persons (as defined under the Listing Rules); and (ii) the counterparties of the notifiable transactions conducted by the Group in the past two years and their respective ultimate beneficial owners.*

Business of the Target Group

The Target Group comprises two members, namely the Target Company and the PRC Company.

The Target Company was incorporated in Hong Kong with limited liability on 7 March 2013. As at the Latest Practicable Date, the Target Company was owned as to 60% by the Vendor, 30% by Fortune Millennium Business Limited and 10% by Enormous Fortune Global Limited. The Target Company is principally engaged in trading of scrap materials. It mainly acts as an agent of its customers, which are mainly recyclers and scrap materials processors in the Guangxi Province, the PRC, for sourcing scrap materials, such as metals, electrical appliances, wires, cables, copper clad laminate and plastics, from Hong Kong and overseas markets. After the Target Company has placed the orders of scrap materials to the suppliers on behalf of its customers, such scrap materials are delivered directly from suppliers to customers. As such, the Target Company does not have the title of ownership of the scrap materials on these orders and does not maintain inventories for its trading business.

On 19 February 2016, the Target Company completed the acquisition of the entire issued share capital of the PRC Company from two individuals, where one of them is a relative of the Guarantor, at an aggregate consideration of RMB3,100,000. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the aforesaid related parties of the existing shareholders of the Target Company are third parties independent of the Company and its connected persons (as defined under the Listing Rules). The Company understands from the Vendor that the aforesaid aggregate consideration of RMB3,100,000 was determined with reference to the registered share capital of the PRC Company and did not take into account the net book value of the PRC Company at the material time. As such, the Company did not take into account the previous acquisition cost of the PRC Company in determining the Consideration.

The PRC Company was established in the PRC with limited liability on 22 July 2009. It is principally engaged in recycling, dismantling and sales of scrap materials, including nonferrous metals (such as copper and aluminium), iron and plastics. It is situated at 梧州進口再生資源加工園區 (Wuzhou Import Renewable Resources Processing Park*), Wuzhou City, Guangxi Province, the PRC, which is a national approved industrial park for imported renewable resources recycling management and a key industrial park in Guangxi Province. The PRC Company sources the scrap materials from Hong Kong and overseas through the Target Company, dismantles the scrap materials in its factory in Wuzhou City, Guangxi Province, the PRC and sells to its targeted customers, which are mainly manufacturers using scrap copper, metals and plastics in its manufacturing process in the PRC.

Going forward, the Target Group will focus on the sales of scrap materials through the PRC Company. The PRC Company intends to expand its production site and increase its annual capacity of dismantling imported scrap materials from existing 40,000 tonnes to 80,000 tonnes by the year ending 31 December 2017, of which approximately 85% can be recycled and resold as copper, aluminium, iron or plastics. After the acquisition of the PRC Company by the Target Company in February 2016, the Target Company and the PRC Company have been and will continue to strengthen their sales with existing customers and target to expand geographically through consolidating their sales network in the PRC. With the increase in annual processing and sales volume, the Target Company believes that it could strike for a lower cost on sourcing from scrap materials suppliers in bulk, which will lead to an improvement of gross margin.

The growth potential of the Target Group is currently limited by its production capacity as well as the working capital to support a larger business scale. As at 31 August 2016, the Target Group's operation was mainly financed by amounts due to a director of approximately HK$82 million and bank borrowings which amounted to approximately HK$17 million. The amounts due to a director were unsecured, interest-free and not repayable within 12 months. It is expected that such amount will be gradually repaid from its internally generated cash flows since 2018. After Completion, the Company is able to contribute to the growth of the Target Group by enabling it to gain access to more financing channels, such as utilising the unutilised bank trading facilities of the Group which amounted to over HK$100 million, providing guarantees pro rata to its interest in the Target Company in favour of financial institutions to facilitate the obtaining of bank facilities by the Target Group.

Financial information of the Target Group

During the period from 7 March 2013 (date of incorporation of the Target Company) to 18 February 2016 (both dates inclusive), the Target Group comprises the Target Company only. Since 19 February 2016 (being the date of completion of the acquisition of the PRC Company by the Target Company), the PRC Company became part of the Target Group and the financial results of the PRC Company has been consolidated into the financial statements of the Target Group. The financial information of the Target Group and the PRC Company is presented below.

The Target Group

Set out below is the financial information of the Target Group as extracted from its audited consolidated financial statements for the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for the eight months ended 31 August 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards, as set out in Appendix II to this circular:

	For the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013	For the year ended 31 December 2014	2015	For the eight months ended 31 August 2016 *(consolidated)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	620	(2,641)	1,713	19,196
Profit/(loss) after tax	518	(2,205)	1,431	15,017

As at 31 August 2016, the audited consolidated net assets of the Target Group amounted to approximately HK$30.1 million.

It is noted that the audited financial information of the Target Group for the years ended 31 December 2014 and 2015 is different from the unaudited financial information of the Target Company as disclosed in the Acquisition Announcement. The differences are illustrated in the table below:

	For the year ended 31 December 2014			For the year ended 31 December 2015		
	(per unaudited financial information as disclosed in the Acquisition Announcement)	(per audited financial information as set out in Appendix II to this circular)	Difference	(per unaudited financial information as disclosed in the Acquisition Announcement)	(per audited financial information as set out in Appendix II to this circular)	Difference
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	641	(2,641)	3,282	715	1,713	(998)
Profit/(loss) after tax	641	(2,205)	2,846	715	1,431	(716)

The differences of approximately HK$3.3 million and HK$1.0 million on the profit/(loss) before tax of the Target Company for the years ended 31 December 2014 and 2015 respectively are mainly due to the adjustments made in revenue according to the Target Group's revenue recognition policy. For the year ended 31 December 2013, the Target Company, as a trading agent, recognised its service income generated from sourcing scrap materials when the relevant services has been rendered and such income was settled by the suppliers in cash. Starting from 1 January 2014, the Target Company has changed its receipts of income from suppliers for provision of agency services from cash to scrap materials (the "**Commission Goods**"), which the Target Company has to sell the Commission Goods to customers thereafter for revenue. On the other hand, the Target Company also incurred costs of sales for such Commission Goods due to an incentive agreement entered into between the Target Company and the PRC Company in 2014, pursuant to which the Target Company provides rebates to the PRC Company in sourcing scrap materials for its own and/or referral of customers. The Target Company originally recorded the revenue and related cost of sales generated from the Commission Goods when it was entitled to receive the Commission Goods from the suppliers. However, after considering the Hong Kong Accounting Standard 18 "Revenue" issued by the Hong Kong Institute of Certified Public Accountants, adjustment has been made to ensure that the Target Company recognises the revenue and related cost of sales generated from sales of Commission Goods when the significant risks and rewards of ownership of the Commission Goods has been transferred to customers. As the Target Company sold the Commission Goods during 2015 for those entitled to be received from suppliers in 2014, it has led to an overstatement of approximately HK$3.0 million and an understatement of approximately HK$1.2 million to the profit before tax of the Target Company for the years ended 31 December 2014 and 2015 respectively. As a result of the difference in profit/(loss) before tax of the Target Company due to aforementioned factors and the adjustment in income tax provided (2014: overprovided by approximately HK$0.4 million; and 2015: underprovided by HK$0.3 million), the differences of approximately HK$2.8 million and HK$0.7 million have been arisen on the profit/(loss) after tax of the Target Company for the years ended 31 December 2014 and 2015 respectively as shown in the unaudited financial information of the Target Group as compared to that of the audited financial information of the Target Group.

The PRC Company

Set out below is the financial information of the PRC Company as extracted from its audited financial statements for each of the three years ended 31 December 2013, 2014 and 2015 and for the eight months ended 31 August 2016, which were prepared in accordance with the Hong Kong Financial Reporting Standards, as set out in Appendix III to this circular.

	For the year ended 31 December						**For the eight months ended**	
	2013		**2014**		**2015**		**31 August 2016**	
		equivalent to approximately		*equivalent to approximately*		*equivalent to approximately*		*equivalent to approximately*
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*
(Loss)/profit before tax	(6,371)	(7,136)	960	1,075	(4,858)	(5,441)	7,548	8,454
(Loss)/profit after tax	(4,806)	(5,383)	679	760	(3,481)	(3,899)	5,684	6,366

It is noted that the audited financial information of the PRC Company for the years ended 31 December 2014 and 2015 is different from the unaudited financial information of the PRC Company as disclosed in the Acquisition Announcement. The differences are illustrated in the table below:

	For the year ended 31 December 2014			For the year ended 31 December 2015		
	(per unaudited financial information as disclosed in the Acquisition Announcement)	(per audited financial information as set out in Appendix III to this circular)	Difference	(per unaudited financial information as disclosed in the Acquisition Announcement)	(per audited financial information as set out in Appendix III to this circular)	Difference
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit/(loss) before tax	5,254	960	4,294	8,019	(4,858)	12,877
Profit/(loss) after tax	5,254	679	4,575	4,771	(3,481)	8,252

The differences of approximately RMB4.3 million and RMB12.9 million on the profit/(loss) before tax of the PRC Company for the years ended 31 December 2014 and 2015 respectively are mainly due to (i) under-provision of value-added tax and other related taxes of approximately RMB2.7 million and RMB8.8 million for the years ended 31 December 2014 and 2015 respectively; and (ii) under-provision of depreciation and amortisation of approximately RMB1.0 million and RMB1.1 million for the years ended 31 December 2014 and 2015 respectively. As a result of the difference in profit/(loss) before tax of the PRC Company due to aforementioned factors and the adjustment in income tax provided (2014: underprovided by approximately RMB0.3 million; and 2015: overprovided by RMB4.6 million), the differences of approximately RMB4.6 million and RMB8.3 million were resulted in the profit/(loss) after tax of the PRC Company for the years ended 31 December 2014 and 2015 respectively as shown in the unaudited financial information of the PRC Company as compared to that of the audited financial information of the PRC Company.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirectly 60%-owned subsidiary of the Company and the financial statements of the Target Group will be consolidated into the financial statements of the Group.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place as set out in Appendix IV to this circular, had the Acquisition been completed on 30 June 2016, the total assets of the Group would have been increased by approximately HK$257.4 million from approximately HK$1,548.1 million as at 30 June 2016 to approximately HK$1,805.5 million and the total liabilities of the Group would have been increased by approximately HK$225.4 million from approximately HK$612.4 million as at 30 June 2016 to approximately HK$837.8 million.

As disclosed in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, a goodwill of approximately HK$31.0 million will be recognised as a result of the Acquisition. Such goodwill is calculated based on the Consideration in a combination of HK$25 million in cash and the allotment and issuance of 5,000,000 Consideration Shares, assuming that, among other things, the Target Profits have all been fulfilled. The Directors have conducted assessment of impairment loss on goodwill in accordance with Hong Kong Accounting Standard 36 ''Impairment of Assets'' issued by the Hong Kong Institute of Certified Public Accountants. After taken into account (i) the business development plan of the Target Group (details of which is disclosed in the paragraphs headed "Adjustments to Consideration and Consideration Shares" and "Business of the Target Group" above); and (ii) assuming that all Target Profits are achieved, the Qualified Profits attributable to the Sale Shares represent not less than HK$60 million in aggregate, the Directors consider that there is no indication of impairment in respect of the goodwill arising from the Acquisition with the assumed value as described above. Actual goodwill or gain on bargain purchase arising from the Acquisition depends on fair value of assets and liabilities of the Target Group and the actual total consideration at Completion and shall be different from the amount of goodwill as described above.

Earnings

The Group recorded a net profit attributable to the owners of the Company of approximately HK$32.4 million for the year ended 31 December 2015. Based on the unaudited pro forma financial information of the Group in Appendix IV to this circular, the unaudited pro forma net profit of the Group attributable to the owners of the Company for the year ended 31 December 2015 would have been decreased by approximately HK$5.6 million to approximately HK$26.8 million assuming Completion had taken place on 1 January 2015.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and immediately after the allotment and issuance of 5,000,000 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date).

	As at the Latest Practicable Date		**Upon Completion and immediately after the allotment and issuance of 5,000,000 Consideration Shares (assuming that there is no other change in the issued share capital of the Company since the Latest Practicable Date)**	
	Number of Shares	*%*	*Number of Shares*	*%*
Manureen Holdings Limited *(note)*	785,001,518	68.3	785,001,518	68.0
The Vendor or its nominee(s)	–	–	5,000,000	0.4
Public Shareholders	364,999,880	31.7	364,999,880	31.6
	1,150,001,398	100.0	1,155,001,398	100.0

Note: As at the Latest Practicable Date, Manureen Holdings is owned as to 70% and 30% by Dr. Lin and Madam Su respectively, both of whom are executive Directors.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) commercial printing; (ii) manufacture and sale of hangtags, labels, shirt paper boards and plastic bags; (iii) distribution and sales of motor vehicle parts; (iv) provision of securities brokerage services and margin financing; (v) trading of electronic products, computer equipment and consumer products; and (vi) property investment.

As mentioned in the interim report of the Company for the six months ended 30 June 2016, the Directors will continue to explore the potential opportunities to develop the businesses of the Group with the view of sustaining long term growth of the Group. The Directors are of the view that the Acquisition can diversify the business of the Group with the objective of broadening its sources of income.

As stated in 再生有色金屬產業發展推進計劃 (The Plan in relation to the Development of Renewable Nonferrous Metals Industry*) jointly issued by the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the Ministry of Finance of the PRC in 2011, the PRC government has encouraged the expansion of the production of renewable nonferrous metals in the PRC to meet with the growing demand of nonferrous metals in the PRC. In accordance with the 梧州市政府工作報告 (Report of the People's Government of Wuzhou City*) as reported during the 7th meeting of the 13th People's Congress of Wuzhou City, the annual output from the renewable resources industries in the Wuzhou City, where the principal place of activities of the Target Group in the PRC is situated, has reached RMB90 billion (equivalent to approximately HK$101 billion) in 2015. The local government will continue to encourage the development of resources cycling in copper, aluminium, plastic and stainless steels and has targeted to achieve a production output of RMB100 billion (equivalent to approximately HK$112 billion) from the renewable resources industry by 2020. In view of the government's plan to foster the development of the industry, the Directors are optimistic about the prospects of the scrap materials industry and are of the view that it is an opportunity for the Group to further diversify the business scope of the Group through the Acquisition.

Dr. Lin and Madam Su have over 10 years of experience in import and export industry in the electrical and electronic parts sector and have been responsible for running the manufacturing operations, marketing strategy planning and overall management of a company with annual import and export volume amount having been over US$1.8 billion in the past. The Directors believe that the previous experiences of Dr. Lin and Madam Su will contribute to the management of the Target Group after Completion.

Upon Completion, the Target Company will enter into respective service contracts for a term of 3 years with 鍾春梅女士 (Ms. Zhong Chunmei*) (being the Guarantor) and 鄭為民先生 (Mr. Zheng Weimin*), the existing director of the Target Company and the ultimate beneficial owner of Fortune Millennium Business Limited, which holds 30% of issued share capital of the Target Company. The remuneration of the Guarantor and Mr. Zheng Weimin will be determined by the Target Company with reference to their respective duties and level of responsibilities in the Target Group. The Guarantor and Mr. Zheng Weimin have over 10 years of managerial experience and Mr. Zheng Weimin has extensive knowledge in the imports and sales of scrap materials in the PRC. The Guarantor and Mr. Zheng Weimin are currently responsible for managing and developing the business of the Target Group. With the retaining of the existing key management of the Target Group by the service contracts with the Guarantor and Mr. Zheng Weimin, the Directors are of the view that the experience of existing management of the Group and the Target Group is valuable in leading and managing the future development of the Target Group.

During the negotiation process, save for the Vendor, no other existing shareholders of the Target Company have shown their interests in disposing of their shares of the Target Company to the Company. In light of this, the Company decided to acquire 60% of the issued share capital of the Target Company, but not the entire issued share capital of the Target Company. The Directors also consider that it is beneficial to the Company to partner with the substantial shareholders of the Target Company given their extensive experience and substantial knowledge in the industry. The Company views the Acquisition as the commencement of a long-term strategic cooperation between the Group and substantial shareholders of the Target Company. Nevertheless, none of the substantial shareholders of the Target Company is, or is proposed to be, a controller, or will become an associate of a controller of the Company. As at the Latest Practicable Date, the Company had no plan to acquire further interests in the Target Company.

As advised by the management of the Target Group, the net loss of the Target Company for the year ended 31 December 2014 was due to no revenue generated from sales of Commission Goods in 2014, being the first year which the receipt of service income was changed from cash to Commission Goods (details of which is disclosed in the paragraph headed "Financial information of the Target Group" above") and the net losses of the PRC Company during the relevant financial years between 2013 and 2015 were mainly resulted from the limitation of working capital to support the business turnover respectively. In view of (i) the synergies taking place within the Target Group after the acquisition of the PRC Company by the Target Company since February 2016; (ii) the financial performance of the Target Group in 2016; and (iii) the business development plan of the Target Group, the Directors are confident about the development of the Target Group. The Directors also believe that the Acquisition represents an investment opportunity that combines the experience and expertise of the Target Group in the recycling business, and the financial capability and management experience of the Group to enable the Target Group to exploit fully its growth potential. The Acquisition would allow the Target Group to release potential synergies through (i) gaining access to more financing channels; (ii) sharing of management expertise of Group in terms of accounting, information technology, marketing and human resources; and (iii) enhancing the image and reputation of the Target Group as a result of becoming a member of a listed company in Hong Kong.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the Target Profits (as described in the paragraph headed "Adjustments for the Consideration and Consideration Shares" above); and (ii) the net assets of the Target Group. During the negotiation process between the Purchaser and the Vendor on the terms of the Acquisition Agreement, the Purchaser had requested to settle the Consideration by a combination of cash and consideration shares, the settlement method of HK$25 million in cash and HK$35 million by issuance of the Consideration Shares was reached between the Purchaser and the Vendor after arm's length negotiation. Despite that the Target Company and the PRC Company have recorded unaudited net loss after tax of approximately HK$2.5 million in aggregate for the year ended 31 December 2015, the Target Group's financial performance have been improved for the eight months ended 31 August 2016 with its consolidated profits after tax reaching approximately HK$15.0 million, which approximate the Target Profit for the financial year ended 31 December 2016. The latest finance performance demonstrated the Target Group's development progress to fulfill the Target Profits. The Qualified Profits of the Target Group, assuming the Target Profits are achieved, would be not less than HK$100,000,000 in aggregate for the three years ended 31 December 2016 and ending 31 December 2017 and 2018, and the Group will be entitled to share 60% of such profit upon Completion (i.e. not less than HK$60,000,000 in aggregate), which will strengthen the financial performance of the Enlarged Group. Taking into account the maximum Consideration of HK$60,000,000 and assuming the Target Profits are achieved, the investment payback period for the investment in the Target Group by the Group would be 3 years. Besides, the audited consolidated net assets of the Target Group as at 31 August 2016 attributable to the Sale Shares were approximately HK$18.1 million. In view of the above, the Directors consider the Consideration is fair and reasonable.

Notwithstanding that there are difference between the financial information of the Target Group and the PRC Company for the years ended 31 December 2014 and 2015 as disclosed in the Acquisition Announcement and that in this circular, the Directors are of the view that such differences would not affect the terms of Acquisition, including the Consideration and the Target Profits, after taking into account (i) the latest financial performance achieved by the Target Group for the eight months ended 31 August 2016 approximate the Target Profit to be achieved for the year ended 31 December 2016; (ii) the Consideration was determined with reference to the Target Profits; and (iii) the Vendor is not entitled to the corresponding amount of the Consideration Shares in the case of the Target Profits not being achieved by the Target Group in the Relevant Financial Year.

Based on the above, the Directors consider that the terms of the Acquisition Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, which is subject to the reporting, announcement and Shareholders' approval requirements. The SGM will be convened and held for the purpose of considering and, if thought fit, approving the resolution(s) in respect of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares). The voting in respect of the Acquisition will be conducted by way of poll. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

SGM

The SGM will be convened and held at 11:00 a.m. on Friday, 17 February 2017 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issuance of the Consideration Shares).

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar 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 of the SGM or any adjournment thereof (as the case may be) or the poll concerned. 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) or the poll concerned should you so wish.

GENERAL

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions precedent to the Acquisition Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors consider the terms of the Acquisition Agreement are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
Realord Group Holdings Limited
Lin Xiaohui
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the year ended 31 March 2014, for the nine months ended 31 December 2014, for the year ended 31 December 2015 and for the six months ended 30 June 2016 respectively are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.realord.com.hk):

(i) annual report of the Company for the year ended 31 March 2014 published on 23 July 2014 (pages 30 to 126), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0723/LTN20140723003.pdf;

(ii) annual report of the Company for the nine months ended 31 December 2014 published on 10 April 2015 (pages 26 to 128), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0410/LTN20150410003.pdf;

(iii) annual report of the Company for the year ended 31 December 2015 published on 15 April 2016 (pages 36 to 143), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0415/LTN20160415229.pdf. and

(iv) interim report of the Company for the six months ended 30 June 2016 published on 14 September 2016 (pages 3 to 34), which can be accessed via the link at

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0914/LTN201609141145.pdf.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the performance and other information of the Group for the year ended 31 March 2014, for the nine months ended 31 December 2014, for the year ended 31 December 2015 and for the six months ended 30 June 2016. Unless the context otherwise require, capitalised terms used therein shall have the same meanings as those ascribed in the Company's annual reports for the year ended 31 March 2014, for the nine months ended 31 December 2014 and for the year ended 31 December 2015 and the interim report for the six months ended 30 June 2016 respectively.

(i) For the year ended 31 March 2014

Business Review

General Review

The Group recorded total revenue of approximately HK$524.5 million, which represented an increase of about 22.1% to that of last year of approximately HK$429.7 million. Gross profit margin of the Group has been decreased to 25.0% for the year under review, as compared to 25.5% of the previous year. The Group recorded a loss attributable to equity holders of approximately HK$12.4 million for the year as compared with a profit attributable to equity holders of HK$17.8 million last year. The loss was mainly attributable to an impairment in value of the loan (the "**Fullpower Loan**") to Fullpower Investment Holdings Corp. (the "**Fullpower**") of approximately HK$17.2 million and write off of certain property which has no real estate certificate, and plant and equipment of approximately HK$7.5 million and impairment loss of properties, plant and equipment of approximately HK$9.8 million in the segment of manufacture and sale of paper cartons, packaging boxes and children's novelty books.

Business Operation

For the year under review, the principal activities of the Group continued to be printing and manufacture of packaging boxes, including accompanying brochures, manuals and catalogues, manufacture of children's novelty books; manufacture, trading and sale of hangtags, labels and shirt paper board; financial printing, provision of translation services and assets management businesses. During the year, the Group has also established a food and beverage business segment engaging in operations of restaurants in Hong Kong.

Printing and manufacture of packaging boxes, which included accompanying brochures, manuals and catalogues, together with the manufacture of children's novelty books continued to be the Group's major business. For the year under review, the Group recorded total revenue of approximately HK$431.1 million from this major business segment, which increased by about 24.0% compared to that of last year of HK$347.7 million. The segment result however, decreased to loss of HK$8.8 million this year as compared to profit of HK$3.4 million last year. The decrease in segment result was mainly due to the impairment loss of properties, plant and equipment of approximately HK$9.8 million and write off of properties, plant and equipment of approximately HK$7.5 million. Excluding the impairment loss of properties, plant and equipment of HK$9.8 million and write off of properties, plant and equipment of HK$7.5 million, the segment result has been improved which was due to increase in turnover by approximately 24.0%. Increase in turnover was primarily due to the increase in orders from customers resulting from the recovery of export market in the United States of America and Europe. As a result, our gross profit in this major business segment increased to 19.5% compared with 18.3% in the previous year.

The Group's revenue from manufacture and distribution of hangtags, labels, shirt paper boards and plastic bags decreased by 34.4% to approximately HK$14.7 million for the year under review as compared to that of last year of HK$22.4 million. Although the turnover decreased by 34.4%, through stringent cost control measures, the segment recorded profit of HK$0.6 million this year compared to loss of HK$0.7 million last year.

The Group's commercial printing business was improved by the increase in turnover resulting from the increase in new customers demanded for financial printing services of initial public offering transactions. The revenue generated in this segment increased by 9.7% to HK$65.4 million from HK$59.6 million last year. The profit from this segment increased from HK$0.9 million last year to approximately HK$2.6 million this year.

The business segment of food and beverage is a new business established by the Group during the year. As of 31 March 2014, the Group has operated four restaurants in Hong Kong. The total capital investment of the four restaurants was approximately HK$3.6 million and was financed by internal funding of the Group. During the year, the food and beverage segment recorded revenue of HK$13.3 million and a loss of HK$3.7 million. The loss was mainly attributable to pre-operating expenses incurred for business development at early stage.

The Group's financial assets recorded losses of approximately HK$2.7 million during the year compared to profits of approximately HK$6.9 million last year, while the Group's investment properties recorded a revaluation surplus of approximately HK$7.7 million during the year compared to approximately HK$7.6 million last year.

Fair value of non-current assets held for sale

For the consolidated financial statements of the Company for the year ended 31 March 2014, the independent auditor of the Company has issued a qualified conclusion in respect of the carrying amount of the 25% interest in Suntap Enterprises Ltd. ("**Suntap**"), together with shareholder's loan (collectively the "**Disposal Asset**") as at 26 April 2013 and hence the gain or loss arising from the completion of the Repurchase on 26 April 2013. The basis for qualified conclusion (including, among other things, the consequential effect of any adjustments found to be necessary on the carrying amount of the Disposal Asset) and the qualified conclusion arising from limitation of scope is set out in the section headed "Modifications to the opinion in the independent auditor's report". The said qualified opinion includes basis that the repurchase consideration was predetermined more than two years ago from 31 March 2013 and 26 April 2013. It might not be representative of the fair value of the Disposal Asset as at 31 March 2013 and 26 April 2013. There was no alternative evidence available to determine the fair value of the Disposal Asset as the operations of the associate were at early stage of exploration. Consequently, the independent auditor has expressed that they were unable to determine whether the gain or loss arising from the completion of the Repurchase on 26 April 2013 (being the difference between the Repurchase consideration and the carrying amount of the Disposal Asset as at 26 April 2013), if any, was free from material misstatement.

In this respect, the Company is of the view that the Repurchase has been completed on 26 April 2013 and the total consideration of the Repurchase of HK$65 million has been settled by a payment of HK$25 million in cash by Fullpower and remaining balance of HK$40 million was funded by way of Fullpower Loan. The terms of the Fullpower Loan were arrived after arm's length negotiation between the Company, Fullpower and Mr. Wong Sin Wah ("**Mr. Wong**") and the provision of Fullpower Loan facilitates the completion of Repurchase, such that the Company can immediately receive (after netting off the amount of the Fullpower Loan) HK$25 million in cash. In view of the above and the fact that the Fullpower Loan is secured by collaterals provided by Fullpower and Mr. Wong, the directors consider that the terms of the Fullpower Loan agreement are fair and reasonable and are in the interests of the Company and the shareholders as a whole. On this basis, the directors consider that the carrying amount of the Disposal Asset, is representative of the fair value of it to the Company as at 31 March 2013 and 26 April 2013, therefore, no gain or loss arising from the completion of the Repurchase on 26 April 2013 should be recognised for the year ended 31 March 2014.

On this basis, although the Repurchase was not completed as at 31 March 2013, taking into account the subsequent completion on 26 April 2013, the directors consider that the carrying amount of HK$65.0 million of the Disposal Asset is representative of the fair value of it to the Company as at 31 March 2013.

Fullpower Loan

The Fullpower Loan is interest bearing at the rate of 10% per annum and repayable on 31 December 2013 pursuant to the Fullpower Loan agreement. The Fullpower Loan is secured by (i) a share charge in favour of Peace Broad Holdings Limited ("**Peace Broad**"), a wholly owned subsidiary of the Company, over 16,667 shares in Fullpower, representing approximately one third of the entire issued share capital in Fullpower; and (ii) a share charge in favour of Peace Broad over 28,600,000 Shares (collectively, the "**Loan Security**"). In addition, there is a personal guarantee given by Mr. Wong in favour of Peace Broad to secure the obligations of Fullpower under the Fullpower Loan agreement.

Fullpower has failed to repay the Fullpower Loan with accrued interest to Peace Broad on the due date. The Company has issued a final demand notice for payment of the amounts due through its legal advisers in January 2014 following repeated demands for repayment made to Fullpower.

In view of the uncertainties in recovering the Fullpower Loan and the agreement of Manureen Holdings, the offeror, to make the offer of which the details have been laid out in the circular of the Company despatched on 26 May 2014, the Company has come to a view that disposing of the Fullpower Loan at a discount to the face value thereof for the purpose of recovering part of the Fullpower Loan and minimising the possible loss from the write off of the entire carrying amount of the Fullpower Loan would be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

On 30 April 2014, Peace Broad and Mr. Lo Ming Chi, Charles ("**Mr. Lo**") entered into an agreement (the "**Loan Disposal Agreement**"), pursuant to which Peace Broad agreed to sell and assign, and Mr. Lo agreed to purchase and accept the assignment of, all rights, title, benefits and interests of and in the Fullpower Loan (including the Loan Security) at consideration of HK$24.5 million ("**Loan Disposal Consideration**"). Mr. Lo has paid the Loan Disposal Consideration in cash upon completion of the disposal of the loan, which took place immediately after signing of the Loan Disposal Agreement.

For the year ended 31 March 2014, the Fullpower Loan (with principal amount of HK$40 million) generated interest income of approximately HK$2.7 million (based on the interest rate of 10% per annum for the period from 26 April 2013 to 31 December 2013), of which approximately HK$1.0 million was paid by Fullpower in July 2013. Based on the Loan Disposal Consideration of HK$24.5 million and the carrying amount of the Fullpower Loan of approximately HK$41.7 million, included in the other operating expenses, the Company recorded an impairment loss of loan receivable of approximately HK$17.2 million for the year ended 31 March 2014.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cashflow and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and short term bank deposits as at 31 March 2014 amounted to approximately HK$135.3 million, which were mainly denominated in US$, HK$ and RMB (31 March 2013: US$, HK$ and RMB).

Its gearing ratio as at 31 March 2014 was 2.8% (31 March 2013: 4.7%), based on the interest-bearing bank borrowings denominated in HK$ and EUR (31 March 2013: HK$ and EUR) of approximately HK$13.6 million (31 March 2013: HK$24.5 million) and total equity of the Group of HK$485.8 million (31 March 2013: HK$522.7 million). The interest-bearing bank borrowings carried interest rate ranging at HIBOR plus 1.5% to 2.6% and Prime Rate minus 3.1% per annum (31 March 2013: HIBOR plus 1.5% to 2.25% per annum) with maturity ranging from 1 year to 20 years (31 March 2013: ranging from 1 year to 20 years).

The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange Rate Exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, Renminbi and US dollars. For the year ended 31 March 2014, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and United States dollars was relatively stable under the current peg system, and the Group managed the exchange rate exposures of Renminbi and Hong Kong dollars through financial instruments.

Financial Guarantees and Charges on Assets

As at 31 March 2014, corporate guarantees amounting to approximately HK$328.3 million (31 March 2013: HK$174.6 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$64.8 million (31 March 2013: HK$53.1 million).

Dividends

The Directors did not recommended the payment of final dividend (31 March 2013: HK2 cents per share) for the year ended 31 March 2014. No interim dividend (31 March 2013: Nil) have been recommended this year. Total dividend for the year is nil (31 March 2013: HK2 cents per share). Special dividend of HK$0.5 per share (31 March 2013: Nil) have been approved in the special general meeting held on 11 June 2014 which would be paid on or about 4 July 2014.

Prospects

On 26 May 2014, the Company has published a circular regarding the proposed resolutions of share premium reduction ("**Share Premium Reduction**"), the very substantial disposal of Brilliant Stage Group (the "**Asset Reorganisation**") and special distribution of dividend of HK$0.5 per share ("**Special Distribution**"). The proposed resolutions of Share Premium Reduction, Asset Reorganisation and Special Distribution have been approved by the shareholders at the special general meeting of the Company held on 11 June 2014. The poll result of the special general meeting of the Company has also been published on 11 June 2014.

Upon the completion of the Asset Reorganisation, the Group will be principally engaged in two major segments (i) commercial printing; and (ii) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags.

Commercial printing business

The operating environment of the commercial printing business is competitive; the Group has been continuously marketing its services mainly through cold calls and road show presentations. In order to market its one-stop financial printing services, the Group has also provided ancillary printing support services to listed companies, including the design of corporate publications, document management, provision of virtual data room and electronic book for publication of corporate documents. In order to achieve sales growth, the Group will continuously strengthen the business development team through recruitment of high calibre sales and marketing persons in business networking.

Due to the seasonality of financial printing for listed companies, the Group will also strive to enlarge its customer base to include clients other than listed companies, such as government authorities, non-profit making organisation and universities in Hong Kong through provision of printing service of marketing materials (e.g. brochures, pamphlets and any other marketing materials, etc).

Manufacturing and sale of hangtags, labels, shirt paper boards and plastic bags business

The business of manufacture and sale of hangtags, labels, shirt paper boards and plastic bags has been adversely affected by the declining economy in European countries in recent years. The retail industries in European markets suffered from the financial crisis back in 2009 and the Group has recorded a significant reduction in sales orders from its existing customers. According to International Monetary Fund World Economic Outlook Update in January 2014, the Euro area is turning the corner from recession to recovery, of which the growth is projected to strength to 1% in 2014 and 1.4% in 2015. The management of the Group expects the retail industries in European markets will gradually recover and the sales of this segment can be improved in future years through its marketing strategies as described below.

In order to achieve sales growth, the Group will continuously strengthen its relationship with its existing customers and its business development team to widen its customer base. The Group plans to expand its sales and marketing force and/or appoint marketing agency in its subsidiary in the United Kingdom to source sales orders from European markets. Apart from strengthening the relationship with original equipment manufacturing customers, the Group will market its business directly to retailers, through overseas visits to customers' office, to achieve marketing efficiency.

To manage the seasonality of the business, the Group will seek an optimal manufacturing and labour capacity through sub-contracting to improve cost and production efficiency, and to support the potential sales recovery.

For the purpose of sustaining long term growth, the directors will keep on exploring all potential opportunities to develop its businesses.

Employment and Remuneration Policies

As at 31 March 2014, the Group had a total workforce of approximately 1,252, of whom approximately 1,088 were based in the People's Republic of China and the remaining were in Hong Kong.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

Share Option Scheme

The Group's share option scheme was adopted on 10 August 2012 and is effective for a period of ten years. As at 31 March 2014, no share options had been granted under the scheme.

Details of the Company's share option scheme are stated in note 29 to the financial statements of the annual report of the Company for the year ended 31 March 2014.

(ii) For the nine months ended 31 December 2014

Business Review

General Review

The Group has changed its financial year-end date from 31 March to 31 December with effective from 2014. This change has resulted in a shorter reporting period to nine months (April to December). For meaningful comparison purpose, financial data for the last corresponding period (April 2013 to December 2013) was provided on page 11 of the annual report of the Company for the nine months ended 31 December 2014. It should be noted that the financial data for the last corresponding nine-month period has not been reviewed nor audited by the auditors of the Company.

During the current period, the Group recorded a total revenue of approximately HK$89.2 million, which represented an increase of about 39.4% to that of the last corresponding period of approximately HK$64.0 million. Gross profit margin of the Group has been decreased to 48.3% for the current period, as compared to 62.9% for the last corresponding period. The Group recorded a loss attributable to equity holders from continuing operations of approximately HK$3.5 million for the current period as compared with a profit attributable to equity holders of HK$1.4 million for the last corresponding period.

The increase in revenue was primarily due to the new business segment of sales and distribution of motor vehicle parts established during the period, however, due to trading nature of motor vehicle parts business segment, this new business segment led to overall decrease in gross profit margin. The loss attributable to equity holders from continuing operations was mainly due to the increase in corporate expenses, including increase in legal and professional expenses incurred for the disposal of Brilliant Stage Holdings Limited and increase in rental expenses for the new head office in Hong Kong.

Business Operation

Subsequent to the disposal of business segments of manufacture and sale of paper cartons, packaging boxes and children's novelty books and food and beverage of the Group on 20 June 2014, the principal activities of the Group are commercial printing ("**Commercial Printing Business**") and manufacture and sale of hangtags, labels shirt paper boards and plastic bags ("**Hangtag Business**"). During the current period, the Group has also set up a company engaged in operations of sales and distribution of motor vehicle parts ("**Motor Vehicle Parts Business**").

The Group's commercial printing business remained stable with slight growth in revenue during the current period. The revenue increased by 1.4% to 52.1 million compared to that of the last corresponding period of HK$51.4 million. The profit from this segment, however, decreased from HK$4.8 million for the last corresponding period to approximately HK$1.1 million for the current period which was mainly due to the increase in staff cost and removal cost incurred in office relocation during the current period.

The Group's revenue from the Hangtag Business increased by 5.6% to approximately HK$13.3 million for the current period under review as compared to that of the last corresponding period of HK$12.6 million. The increase in revenue was mainly due to increase in orders from both existing and new customers. As a result, the Group recorded a decrease in loss to HK$0.1 million for the current period compared to a loss of HK$0.7 million for last corresponding period.

The Motor Vehicle Parts Business commenced operations in October 2014 and generated revenue of approximately HK$23.9 million for the current period. Due to the trading nature of sales and distribution of motor vehicle parts, the Motor Vehicle Parts Business contributed a relatively low gross profit margin to the Group as compared to other business segments of the Group. The profit from this segment for the current period amount to approximately HK$1.4 million.

For the current period, the Group had disposed of Brilliant Stage Holdings Limited. Therefore, the Group recorded a loss from discontinued operations of approximately HK$3.7 million, which was arising from the operating loss of approximately HK$2.5 million and the loss on disposal of Brilliant Stage Holdings Limited of approximately HK$1.2 million, as compared with the operating profit of approximately HK$21.9 million from discontinued operations for the last corresponding period.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and short term bank deposits as at 31 December 2014 amounted to approximately HK$281.5 (31 March 2014: HK$135.3 million), which were mainly denominated in HK$ and RMB (31 March 2014: US$, HK$ and RMB).

Its gearing ratio as at 31 December 2014 was 30.2% (31 March 2014: 2.8%), based on the interest-bearing bank borrowings denominated in HK$ (31 March 2014: HK$ and EUR) of approximately HK$100.0 million (31 March 2014: HK$13.6 million) and total equity of the Group of HK$331.5 million (31 March 2014: HK$485.8 million). The interest-bearing bank borrowings carried interest rate at HIBOR plus 1.5% per annum (31 March 2014: HIBOR plus 1.5% to 2.6% and Prime Rate minus 3.1% per annum) with maturity within 1 year (31 March 2014: ranging from 1 year to 20 years).

The directors consider that the Group's cash holding, liquid assets, future revenue and available facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange Rate Exposure

Subsequent to the disposal of Brilliant Stage Holdings Limited, most of the operating transactions of the Group were denominated in Hong Kong dollars and US dollars. For the nine months ended 31 December 2014, the Group was not exposed to any material exchange risk as the exchange rate of Hong Kong dollars and United States dollars was relatively stable under the current peg system.

Financial Guarantees and Charges on Assets

As at 31 December 2014, general banking facilities were granted to one of the wholly owned subsidiary of the Group, which were secured by legal charges on certain deposits hold by the Group with a total net book value of approximately HK$105.5 million.

As at 31 March 2014, corporate guarantees amounting to approximately HK$328.3 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries, which were secured by legal charges on certain properties owned by the Group with a total net book value of approximately HK$64.8 million.

Dividends

The Directors did not recommended the payment of final dividend (31 March 2014: Nil) for the nine months period ended 31 December 2014. No interim dividend (30 September 2014: Nil) have been recommended for the period. Special dividend of HK$0.5 per share (31 March 2014: Nil) have been approved in the special general meeting held on 11 June 2014 and paid during the period. Total dividend for the period is HK$0.5 per share (31 March 2014: Nil).

Prospects

Upon the completion of the Asset Reorganisation, the Group will be principally engaged in two major segments (i) commercial printing; and (ii) the manufacture and sale of hangtags, labels, shirt paper boards and plastic bags. During the current period, the Group has also set up a company engaged in operations of sales and distribution of motor vehicle parts.

Looking forward, the Group will keep on developing the Commercial Printing Business, Hangtags Segment and the newly established Motor Vehicle Parts Business. Though the operating environment of the Commercial Printing Business and Hangtag Business are competitive, the Group will continuously strengthen its business team to widen its customer base.

In order to diversify from its existing businesses and to participate in the securities trading industry, the Company has announced on 12 November 2014 that the Group has entered into a sale and purchase agreement with Madam Su (executive Director) to acquire the entire equity interest in Manureen Securities Limited. The principal activity of Manureen Securities Limited is the provision of securities broking services.

On 28 January 2015, the Company and Manureen Holdings entered into the subscription agreement pursuant to which Manureen Holdings has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 360 million shares at HK$1.4 per share.

The subscription has been approved by the independent shareholders on the special general meeting held on 30 March 2015. With the new capital of approximately HK$503 million to the Company, the Group has built up its war chest for future investment. In order to broaden the Group's business portfolio as well as its income stream and increase the shareholders' value, the Group has been actively exploring other investment opportunities. With the extensive experience of Mr. Lin Xiaohui and Madam Su, both executive Directors, in real estate investment, the Directors considers that the possible acquisition of the real estate projects would provide prime opportunities for the Group to achieve such goals.

For the purpose of sustaining long term growth, the Directors will keep on exploring all potential opportunities to develop its businesses.

Employment and Remuneration Policies

As at 31 December 2014, the Group had a total workforce of approximately 122, of whom approximately 25 were based in the PRC and the remaining were in Hong Kong.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

Share Option Scheme

The Group's share option scheme was adopted on 10 August 2012 and is effective for a period of ten years. As at 31 December 2014, no share options had been granted under the scheme.

Details of the Company's share option scheme are stated in note 30 to the financial statements of the annual report of the Company for the nine months ended 31 December 2014.

(iii) For the year ended 31 December 2015

Business Review

Recent Development

The principal activities of the Group during the year include the Commercial Printing Business, the Hangtag Business, the Motor Vehicle Parts Business, provision of securities brokerage services and margin financing ("**Financial Services Business**"), and trading of electronic products, computer equipment and consumer products ("**Trading Business**"), and property investment.

As disclosed in the announcement of the Company dated 9 April 2015, the Group entered into an acquisition agreement to conditionally acquire the entire interest in Concept Star Corporation Limited ("**Concept Star**"), which hold the property of House No. 25, Villa Bel-air, Bel-air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong, at a cash consideration of HK$225 million. The acquisition was completed on 5 June 2015.

The board believed that the acquisition is a good investment opportunity and the Group would benefit from the potential capital appreciation of the property. The property is currently under renovation and recorded as investment properties in the consolidated statement of financial position and revalued by an independent valuer at HK$288 million as at 31 December 2015.

As disclosed in the announcement of the Company dated 18 April 2015, the Group intended to commence e-commerce business for motor vehicle parts, electronic products and computer components with a view to broadening the Group's business portfolio as well as income stream. During the year, the Group has set up a business-to-business (B2B) e-commerce platform for online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products suppliers and commenced trading of electronic products during the year. Once the e-commerce platform has been fully developed, the Group would conduct the trading business through the e-commerce platform. The Group is conducting feasibility studies on the cross-border e-commerce business between Shenzhen and Hong Kong.

In order to expand the e-commerce business for motor vehicle parts, the collaboration from the Realord Vehicle Parts Limited and additional funding for enhancement of the e-commerce platform are required. However, the business partner, International Treasure Holdings Limited, is not willing to provide additional funding for such enhancement. As announced on 29 May 2015, the Group entered into a sales and purchase agreement with International Treasure Holdings Limited and its sole shareholder, Mr. Zhan Jinnan, to acquire the 40% equity interest in Realord Vehicle Parts Limited, together with the shareholder loan, from International Treasure Holdings Limited at a cash consideration of HK$12,668,000. Upon completion of the transaction on 29 May 2015, Realord Vehicle Parts Limited became an indirect wholly-owned subsidiary of the Group. We believed that the acquisition of the 40% equity interest of Realord Vehicle Parts Limited would further consolidate the Group's control in Realord Vehicle Parts Limited and facilitates the collaboration between the e-commerce business and sale and distribution of motor vehicle parts, which would enhance the operating efficiency of the Group.

As disclosed in the announcement of the Company dated 8 May 2015, the Group has completed the acquisition of the entire equity interest in Realord Manureen Securities Limited (previously named as "Manureen Securities Limited") ("**Realord Manureen Securities**") which is engaged in provision of securities brokerage services. The Board believed that the acquisition of Realord Manureen Securities would allow the Group to participate in the securities brokerage industry and diversify from its existing businesses. After the acquisition, the Group has also commenced margin financing business as an additional type of financial service provided to customers which can further strengthen the market position of Realord Manureen Securities.

As disclosed in the announcement of the Company dated 23 September 2015, the Group entered into an agreement to acquire the entire interest in the properties situated at Zhangkengjing Community, Guanlan, Baoan District, Shenzhen, the PRC. The acquisition was completed during the year at a total cost of approximately HK$105.4 million. The properties are currently leased out to independent third parties and recorded as investment properties in the consolidated statement of financial position. The properties were revalued by an independent valuer at HK$121.9 million as at 31 December 2015.

As disclosed in the circular of the Company dated 16 October 2015, the Group has entered into an agreement to acquire the entire equity interest in Manureen Group Holdings Limited, of which its wholly-owned subsidiary, Qianhai Meilin Finance Leases (Shenzhen) Company Limited is licensed to conduct business in financial leasing and operating leasing and the key asset acquired is the properties located at units 309, 311 and 313, Huayangnian, Funian Square, Futian Free Trade Zone, Shenzhen, the PRC. The acquisition was completed in November 2015. Through this acquisition, the Board intended to develop the business of financial leasing in the PRC, which enjoy the PRC government's supportive policy towards the financial leasing industry, particularly in the Qianhai Bay Bonded Area. The aforesaid properties acquired are occupied as offices for the subsidiaries of the Company for their business operation in the PRC and recorded as property, plant and equipment in the consolidated statement of financial position.

General Review

The Group has changed its financial year-end date from 31 March to 31 December with effect from 2014. This is the first annual results announcement for the Group to cover the annual period of 1 January to 31 December, while the comparative amounts for the financial statements and the related notes cover a nine months period from 1 April 2014 to 31 December 2014 and therefore they are not entirely comparable. For meaningful comparison purpose, financial data for the last corresponding year (1 January 2014 to 31 December 2014) was provided in the "Five Year Financial Highlight" on page 3 of the annual report of the Company for the year ended 31 December 2015 as comparative figures. It should be noted that the financial data for the last corresponding year has not been reviewed nor audited by the auditors of the Company.

During the year under review, the Group recorded total revenue of approximately HK$202.0 million, which represented an increase of about 90.9% to that of the last corresponding year of approximately HK$105.8 million. The Group recorded a profit from continuing operations of approximately HK$32.6 million for the year as compared with a loss from continuing operation of HK$17.2 million for the last corresponding year.

The significant increase in Group's revenue was primarily due to the increase in revenue contributed by Motor Vehicle Parts Business and new source of revenue contributed by the new business segments including Financial Services Business and Trading Business during the year. During the year, the Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million as compared with HK$23.9 million in the last corresponding year, while the Financial Services Business and Trading Business contributed revenue of approximately HK$5.0 million and approximately HK$21.9 million, respectively.

The increase in profit from continuing operations was mainly due to the fair value gains on investment properties of approximately HK$90.1 million (2014: HK$20.4 million), which was partly offset by the related deferred taxation of the fair value gains of approximately HK$14.5 million (2014: HK$9.6 million) as well as the increase in corporate expenses of approximately HK$14.9 million. The increase in corporate expenses was mainly due to increase in the staff costs, increase in rental expenses for the new head office in Hong Kong and the equity-settled share option expenses.

Business Operation

The Commercial Printing Business contributed revenue of approximately HK$68.2 million representing 33.8% of the Group's total revenue during the year. There is a slight increase in revenue by 3.2% to approximately HK$68.2 million as compared to that of the last corresponding year of approximately HK$66.1 million. The Commercial Printing Business recorded an operating profit of approximately HK$1.2 million as compared with operating loss of approximately HK$0.2 million for the last corresponding year.

The Hangtag Business contributed revenue of approximately HK$11.5 million representing 5.7% of the Group's total revenue during the year. The revenue from the Hangtag Business decreased by 27.2% as compared with the revenue of the last corresponding year of approximately HK$15.8 million. The decrease in revenue was mainly due to decrease in orders from customers. The customers of Hangtag Business mainly engaged in the garment manufacturing industries. The sales orders significantly decreased during the year as a result of decrease in demand of hangtags from our customers. In view of the deteriorating operating result, the Group provided an allowance of impairment loss of approximately HK$0.5 million during the year. Due to the significant decrease in sales orders, the Hangtag Business recorded an operating loss of HK$2.3 million for the year as compared with an operating profit of HK$1.3 million for last corresponding year.

The Motor Vehicle Parts Business contributed revenue of approximately HK$95.4 million representing 47.2% of the Group's total revenue during the year. The Motor Vehicle Parts Business commenced operations in October 2014 and recorded revenue of approximately HK$23.9 million in the last corresponding year. This business recorded operating profit of approximately HK$5.7 million for the year and HK$1.4 million for the last corresponding year.

The Group commenced the operations in the Financial Services Business subsequent to the completion of acquisition of Realord Manureen Securities in May 2015 which engaged in provision of securities brokerage and margin financing services in Hong Kong. The Group also acquired Qianhai Meilin Finance Leases (Shenzhen) Company Limited (through the acquisition of Manureen Group Holdings Limited as disclosed in the circular dated 16 October 2015) in November 2015 and planned to extend its financial service business to financial leasing in the PRC. The Financial Services Business generated revenue of approximately HK$5.0 million contributing approximately 2.5% of the Group's total revenue during the year. The Financial Services Business recorded an operating loss of HK$1.2 million for the year which was mainly due to the increase in operating costs including the office rental expenses, staff costs and compliance costs incurred during the business development stage.

During the year, the Group has set up a business-to-business (B2B) e-commerce platform for the online purchase of motor vehicle parts – www.1196.com, however, the business-to-customer (B2C) e-commerce platform is still under development. Instead, the Group has sourced certain electronic products and consumer products suppliers and commenced trading of such products during the year. The Trading Business contributed revenue of approximately HK$21.9 million representing 10.8% of the Group's total revenue during the year. The Trading Business recorded an operating loss of HK$0.2 million during the year primarily due to the staff cost incurred for the e-commerce platform.

The Group has acquired several properties in Hong Kong and the PRC during the year. The investment properties of the Group generated rental income of approximately HK$5.7 million for the year. The investment properties of the Group were revalued by an independent valuer at 31 December 2015 and recorded a fair value gains of approximately HK$90.1 million with the related deferred taxation expenses of HK$14.5 million.

The Group has invested in listed securities in Hong Kong for trading purpose. The financial assets of the Group recorded a net loss of HK$4.4 million during the year. As at 31 December 2015, the fair value of the financial assets amounted to approximately HK$14.6 million.

Financial Review

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve and banking facilities. The Group is financially sound with healthy cash position. Its cash and bank balances and pledged time deposits as at 31 December 2015 amounted to approximately HK$210.6 million (31 December 2014: HK$281.5 million), which were mainly denominated in HK$ and RMB (31 December 2014: HK$ and RMB).

On 1 April 2015, the Company had announced the completion of the subscription of 360,000,000 new ordinary shares of HK$0.10 each at subscription price of HK$1.40 per share by Manureen Holdings ("**2015 Subscription**"). As stated in the circular of the Company in relation to the 2015 Subscription dated 12 March 2015, the net proceeds of approximately HK$503 million would be applied to finance the potential real estate projects. Up to the date of publishing the annual report of the Company for the year ended 31 December 2015, the net proceeds has been fully used, approximately HK$225 million has been used for the acquisition of a property in Hong Kong as announced on 9 April 2015; approximately HK$10 million has been used for capital expenditure; approximately HK$88 million has been utilized for funding and development of the Group's Financial Services Business; and approximately HK$180 million has been used for the working capital of the Group.

Its gearing ratio as at 31 December 2015 was 21.9% (31 December 2014: 30.2%), based on the interest-bearing bank borrowings denominated in HK$ (31 December 2014: HK$) of approximately HK$186.8 million (31 December 2014: HK$100.0 million) and total equity of the Group of HK$854.4 million (31 December 2014: HK$331.5 million). The interest-bearing bank borrowings carried interest rate at HIBOR plus 1.4% to 1.5% per annum (31 December 2014: HIBOR plus 1.5% per annum) with maturity within 1 year (31 December 2014: within 1 year).

The directors consider that the Group's cash holding, liquid assets, future revenue and available banking facilities will be sufficient to fulfill the present working capital requirements of the Group.

Exchange rate exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, United States dollars, Euro and Renminbi; while the Group had cash of approximately RMB110.0 million reserved for operating and treasury purpose as at 31 December 2015.

The Group is exposed to foreign exchange risk arising from exposure in the United States dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopt financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 31 December 2015.

Financial Guarantees and Charges on Assets

As at 31 December 2015, corporate guarantees amounting to approximately HK$220.0 million were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges on the pledged time deposits and a property owned by the Group with a total net book value of approximately of HK$102.8 million and HK$288.0 million respectively.

As at 31 December 2014, general banking facilities were granted to one of the wholly-owned subsidiaries of the Group, which were secured by legal charges on the pledged time deposit held by the Group of approximately HK$105.5 million.

Dividends

The Directors do not recommend the payment of final dividend (31 December 2014: Nil) for the year ended 31 December 2015. No interim dividend (31 December 2014: Nil) nor special dividend (31 December 2014: HK$0.5 per share) has been recommended for the year. Total dividend for the year is nil (31 December 2014: HK$0.5 per share).

Prospects

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the commercial printing business shall limit the Group to pass the inflating operating cost to customers. Due to the slowdown of economic growth, the operating environment of Hangtag Business is even more challenging and the Directors foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

The Group is in the process to set up the PRC operations of Motor Vehicle Parts Business in Guangzhou. The Directors expect that the PRC operations will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to the customers.

The e-commerce development in China is full of challenges and opportunities. The Group is in the process to develop the business-to-customer (B2C) e-commerce platform which involve the evaluation of the knit point between the e-commerce and traditional economy. The development is an ongoing process and through the strategic cooperation with Zhongxing Supply Chain Company Limited, the Directors believe that the cooperation will allow both parties to take advantage of each other's business platforms and procurement network, thereby enhancing customers' value by providing high quality products and services, highly efficient supply chain integrated services and lowering relevant costs to customers.

During the year, the Group started to develop the Financial Services Business, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services. The stock market was highly volatile in 2015 and was exceptionally challenging. The Board believe the upcoming launch of the Shenzhen-Hong Kong Stock Connect Scheme will stimulate the stock market. With the preferential government policies in Qianhai, the Board also expect there are huge of potential business opportunities for our development of financial leasing business in Qianhai.

In September 2015, the Group acquired the properties situated at Zhangkengjing Community, Guanlan, Baoan District (also known as Longhua New District), Shenzhen, which is a paramount of the Group to evolve the real estate development business. Looking forward, the Group will strike to explore for any potential real estate development or property investment opportunities.

For the purpose of sustaining long term growth, the Group will also keep on exploring all potential opportunity to develop its businesses.

Employment and Remuneration Policies

As at 31 December 2015, the Group had a total workforce of 119, of whom 96 were based in Hong Kong and 23 were based in the PRC.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

Share Option Schemes

The share option scheme (the "**Scheme**") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 31 to the financial statements of the annual report of the Company for the year ended 31 December 2015.

(iv) For the six months ended 30 June 2016

Business Review

Recent Development

The principal activities of the Group during the period under review included the Commercial Printing Business, the Hangtag Business, the Motor Vehicle Parts Business, the Financial Services Business, the Trading Business and property investment ("**Property Investment Business**").

As disclosed in the announcement of the Company dated 24 March 2016, the Group entered into an acquisition agreement to conditionally acquire the entire equity interest in Citibest Global Limited ("**Citibest**"), which hold the properties situated at 深圳市寶安區觀瀾鎮福民社區茜坑工業區 (Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen*) ("**Guanlan Properties**"), the PRC, at a cash consideration of RMB238,000,000 (equivalent to approximately HK$284,553,000). The acquisition was completed on 24 June 2016.

As disclosed in the announcements of the Company dated 23 May 2016 and 5 August 2016 and the circular of the Company dated 20 July 2016, the Group had entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a securities company ("**Securities Company**") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Securities Company, the Group agreed to subscribe for 350,000,000 shares of the Securities Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350,000,000 (the "**Subscription**"). The establishment of the Securities Company is pending for the approval of the China Securities Regulatory Commission ("**CSRC**") and other relevant regulatory authorities in the PRC.

As disclosed in the announcements of the Company dated 9 May 2016 and 9 August 2016, the Company and the Vendor entered into Letter of Intent in respect of a possible acquisition of 60% issued share capital of the Target Company, which in turn holds the entire equity interest in the PRC Company, which is principally engaged in the business of recycling, dismantling and sales of scrap materials. Pursuant to the Letter of Intent, the Company has the right to conduct due diligence on the Target Group and an exclusivity period of five months from the date of the Letter of Intent was granted by the Vendor in negotiations of the possible acquisition. Up to the date of the interim report, the Acquisition is still in negotiations and no formal agreement was entered.

General Review

During the period under review, as a result of the completion of the acquisition of the Guanlan Properties as mentioned in the "Recent Development" section, the management had separately disclosed the segment of Property Investment Business due to the increase in property investment and also increase in rental income received by the Group. For comparison purpose, figures for the last corresponding period were restated accordingly.

For the period under review, the Group recorded a turnover of approximately HK$92.8 million for the six months ended 30 June 2016, representing a significant increase by 20.1% compared with the turnover of approximately HK$77.3 million (restated) recorded for the six months ended 30 June 2015. Gross profit margin of the Group increased from approximately 41.3% (restated) for the six months ended 30 June 2015 to approximately 44.9% for the period under review. The Group's results increased from loss of approximately HK$9.9 million for the six months ended 30 June 2015 to profit of approximately of HK$81.7 million for the period under review.

The increase in the turnover of the Group was primarily due to the increase in the turnover from the Motor Vehicle Parts Business, the Financial Services Business and Property Investment Business amounted to approximately HK$16.4 million, HK$4.9 million and HK$2.5 million respectively. The overall increase in the gross margin was due to the increase in revenue from the Financial Services Business and Property Investment Business, which comprised service income, margin interest income and rental income. The increase in profit attributable to the equity holders was mainly due to the fair value gain on investment properties amounted to approximately HK$176.0 million, which was partly offset by the related deferred taxation of the fair value gain of approximately HK$84.9 million and also the increase in corporate expenses.

Business Operation

The Commercial Printing Business recorded a revenue of approximately HK$38.4 million during the period under review, representing 41.4% of the total revenue of the Group. There was a slight increase in segment revenue of 3.5% to approximately HK$38.4 million as compared to approximately HK$37.1 million in the last corresponding period. However, the inflating operating cost resulted in a decrease in operating profit from approximately HK$2.4 million to approximately HK$0.4 million as compared to the last corresponding period.

The Hangtag Business recorded a revenue of approximately HK$4.8 million during the period under review, representing 5.2% of the total revenue of the Group. The segment revenue remained in similar level as the last corresponding period of approximately HK$4.7 million. Through implementation of cost control measures, including outsourcing part of manufacturing processes, the loss from this segment decreased from approximately HK$2.3 million in the last corresponding period to approximately HK$0.4 million during the period under review.

The Motor Vehicle Parts Business recorded a revenue of approximately HK$38.8 million during the period under review, representing 41.8% of the total revenue of the Group. The segment revenue noted a significant increase by 73.2% to approximately HK$38.8 million as compared to approximately HK$22.4 million in the last corresponding period. The profit from this segment increased from approximately HK$0.9 million in the last corresponding period to approximately HK$1.7 million during the period under review.

The Financial Service Business recorded a revenue of approximately HK$5.3 million during the period under review, representing 5.7% of the total revenue of the Group. The Financial Services Business commenced its operation since the acquisition of Realord Manureen Securities completed on 8 May 2015. The revenue from this segment increased from approximately HK$0.4 million in the last corresponding period to approximately HK$5.3 million during the period under review. The segment results increased from loss of approximately HK$0.7 million in the last corresponding period to profit of approximately HK$1.1 million during the period under review.

As a result of the thin margin in this segment, the Group did not generate any revenue from the Trading Business, while the segment revenue from the Trading Business recorded approximately HK$9.8 million in the last corresponding period. Instead, the Group was in the progress to source some products with better margin and returns. The loss from this segment increased from approximately HK$0.3 million in the last corresponding period to approximately HK$0.4 million during the period under review.

The Property Investment Business recorded a revenue of approximately HK$5.5 million during the period under review, representing 5.9% of the total revenue of the Group. The revenue from this segment recorded approximately HK$5.5 million as compared to approximately HK$3.0 million (restated) in the last corresponding period. The profit from this segment increased from approximately HK$2.6 million (restated) in the last corresponding period to approximately HK$179.1 million during the period under review. The increase was mainly due to the fair value gain on investment properties recorded during period amounted to approximately HK$176.0 million.

The Group has invested in listed securities in Hong Kong for investment purpose. The financial assets of the Group recorded a net gain of HK$8.5 million for the period under review. As at 30 June 2016, the fair value of the financial assets amounted to approximately HK$23.2 million.

Financial Review

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cashflow, cash reserve and banking facilities. During the period under review, the Group was financially sound with healthy cash position. The Group's cash and bank balances and pledged time deposits amounted to approximately HK$82.1 million as at 30 June 2016 (31 December 2015: HK$210.6 million), which were mainly denominated in HK$ and RMB (31 December 2015: HK$ and RMB).

Its gearing ratio as at 30 June 2016 was 44.2% (31 December 2015: 21.9%), based on the interest-bearing borrowings denominated in HK$ and RMB (31 December 2015: HK$) of approximately HK$413.6 million (31 December 2015: HK$186.8 million) and the total equity of approximately HK$935.7 million (31 December 2015: HK$854.4 million). The interest-bearing borrowings comprised of bank borrowings of approximately HK$166.9 million (31 December 2015: HK$186.8 million), which carried interest rate ranging at HIBOR plus 1.4% to 1.5% per annum (31 December 2015: HIBOR plus 1.4 to 1.5% per annum) with maturity within 1 year (31 December 2015: within 1 year) and loans from the ultimate holding company of approximately HK$246.7 million (31 December 2015: nil), which were interest-bearing at fixed rate of 8.2% per annum with maturity within 1 year.

The Board believes that the Group's cash holding, liquid assets, future revenue and available banking facilities will be sufficient to meet the present working capital requirement of the Group.

Exchange rate exposure

Most of the transactions of the Group were denominated in Hong Kong dollars, United States dollars, Euro and Renminbi. For the six months ended 30 June 2016, the Group is exposed to foreign exchange risk arising from exposure in the United States dollars, Euro and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and will adopted financial hedging instruments for hedging purpose when necessary. The Group did not use any financial instruments for hedging purpose as at 30 June 2016.

Financial guarantees and charges on assets

As at 30 June 2016, corporate guarantees amounting to approximately HK$291.5 million (31 December 2015: HK$220.0 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries. Besides, the general banking facilities were secured by legal charges and certain properties owned by the Group with a total net book value of approximately HK$356.4 million (31 December 2015: HK$288.0 million).

Litigation

During the period under review, 深圳市新有序規劃設計有限公司 (Shenzhen Xin You Xu Planning and Design Company Limited*) (the "**Plaintiff A**") issued a civil writ dated 22 June 2016 against, among others, (i) Citibest, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company; (ii) Ms. Hung Hsin-Hui ("**Ms. Hung**"), being the sole shareholder of Citibest prior to the completion of the acquisition by the Company of the entire issued share capital of Citibest as announced by the Company on 24 March 2016 (the "**Citibest Acquisition**") which took place on 24 June 2016; and (iii) 冠彰電器(深圳)有限公司 (Guan Zhang Electrical Appliances (Shenzhen) Limited*) ("**Guan Zhang**"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Citibest, claiming for allegedly outstanding payment in the amount of RMB30,000,000 and interest accrued thereon from 25 March 2016 up to the actual date of payment at the prevailing rate of the PRC, under an agency agreement dated 29 January 2015 and entered into among the Plaintiff A, Citibest, Guan Zhang and its legal representative (which was entered into prior to the entering into of the Citibest Acquisition) pursuant to which Citibest agreed to appoint the Plaintiff A as its agent to liaise with potential purchaser for the disposal by Citibest of its equity interest in Guan Zhang and the land use rights and properties held by Guan Zhang. The Company is in the course of consulting legal advice in relation to the claim raised by the Plaintiff A. Ms. Hung has put RMB23,800,000 in an escrow account for covering the claim, such amount would be otherwise released to Ms. Hung, pending the results of the aforesaid litigation. The directors of the Company considered the possibility of any cash outflow in settling the legal claims is remote after due consideration of the fact with reference to legal advice.

Contingent Liabilities

Saved as disclosed in the "Litigation" section, the Group had no contingent liabilities.

Dividends

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2016 (2015: Nil).

Prospects

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Group shall strengthen its business development team to achieve sales growth and increase market share, however, the intense competition in the Commercial Printing Business shall limit the Group to pass the inflating operating cost to customers. Due to the slowdown of economic growth, the operating environment of Hangtag Business is even more challenging and the Board foresee that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

The Group is in the process to set up the PRC operations of Motor Vehicle Parts Business in Guangzhou. The Directors expect that the PRC operations will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to the customers.

The e-commerce development in China is full of challenges and opportunities. The Group is in the process to develop the business-to-customer (B2C) e-commerce platform which involve the evaluation of the knit point between the e-commerce and traditional economy. The development is an ongoing process and through the strategic cooperation with Zhongxing Supply Chain, the Directors believe that the cooperation will allow both parties to take advantage of each other's business platforms and procurement network, thereby enhancing customers' value by providing high quality products and services, highly efficient supply chain integrated services and lowering relevant costs to customers.

The Group is in the process to develop the Financial Services Business, which would provide financial services including securities brokerage, margin financing, money lending and financial leasing services.

As mentioned in "Recent Development" section, the Group had entered into an agreement with 5 other independent third parties to set up a Securities Company to carry out securities businesses in the PRC. Through the Securities Company, the Group could tap into the securities business in the PRC, which was considered as a strictly regulated industry. The Directors believe the set-up of the Securities Company, when materialised, represents a valuable investment opportunity for the Group to expand its securities services business and to enable the Group to exchange its business network and relationship in the PRC, and hence to gain a foothold in the PRC market.

The stock market was highly volatile in 2016 and was exceptionally challenging to us. With the upcoming launch of the Shenzhen-Hong Kong Stock Connect Scheme, the preferential government policies and the establishment of the Securities Company, the Directors believe the Group would sustain a long term growth in the Financial Services Business.

On June 2016, the Group completed the acquisition of the Guanlan Properties, which is a paramount step of the Group to evolve the real estate development business.

Looking forward, the Group will strike to explore for any potential real estate development or property investment opportunities. For the purpose of sustaining long term growth, we will also keep on exploring all potential opportunity to develop its businesses.

For the purpose of sustaining long term growth, the directors will also keep on exploring all potential opportunities to develop its businesses.

Employment and Remuneration Policies

As at 30 June 2016, the Group had an available workforce of approximately 127, of which around 17 were based in the PRC. Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis and bonuses paid, if any, will also be based on performance appraisals and other relevant factors. Staff benefit plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

Share Option Scheme

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, the Company had 11,660,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 11,660,000 additional ordinary shares of the Company and additional share capital and share premium of HK$1,166,000 and HK$46,756,600 (before issue expenses).

At the date of approval of the interim report, the Company had 11,660,000 share options outstanding under the Scheme, which represented approximately 1.01% of the Company's shares in issue as at that date. The total number of shares of the Company available for issue under the Scheme is 63,535,311, representing approximately 5.5% of the Company's shares in issue.

3. STATEMENT OF INDEBTEDNESS

As of the close of business on 30 November 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding bank borrowings, shareholder's loan and loan from the director of Target Company of approximately HK$229,652,000, HK$296,520,000 and HK$64,429,000 respectively.

The shareholder's loan and the loan from the director of the Target Company were unsecured and unguaranteed. The securities and guarantees of the bank borrowing of the Enlarged Group were summarised as follows:

Details of securities and guarantees		*HK$'000*
(i)	Secured by the pledge of certain properties of the Group and the corporate guarantee issued by the Company	177,185
(ii)	Secured by the pledge of certain properties of the Group	25,520
(iii)	Secured by the pledge of certain properties owned by a director of the Target Company and the sole shareholder of the Vendor and her family members, the corporate guarantee issued by the Target Company and the personal guarantees issued by an ex-shareholder of the PRC Company and a director of the Target Company	9,699
(iv)	Secured by the pledge of the properties of the PRC Company and the personal guarantee issued by the ex-shareholders of the PRC Company	17,248
		229,652

As of the close of business on 30 November 2016, an indirect wholly-owned subsidiary of the Group received civil writs from 深圳市新有序規劃設計有限公司 (Shenzhen Xin You Xu Planning and Design Company Limited*) and 深圳市滙田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited*) for claiming allegedly outstanding payment in the amount of RMB30,000,000 and RMB25,069,000, respectively, and relevant interest accrued thereon. The Directors considered the possibility of any cash outflow in settling the legal claims is remote after due consideration of the fact with reference to legal advice. Further details of the litigations were disclosed in the section headed "Litigation" in Appendix V to this circular.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at the close of business on 30 November 2016, any loan capital, issued and outstanding or agreed to be issued, bank overdrafts, loans, charges, debentures or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgages, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

Reference is made to the circular of the Company dated 20 July 2016 in relation to the Subscription. The Company intended to finance the Subscription by borrowings from financial institutions and/or other financing alternatives that may be obtained by the Group. In December 2016, the Group has received a preliminary letter of intent from an independent financial institution in the PRC indicating that it will provide a facility of RMB500 million with a term of 5 years. The Directors expect that negotiation on the detailed terms of the facilities, including the loan amount, term of the loan, security required and repayment terms, with the said financial institution will be finalised shortly. Given the negotiation status as at the Latest Practicable Date, the Directors are confident that the facilities from the said financial institution is likely to be made available to the Group in or about early March 2017. In the unlikely event that no facilities is obtained from any financial institutions, the Company will seek other financing alternative to finance its working capital, which is shareholders' loans from Manureen Holdings. Manureen Holdings has verbally confirmed that it is able to provide financial support to the Company. Manureen Holdings advised the Company that it is willing to finance the Subscription by way of provision of shareholders' loans if the Company is unable to obtain necessary facilities from financial institutions for the Subscription.

As the Group is still in the process of obtaining the necessary financing facilities for the Subscription, no facilities letter from any financial institutions or Manureen Holdings existed as at the Latest Practicable Date for use of such purpose. Accordingly, the sufficiency of working capital of the Enlarged Group is subject to the availability and timing of the facilities from financial institutions and/or other financing alternatives made available to the Group.

Pursuant to the terms of the Subscription, the obligation of promoters to contribute towards the registered capital of the Securities Company shall become unconditional after the necessary approvals by the PRC authorities. Any party failing to make its part of capital contribution to the Securities Company shall be in breach of the promoters' agreement and shall compensate all other non-defaulting parties for any costs, expenses, liabilities or losses incurred by the latter as a result of the breach of the agreement by the former. In the unlikely event that the Company shall not able to obtain the necessary financing through borrowings and/or other financing alternatives, such that it shall breach its payment obligations under the agreement, it might be liable to pay compensations to the other parties as provided in the agreement, which amount cannot be ascertained presently and, if and only if it would happen, it would be subject to the claims by the other parties and the mitigation measures that might be taken by Realord Manureen Securities. Nevertheless, in the scenario where the Group shall fail to complete the Subscription and is unable to finance the payment of the compensation claimed by the other parties to the agreement, if any, the Group may not have sufficient working capital for its present requirements.

Notwithstanding the lack of confirmations from the relevant financial institutions confirming the availability of the borrowing facilities for the Subscription as at the Latest Practicable Date, the Directors believe that the Group shall be able to obtain support from financial institutions and/or Manureen Holdings for the Subscription. On the aforesaid basis, the Directors are of the opinion that after taking into account the Acquisition, the Subscription, the Group's internal resources, the currently available banking and other potential borrowing facilities, and the preliminary positive indication of interest of certain financial institutions to provide financing, in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in (i) Commercial Printing Business; (ii) Hangtag Business; (iii) Motor Vehicle Parts Business; (iv) Financial Services Business; and (v) Trading Business; and (vi) Property Investment Business. Following Completion, the Enlarged Group will be engaged in a new business segment of recycling, dismantling and sales of scrap materials while it will continue to be engaged in its existing business segments mentioned above.

The operating environment of the commercial printing and hangtag businesses will continue to be competitive in the coming years. The Enlarged Group shall strengthen its business development team to achieve sales growth and increase market share. However, the intense competition in the commercial printing business shall limit the Enlarged Group to pass the inflating operating cost to customers. Due to the slowdown of economic growth, the operating environment of hangtag segment will be more challenging and the Board foresees that customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish.

The Enlarged Group has commenced Motor Vehicle Parts Business in Hong Kong since October 2014. The Enlarged Group is in the process of setting up the retail stores of motor vehicle parts business in Hong Kong and Guangzhou and expects that it will effectively contribute to the business expansion of the sales and distribution of motor vehicle parts business. Besides, the Enlarged Group is sourcing different brands of motor vehicle parts suppliers in order to broaden the variety of products offered to the customers.

The Enlarged Group is in the process of developing the Financial Services Business, which includes the provision of securities brokerage and margin financing services in Hong Kong and the provision of finance lease and operating lease services in the PRC. The Board believes the upcoming launch of the Shenzhen-Hong Kong Stock Connect Scheme will stimulate the stock markets in Shenzhen and Hong Kong and may enhance liquidity and trading volume of the stocks which may have positive effects on the Enlarged Group's securities business. With the supportive government policy towards the finance leasing industry in the PRC, in particular the Qianhai Bay Bonded Area, the Board also expects that there will be potential business opportunities for the development of the Enlarged Group's finance leasing business in Qianhai. On 23 May 2016, Realord Manureen Securities entered into a promoters' agreement with 5 other independent third parties in relation to the Subscription. The proposed scope of the Securities Company include provision of securities brokerage services, securities underwriting and sponsor services, asset management, proprietary trading business, advising on securities investments, securities financing services and corporate finance advisory services. Pursuant to the promoters' agreement, Realord Manureen Securities has agreed to subscribe 350,000,000 shares of the Securities Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350,000,000 (equivalent to approximately HK$392,000,000), where the obligation to contribute towards the registered capital of Securities Company shall become unconditional after the necessary approvals by the PRC authorities including CSRC for the establishment of the Securities Company has been obtained. The application in relation to the formation of the Securities Company was filed to the CSRC in July 2016 and is under review by the CSRC as at the Latest Practicable Date. Through the formation of the Securities Company and cooperation among the Enlarged Group and the other partners, the Enlarged Group could tap into the securities business in the PRC which is considered as a strictly regulated industry. The Company believes such investment represents a valuable opportunity for the Enlarged Group to expand its securities services business and to enable the Enlarged Group to exchange its business network and relationship in the PRC, and hence to gain a foothold in the PRC market. In view of the above, the Board believes the Enlarged Group will sustain a long term growth in the Financial Services Business.

Subsequent to the publication of the annual report of the Company for the year ended 31 December 2015, Virtue Summit Ventures Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser, and Ms. Hung as the vendor, had entered into a sale and purchase agreement dated 24 March 2016 in relation to the acquisition of the entire issued share capital of Citibest and its shareholder's loan owed to Ms. Hung at completion (if any) at a cash consideration of RMB238,000,000 (details of which were disclosed in the announcement of the Company dated 24 March 2016). Completion of this sale and purchase agreement took place on 24 June 2016. The principal assets of Citibest and its wholly-owned subsidiary comprise the Guanlan Properties in the PRC. The Company intends to hold the properties for investment purpose.

On 24 October 2016, 前海偉祿跨境電子商務(深圳)有限公司 (Qianhai Weliu Cross-border E-Commerce (Shenzhen) Co., Ltd.*) ("**Qianhai E-Commerce**"), an indirect wholly-owned subsidiary of the Company, and 深圳市夏浦光電技術有限公司 (Shenzhen Xiapu Photoelectricity Technology Co., Ltd*) ("**Shenzhen Xiapu**") entered into the memorandum of understanding, pursuant to which (i) Qianhai E-Commerce has appointed 深圳市偉祿置業有限公司 (Shenzhen Realord Realty Limited*) ("**Realord Realty**"), a direct wholly-owned subsidiary of Shenzhen Xiapu and a qualified property developer in the PRC, to apply on its behalf for the change of use of land held by Qianhai E-Commerce with a total area of 7,141.33 square meters, which is situated at Zhangkengjing Community, Guanlan, Baoan district, Shenzhen, the PRC; and (ii) Shenzhen Xiapu intends to grant, and Qianhai E-Commerce intends to accept, an option to require the transfer and assignment by Shenzhen Xiapu of all of its rights and benefits under a joint development agreement dated 18 August 2016 entered into by Shenzhen Xiapu and 深圳市樟坑徑股份有限公司 (Shenzhen Zhangkengjing Joint Stock Company*). The aforesaid option shall be exercisable at the discretion of Qianhai E-Commerce at an exercise price of RMB15,000,000 (equivalent to approximately HK$16,800,000). The intention to grant of the option by Shenzhen Xiapu is subject to the entering into of the formal agreement. Looking forward, the Enlarged Group will keep track with the economic and urban renewal development in the PRC and will strike to explore for any potential real estate development or property investment opportunities.

Upon Completion, the Enlarged Group will diversify its business into scrap materials industry. In view of the government's plan to foster the development of the industry and the synergies created from the experience and expertise of the Target Group and the financial capability and management experience of the Enlarged Group as mentioned in the section headed "Reasons for and benefits of the Acquisition" in the letter from the Board contained in this circular, the Directors are optimistic about the prospects of the recycling business of Target Group.

For the purpose of sustaining long term growth, the Enlarged Group will also keep on exploring all potential opportunity to develop its businesses.

1. ACCOUNTANTS' REPORT

The following is the text of a report from Ernst & Young, the independent reporting accountants, in respect of the financial information of the Target Group for the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for the eight months ended 31 August 2016 as set out in this appendix and prepared for the sole purpose of inclusion in this circular. Terms defined herein apply to this report only.

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The Board of Directors
Realord Group Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Top Eagle International Trading Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising 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 period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013, each of the two years ended 31 December 2014 and 2015, and the eight months ended 31 August 2016 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 31 August 2016, together with the notes thereto (the "Financial Information"), and the comparative consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Group for the eight months ended 31 August 2015 (the "31 August 2015 Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Realord Group Holdings Limited (the "Company") dated 25 January 2017 (the "Circular") in connection with the proposed acquisition of the 60% of the issued share capital of the Target Company at a cash consideration of HK$25,000,000 and allotment and issuance of up to 5,000,000 new shares by Realord Group Holdings Limited (the "Acquisition").

The Target Company was incorporated in Hong Kong with limited liability on 7 March 2013. The principal activities of the Target Company are investment holding and trading of scrap materials. The principal activities of the Target Group during the Relevant Periods are dismantling and trading of scrap materials and acting as an agent by sourcing scrap materials in the People's Republic of China (the "PRC").

The statutory financial statements of the Target Company for the period from 7 March 2013 (date of incorporation) to 31 December 2013 and for years ended 31 December 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and were audited by us.

For the purpose of this report, the directors of the Target Company (the "Directors") have prepared the financial statements of the Target Group (the "Underlying Financial Statements") in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the

"HKICPA"). The Underlying Financial Statements for the period from 7 March 2013 (date of incorporation) to 31 December 2013, for each of the years ended 31 December 2014 and 2015, and the eight months ended 31 August 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the 31 August 2015 Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the 31 August 2015 Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the 31 August 2015 Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures as we consider necessary on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the 31 August 2015 Financial Information 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 principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the 31 August 2015 Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 December 2013, 2014 and 2015 and 31 August 2016 and the financial performance and cash flows of the Target Group for each of the Relevant Periods.

Review conclusion in respect of the 31 August 2015 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 August 2015 Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 7 March 2013 (date of incorporation) to 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2015 HK$'000	Eight months ended 31 August 2015 HK$'000 (unaudited)	Eight months ended 31 August 2016 HK$'000
REVENUE	5	983	–	44,986	41,383	136,230
Cost of sales		–	–	(41,778)	(40,423)	(117,608)
Gross profit		983	–	3,208	960	18,622
Other income and gains, net	5	–	–	536	–	3,334
Selling expenses		–	(357)	(566)	(397)	(225)
Administrative expenses		(67)	(472)	(680)	(313)	(2,008)
Finance costs	6	(296)	(1,812)	(785)	(430)	(527)
PROFIT/(LOSS) BEFORE TAX	7	620	(2,641)	1,713	(180)	19,196
Income tax credit/(expense)	9	(102)	436	(282)	30	(4,179)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		518	(2,205)	1,431	(150)	15,017
OTHER COMPREHENSIVE INCOME						
Other comprehensive income not to be reclassified to profit and loss in subsequent periods:						
Gain on property revaluation		–	–	–	–	427
Income tax effect		–	–	–	–	(107)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		–	–	–	–	320
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		518	(2,205)	1,431	(150)	15,337

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 August
		2013	2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	10	–	–	–	20,357
Prepaid land lease payments	11	–	–	–	5,436
Goodwill	12	–	–	–	7,264
Prepayments	15	–	–	3,906	–
Deferred tax asset	24	–	436	154	–
Total non-current assets		–	436	4,060	33,057
CURRENT ASSETS					
Inventories	13	–	–	–	19,343
Trade receivables	14	983	–	23,150	19,706
Prepayments, deposits and other receivables	15	81,275	83,559	244,480	170,798
Due from a director	16	–	–	–	4,000
Due from a related party	17	–	–	–	55
Due from shareholders	18	–	–	11,000	–
Tax recoverable		–	–	–	3,867
Pledged bank balances	19	–	709	2,287	2,504
Cash and bank balances	19	12,011	615	273	2,097
Total current assets		94,269	84,883	281,190	222,370
CURRENT LIABILITIES					
Trade and bills payables	20	–	18,156	46,555	12,517
Other payables, accruals and receipts in advance	21	18,490	61,129	88,264	110,180
Due to a director	22	63	59	–	–
Interest-bearing bank borrowings	23	75,096	7,560	135,585	17,485
Tax payables		102	102	102	1,910
Total current liabilities		93,751	87,006	270,506	142,092
NET CURRENT ASSETS/ (LIABILITIES)		518	(2,123)	10,684	80,278
TOTAL ASSETS LESS CURRENT LIABILITIES		518	(1,687)	14,744	113,335
NON-CURRENT LIABILITIES					
Due to a director	22	–	–	–	82,410
Deferred tax liabilities	24	–	–	–	844
Total non-current liabilities		–	–	–	83,254
Net assets/(liabilities)		518	(1,687)	14,744	30,081
EQUITY/(DEFICIENCY IN ASSETS)					
Share capital	25	–	–	15,000	15,000
Reserves	26	518	(1,687)	(256)	15,081
Total equity/(deficiency in assets)		518	(1,687)	14,744	30,081

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital HK$'000	Assets Revaluation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity/ (deficiency in assets) HK$'000
Initial issue of share on incorporation	25	–	–	–	–
Profit for the period and total comprehensive income for the period		–	–	518	518
At 31 December 2013 and 1 January 2014		–	–*	518*	518
Loss for the year and total comprehensive loss for the year		–	–	(2,205)	(2,205)
At 31 December 2014 and 1 January 2015		–	–*	(1,687)*	(1,687)
Profit for the year and total comprehensive income for the year		–	–	1,431	1,431
Issue of shares		15,000	–	–	15,000
At 31 December 2015 and 1 January 2016		15,000	–*	(256)*	14,744
Profit for the period		–	–	15,017	15,017
Other comprehensive income for the period:					
Gain on property revaluation		–	427	–	427
Income tax effect		–	(107)	–	(107)
Total comprehensive income for the year		–	320	15,017	15,337
Transfer from assets revaluation reserve		–	(171)	171	–
At 31 August 2016		15,000	149*	14,932*	30,081
(Unaudited)					
At 1 January 2015		–	–	(1,687)	(1,687)
Loss for the period and total comprehensive loss for the period		–	–	(150)	(150)
Issue of shares		15,000	–	–	15,000
At 31 August 2015		15,000	–*	(1,837)	13,163

* *These reserve accounts comprise the reserves/(negative reserves) of HK$518,000, (HK$1,687,000), (HK$256,000) and HK$15,081,000 in the consolidated statement of financial position as at 31 December 2013, 2014 and 2015 and 31 August 2016, respectively.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Period from 7 March 2013 (date of incorporation) to 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2015 HK$'000	Eight months ended 31 August 2015 HK$'000 (unaudited)	Eight months ended 31 August 2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		620	(2,641)	1,713	(180)	19,196
Adjustments for:						
Bank interest income	5	–	–	–	–	(1,176)
Finance costs	6	296	1,812	785	430	527
Depreciation	7	–	–	–	–	688
Amortisation of prepaid land lease payments	7	–	–	–	–	60
		916	(829)	2,498	250	19,295
Increase in inventories		–	–	–	–	(6,864)
Decrease/(increase) in trade receivables		(983)	983	(23,150)	(19,546)	10,028
Decrease/(increase) in prepayments, deposits and other receivables		(81,275)	(2,284)	(164,827)	(115,268)	284,351
Movements in balances with related parties, net		–	–	–	–	(55)
Increase/(decrease) in trade payables		–	18,156	28,399	6,896	(34,038)
Increase/(decrease) in other payables, accruals and receipts in advance		18,490	42,639	27,135	(17,043)	(147,690)
Cash generated from/(used in) operations		(62,852)	58,665	(129,945)	(144,711)	125,027
Overseas tax paid		–	–	–	–	(3,867)
Net cash flows from/(used in) operating activities		(62,852)	58,665	(129,945)	(144,711)	121,160
CASH FLOWS FROM INVESTING ACTIVITIES						
Increase received		–	–	–	–	1,176
Purchase of items of property, plant and equipment		–	–	–	–	(3)
Acquisition of a subsidiary	27	–	–	–	–	105,616
Net cash flows from investing activities		–	–	–	–	106,789

	Notes	Period from 7 March 2013 (date of incorporation) to 31 December 2013 HK$'000	Year ended 31 December 2014 HK$'000	Year ended 31 December 2015 HK$'000	Eight months ended 31 August 2015 HK$'000 (unaudited)	Eight months ended 31 August 2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares	25	–	–	15,000	15,000	–
New bank loans		90,244	146,872	204,459	143,854	50,520
Repayment of bank loans		(15,148)	(214,408)	(76,434)	(7,560)	(265,994)
Movements in balances with a director, net		63	(4)	(59)	(59)	(20,907)
Increase in amounts due from shareholders		–	–	(11,000)	–	11,000
Interest paid		(296)	(1,812)	(785)	(430)	(527)
Net cash flows from/(used in) financing activities		74,863	(69,352)	131,181	150,805	(225,908)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		12,011	(10,687)	1,236	6,094	2,041
Cash and cash equivalents at beginning of year/period		–	12,011	1,324	1,324	2,560
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		12,011	1,324	2,560	7,418	4,601
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		12,011	615	273	1,222	2,097
Bank balances with original maturity of less than three months when acquired, pledged as security for bank facilities		–	709	2,287	6,196	2,504
		12,011	1,324	2,560	7,418	4,601

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target Company was incorporated as a company with limited liability in Hong Kong on 7 March 2013. The registered office of the Target Company is located at Room B, 19th Floor, Wing Hang Insurance Building, 11 Wing Kut Street, Central, Hong Kong.

Pursuant to an acquisition which was completed on 19 February 2016, the Target Company became the holding company of a subsidiary namely 廣西悟州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited) (hereafter referred to as "the PRC Company") comprising the Target Group.

The Target Group's principal activities were dismantling and trading of scrap materials and acting as an agent by sourcing scrap materials in the PRC.

In the opinion of the directors of the Target Company, Fortune Victory Asia Corporation, a company incorporated in the British Virgin Islands, is the Target Company's ultimate holding company.

Information about the subsidiary

Particulars of the Target Company's subsidiary at the end of the Relevant Periods are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
廣西悟州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited)	PRC	RMB3,000,000	100	–	Dismantling and sales of scrap materials

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

\# The statutory financial statements of the PRC Company for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with the People's Republic of China Generally Accepted Accounting Principles and were audited by 深圳誠華會計師事務所有限公司 (Shenzhen Chenghua Certified Public Accountants Co., Ltd.), certified public accountants registered in the PRC.

The PRC Company is registered as a wholly-foreign-owned enterprise under the PRC law.

2.1 BASIS OF PRESENTATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, HKAS and Interpretations) issued by the "HKICPA and accounting principles generally accepted in Hong Kong.

The Financial Information has been prepared under the historical cost convention, except for buildings classified as property, plant and equipment which have been measured at fair value. The Financial Information is presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$000") except when otherwise indicated.

For the purpose of preparation of the Financial Information, the Target Group has adopted all the revised standards and new interpretations applicable throughout the Relevant Periods.

Basis of consolidation

The Financial Information include the financial statements of the Target Company and its subsidiary for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The financial statements of the subsidiary are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiary 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 intar-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 subsidiary above. 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, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016
3 No mandatory effect date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2019

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquire and the equity interests issued by the Target Group in exchange for control of the acquire. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Where the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interest in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchases.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, good will acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of an the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures buildings classified as property, plant and equipment at fair value at the end of each reporting 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 interest.

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 financial statements 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 financial statements 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Target Group;

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

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) 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;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to profit or loss. Any subsequent revaluation surplus is credited to profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery	10%
Furniture and fixtures	20%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Finance leases, which transfer to the lessee substantially all the rewards and risks incidental to ownership of a leased item, are capitalised at the inception of the lease at fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments receivable are apportioned between the finance income and reduction in the investment in finance lease so as to achieve a constant rate of interest on the remaining balance of the net investment in finance leases. Finance income is credited to profit or loss.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and 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 provision made for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Target Group's financial liabilities include trade and bills payables and accruals, amount due to a director and interest-bearing bank borrowings. All financial liabilities are initially stated at fair value less directly attributable transaction costs and 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. The related interest expense is recognised within "finance costs" in profit or loss.

Subsequent measurement

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

Loans and borrowings

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.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts 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 statement of financial position if, and only 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

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 for the current and prior periods 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, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward 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, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Revenue from the sale of goods is recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the carrying amount of the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions would be complied with. When the grant relates to an expense item, it was recognised as income on a systemic basis over the periods that the costs, which it is intended to compensate, are expensed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Financial Information is presented in Hong Kong dollars which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currency of the subsidiary is currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the entity is translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Other employee benefits

Pension schemes

The Target Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Target Group in an independently administered fund. The Target Group’s employer contributions vest fully with the employees when contributed into the MPF scheme.

The employees of the Target Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Target Group's accounting policies, management has not made any any significant judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the Financial Information.

Estimation uncertainty

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

Impairment of goodwill

The Target Group determines whether goodwill is impaired at lease on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 August 2016 was HK$7,264,000. Further details are given in note 12.

Estimation of fair value of buildings

In the absence of current prices in an active market for similar properties, the Target Group considers information from a variety of sources, including:

(a) current price in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of buildings at 31 August 2016 was HK$20,126,000. Further details, including the key assumptions used for fair value measurement, are given in note 10 to the Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits 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. Further details are contained in note 24 to the Financial Information.

4. SEGMENT INFORMATION

In the opinion of the management, Target Group has only one reportable operating segment which is dismantling and trading of scrap materials and acting as an agent by sourcing scrap materials.

No geographical information is presented as over 90% of the Target Group's revenue is derived from customers based in Mainland China, and over 90% of the Target Group's assets are located in Mainland China.

Revenue from each of the major customers, which individually amounted to 10% or more of the Target Group's revenue, is set out below:

	Period from 7 March 2013 (date of incorporation) to 31 December	**Year ended 31 December**		**Eight months ended 31 August**	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Customer A	–	–	18,358	18,358	5,127
Customer B	–	–	12,206	10,827	–
Customer C	–	–	14,422	12,198	–
Customer D	983	–	–	–	–
Customer E	–	–	–	–	15,429

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the Relevant Periods. An analysis of revenue, other income and gains is as follows:

	Period from 7 March 2013 (date of incorporation) to 31 December	Year ended 31 December		Eight months ended 31 August	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Revenue					
Sales of goods	–	–	44,986	41,383	132,274
Rendering of services	983	–	–	–	3,956
	983	–	44,986	41,383	136,230
Other income and gains, net					
Exchange gains, net	–	–	534	–	1.696
Bank interest income	–	–	–	–	1,176
Government subsidy	–	–	–	–	462
Others	–	–	2	–	–
	–	–	536	–	3,334

6. FINANCE COSTS

The finance costs represent interest on bank borrowings.

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging/(crediting):

	Period from 7 March 2013 (date of incorporation) to 31 December	Year ended 31 December		Eight months ended 31 August	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Cost of inventories sold	–	–	41,778	40,423	117,608
Depreciation *(note 10)*	–	–	–	–	688
Amortisation of prepaid land lease payments *(note 11)*	–	–	–	–	60
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):					
Wages and salaries	54	108	108	54	3,226
Pension scheme contributions	–	–	–	–	85
	54	108	108	54	3,311
Foreign exchange differences, net	–	–	(534)	63	(1,696)

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the Relevant Periods, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Period from 7 March 2013 (date of incorporation) to 31 December 2013	Year ended 31 December		Eight months ended 31 August	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	54	108	108	54	175

Period from 7 March 2013 (date of incorporation) to 31 December 2013

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭世強 (Zheng Shiqiang)	–	54	–	54

Year ended 31 December 2014

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭世強 (Zheng Shiqiang)	–	108	–	108

Year ended 31 December 2015

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭世強 (Zheng Shiqiang)	–	108	–	108

Eight months ended 31 August 2016

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭為民 (Zheng Weimin)	–	125	–	125
張小君 (Zhang Xiaojun)	–	50	–	50
	–	175	–	175

Eight months ended 31 August 2015 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭世強 (Zheng Shiqiang)	–	54	–	54

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as compensation for loss of office.

(b) Five highest paid employees

The five highest paid employees during the Relevant Periods included one director, details of whose remuneration are set out in note 8(a) above. Details of the remuneration of the remaining four non-director, highest paid employees for the Relevant Periods are as follows:

	Period from 7 March 2013 (date of incorporation) to 31 December	Year ended 31 December		Eight months ended 31 August	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	54	108	108	54	530

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Period from 7 March 2013 (date of incorporation) to 31 December	Year ended 31 December		Eight months ended 31 August	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Nil to HK$1,000,000	4	4	4	4	4

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates.

	Period from 7 March 2013 (date of incorporation) to 31 December 2013	Year ended 31 December 2014	2015	Eight months ended 31 August 2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current – Hong Kong					
Charge for the year	102	–	–	–	1,808
Deferred *(note 24)*	–	(436)	282	(30)	2,371
Total tax charge/(credit) for the year/period	102	(436)	282	(30)	4,179

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates to the tax expense/(credit) at the effective tax rates, are as follows:

	Period from 7 March 2013 (date of incorporation) to 31 December 2013		Year ended 31 December 2014		2015		Eight months ended 31 August 2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Profit/(loss) before tax	620		(2,641)		1,713		(180)		19,196	
Tax at the statutory tax rate	102	16.5	(436)	16.5	282	16.5	(30)	16.5	4,067	21.2
Expenses not deductible for tax	–	–	–	–	–	–	–	–	112	0.6
Tax expense/(credit) at the effective rate	102	16.5	(436)	16.5	282	16.5	(30)	16.5	4,179	21.8

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture and fixtures	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 August 2016:					
At 31 December 2013, 2014 and 2015 and 1 January 2016					
Cost or valuation	–	–	–	–	–
Accumulated depreciation	–	–	–	–	–
Net carrying amount	–	–	–	–	–
At 1 January 2016, net of accumulated depreciation	–	–	–	–	–
Acquisition of a subsidiary *(note 27)*	20,353	210	2	50	20,615
Additions	–	–	–	3	3
Surplus on revaluation	427	–	–	–	427
Depreciation provided during the period	(654)	(21)	(2)	(11)	(688)
At 31 August 2016, net of accumulated depreciation	20,126	189	–	42	20,357
At 31 August 2016:					
Cost or valuation	20,126	210	2	53	20,391
Accumulated depreciation	–	(21)	(2)	(11)	(34)
Net carrying amount	20,126	189	–	42	20,357

As at 31 August 2016, the Target Group's buildings with net carrying amount of approximately HK$20,126,000, were pledged to secure banking facilities granted to the Target Group.

The Target Group's buildings were revalued individually by B.I. Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value HK$20,126,000 as at 31 August 2016 based on their existing use. A revaluation surplus of HK$427,000 resulting from the above valuation has been credited to other comprehensive income.

The Directors have determined that the Target Group's buildings are industrial buildings based on the nature, characteristics and risks of the property. Each year, the management decides to appoint which external valuer to be responsible for the external valuations of the Target Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's buildings:

	Fair value measurement as at 31 August 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Industrial properties	–	–	20,126	20,126

The Target Group's buildings represented industrial properties and the fair value measurements as at 31 August 2016 using significant unobservable inputs (Level 3).

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Had the buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$19,927,000 as at 31 August 2016.

The fair values of the buildings were determined using the depreciated replacement cost approach based on the aggregate amount of the new replacement cost of the buildings with adjustment made on factors such as age, condition, location, size and aspects of the properties.

Below is a summary of the key inputs to the valuation of buildings:

	Significant Unobservable inputs	**2016**
Industrial properties	Estimated replacement cost (per s.q.m)	RMB2,350

The fair values of the buildings were based on the highest and best use of buildings in the Mainland China, which did not differ from their actual use.

11. PREPAID LAND LEASE PAYMENTS

	HK$'000
Carrying amount at 31 December 2013, 2014 and 2015 and 1 January 2016	–
Acquisition of a subsidiary (*note 27*)	5,615
Recognised during the period	(60)
Carrying amount at 31 August 2016	5,555
Current portion included in prepayments, deposits and other receivables	(119)
Non-current portion at 31 August 2016	5,436

As 31 August 2016, the Target Group's prepaid land lease payments with aggregate carrying amounts of approximately HK$5,555,000 were pledged to secure banking facilities granted to the Target Group.

12. GOODWILL

	HK$'000
Cost at 31 December 2013, 2014 and 2015 and 1 January 2016	–
Acquisition of a subsidiary *(note 27)*	7,264
At 31 August 2016	7,264
At 31 August 2016	
Cost and net carrying amount, net of accumulated impairment	7,264

Impairment testing of goodwill

The recoverable amount of the subsidiary has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections was 15.9% and the cash flows beyond the five-year period were extrapolated using a growth rate of 3%.

Assumptions were used in the value in use calculation of the subsidiary for 31 August 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Financial budget – The basis used to determine the value assigned to the financial budget is the best estimate based on the comparable of the same industry and 3% of long term growth rate is applied.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units. The discount rate is consistent with external information sources.

No impairment of goodwill was recognised on 31 August 2016.

13. INVENTORIES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw material	–	–	–	2,604
Finished goods	–	–	–	16,739
	–	–	–	19,343

14. TRADE RECEIVABLES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	983	–	23,150	19,706

Notes:

(a) The Target Group's trading terms with its customers are mainly on credit with partial advance payment. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The Target Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing and the Target Group does not hold any collateral or other credit enhancements over its trade receivable balances.

(b) An aged analysis of trade receivables as at the end of the Relevant Periods, based on the invoice date and net of impairment, is as follows:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	672	–	3,604	5,653
1 to 2 months	130	–	–	13,788
2 to 3 months	128	–	–	265
Over 3 months	53	–	19,546	–
	983	–	23,150	19,706

(c) An aged analysis of trade receivables as at the end of the Relevant Periods, that are neither individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	510	–	–	19,441
Past due but not impaired:				
Within 3 months	420	–	3,604	265
Over 3 months	53	–	19,546	–
	983	–	23,150	19,706

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Target Group. Based on past experience, the directors of the Target Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	223	19,695	60,961	148,955
Deposits	–	2	41	81
Other receivables	81,052	63,862	187,384	21,762
	81,275	83,559	248,386	170,798
Less: prepayments, classified as non-current portion	–	–	(3,906)	–
Current portion	81,275	83,559	244,480	170,798

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2013, 2014 and 2015, the Target Group's other receivables with aggregate carrying amounts of approximately HK$38,005,000, HK$27,348,000 and HK$49,238,000 respectively, were pledged to secure bank loans granted to the Target Group.

16. DUE FROM A DIRECTOR

Particulars of the amount due from director disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 August 2016	Maximum amount outstanding during the period	At 31 December 2015, 2014 and 2013	Maximum amount outstanding during the year/period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭為民（Zheng Weimin）	4,000	4,000	–	–

As at 31 August 2016, the balance with the director is unsecured, interest-bearing at 0.8% per annum and repayable on or before 31 May 2017.

17. DUE FROM A RELATED PARTY

Name	At 31 August 2016	Maximum amount outstanding during the period	At 31 December 2015, 2014 and 2013	Maximum amount outstanding during the year/period
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
鄭子建 (Zheng Zijian)	55	55	–	–

鄭子建 (Zheng Zijian) is the son of 鄭為民 (Zheng Weimin), a director of the Target Company.

The balances with a related party is unsecured, interest-free and repayable on demand.

18. DUE FROM SHAREHOLDERS

The balance with shareholders are unsecured, interest-free and repayable on demand.

19. CASH AND BANK BALANCES/PLEDGED BANK BALANCES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	12,011	615	273	2,097
Pledge bank balance	–	709	2,287	2,504
	12,011	1,324	2,560	4,601
Less: Pledge bank balances	–	(709)	(2,287)	(2,504)
Cash and cash equivalents	12,011	615	273	2,097

At 31 December 2013, 2014 and 2015, and 31 August 2016, the cash and bank balances of the Target Group denominated in RMB amounted to HK$13,000, HK$725,000, HK$2,310,000 and HK$4,434,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2014 and 2015 and 31 August 2016, certain of the bank balances of approximately HK$709,000, HK$2,287,000 and HK$2,504,000, respectively, were pledged for bank facilities.

The Target Group's cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. TRADE AND BILLS PAYABLES

Included in the trade and bills payables are trade payables of HK$18,156,000 and HK$46,555,000 as at 31 December 2014 and 31 December 2015 and bills payables of HK$12,517,000 as at 31 August 2016.

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The bills payables are non-interest-bearing and are normally settled within one year.

21. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

		As at 31 December		As at 31 August
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	18,436	45,087	215	12,349
Accruals	54	–	185	6,383
Receipts in advance	–	16,042	87,864	91,448
	18,490	61,129	88,264	110,180

The other payables are non-interest-bearing and are normally settled on 60-day terms.

22. DUE TO A DIRECTOR

The amount due to a director as at 31 December 2013 and 2014 were unsecured, interest-free and repayable on demand. The amount due to a director as at 31 August 2016 was unsecured, interest-free and not repayable within 12 months.

23. INTEREST-BEARING BANK BORROWINGS

	As at 31 December									As at 31 August		
	2013			2014			2015			2016		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current bank loans, secured	2.06% to 2.54%	2014	75,096	1.82% to 4.80%	2015	7,560	1.56% to 4.80%	2016	135,585	2.28% to 5.66%	2016	17,485

(a) The Target Group's bank borrowings are secured by:

(i) the Target Group's buildings situated in the PRC, which had net carrying amount of HK$20,126,000 as at 31 August 2016 (note 10);

(ii) the Target Group's prepaid land lease payments situated in the PRC, which had net carrying amount of HK$5,555,000 as at 31 August 2016 (note 11);

(iii) the Target Group's other receivables of HK$38,005,000, HK$27,348,000 and HK$49,238,000 as at 31 December 2013, 2014 and 2015, respectively (note 15); and

(iv) the Target Group's pledged bank balances amounting to HK$709,000, HK$2,287,000 and HK$2,504,000 as at 31 December 2014, 31 December 2015 and 31 August 2016, respectively.

In addition, the PRC Company has guaranteed certain of the Target Group's bank borrowings amounting to HK$12,600,000 and HK$66,780,000 as at 31 December 2013 and 31 December 2015 respectively.

(b) The carrying amounts of the Target Group's bank loans are denominated in the following currencies:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
RMB	–	7,560	30,499	8,092
US$	75,096	–	105,086	9,393
	75,096	7,560	135,585	17,485

24. DEFERRED TAX

The movements in Target Group's deferred tax asset/(liability) during the Relevant Periods are as follows:

	Losses available for offsetting against future taxable profits	Revaluation of properties	Fair value adjustments arising from acquisition of a subsidiary	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013 and 1 January 2014	–	–	–	–
Deferred tax credited to profit or loss during the year *(note 9)*	436	–	–	436
At 31 December 2014 and 1 January 2015	436	–	–	436
Deferred tax charged to profit or loss during the year *(note 9)*	(282)	–	–	(282)
At 31 December 2015 and 1 January 2016	154	–	–	154
Acquisition of a subsidiary *(note 27)*	2,950	(1,330)	(140)	1,480
Deferred tax credited/(charged) to profit or loss during the period *(note 9)*	(2,428)	57	–	(2,371)
Deferred tax charged to equity during the period	–	(107)	–	(107)
As at 31 August 2016	676	(1,380)	(140)	(844)

Target Group has estimated tax losses arising in Mainland China of approximately HK$2,704,000 as at 31 August 2016 that will expire in one to five years for offsetting against future taxable profits.

25. SHARE CAPITAL

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Issued and fully paid: 31 August 2016: 15,000,000 (31 December 2015: 15,000,000; 31 December 2014: 10; 31 December 2013: 1) ordinary shares of HK$1 each	–	–	15,000	15,000

A summary of the movements in the Target Company's share capital is as follows:

	Number of shares in issue	Share capital
		HK$'000
Issue of shares on incorporation *(note a)*	1	–
New issue *(note b)*	9	–
At 31 December 2013, 1 January 2014, 31 December 2014 and 1 January 2015	10	–
New issue *(note c)*	14,999,990	15,000
At 31 December 2015, 1 January 2016 and 31 August 2016	15,000,000	15,000

Notes:

(a) On incorporation, 1 ordinary share of HK$1 was issued for cash to the sole member of the Target Company to provide the initial working capital of the Target Company.

(b) On 8 August 2013, 9 ordinary shares of HK$1 each were issued for cash to the member of the Target Company. The purpose of the issue was to provide additional working capital for the Target Company.

(c) On 2 January 2015, 14,999,990 ordinary shares of HK$1 each were issued for cash to the member of the Target Company. The purpose of the issue was to provide additional working capital for the Target Company.

26. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity in the Financial Information.

27. BUSINESS COMBINATION

In September 2015, the Target Company entered into sales and purchase agreements to acquire a 100% equity interest in the PRC Company from two independent third parties where one of them is a relative of a shareholder of the ultimate holding company of the Target Company (the "Acquisition of the PRC Company"), at a cash consideration of HK$3,906,000 (RMB3,100,000) which was fully paid in September 2015. The Acquisition of the PRC Company has been completed on 19 February 2016.

The PRC Company is principally engaged in the dismantling and sales of scrap materials in the PRC. The acquisition was made as part of the Target Company's strategy to participate in the dismantling and sales of scrap materials industry in the PRC.

The fair values of the identifiable assets and liabilities of the PRC Company as at the acquisition date were as follows:

	Notes	**Fair Value recognised on acquisition** *HK$'000*
Property, plant and equipment	10	20,615
Prepaid land lease payment	11	5,615
Deferred tax assets	24	1,480
Inventories		12,479
Trade receivables		6,584
Prepayments, deposits and other receivables		210,550
Cash and bank balances		105,616
Other payables, accruals and receipts in advance		(169,606)
Due to a director		(99,317)
Interest-bearing bank borrowings		(97,374)
Total identifiable net liabilities at fair value		(3,358)
Goodwill on acquisition		7,264
Satisfied by prepayments		3,906

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration paid	–
Cash and bank balances	105,616
Net inflow of cash and cash equivalents included in cash flows from investing activities	105,616

Since the acquisition, the PRC Company contributed HK$118,789,000 to the Target Group's revenue and HK$7,758,000 to the consolidated profit for the 8 months ended 31 August 2016.

Had the combination taken place at the beginning of the eight months ended 31 August 2016, the revenue of the Target Group and the profit of the Target Group for the eight months ended 31 August 2016 would have been HK$139,290,000 and HK$14,022,000, respectively.

28. OPERATING LEASE COMMITMENT

The Target Group leases its property under an operating lease arrangement. The lease for a property is negotiated for a term of four years.

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	160	160	160
In the second to fifth years, inclusive	–	480	320	213
	–	640	480	373

29. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

Details of balances with directors, a related party and shareholders are disclosed in notes 16, 17 and 22 to the Financial Information.

(b) Compensation of key management personnel of the Target Company:

Key management personnel of the Target Company comprises the directors of the Target Company. Details of the directors' remuneration are included in note 8 to the Financial Information.

30. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the eight months ended 31 August 2016, the consideration of HK$3,906,000 for the Acquisition of the PRC Company (note 27) was satisfied by prepayments of the same amount made during the year ended 31 December 2015.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the each of the Relevant Periods are as follows:

Financial assets

	Loans and receivables			
	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	983	–	23,150	19,706
Financial assets included in prepayments, deposits and other receivables	81,052	63,864	187,425	21,843
Due from a director	–	–	–	4,000
Due from a related party	–	–	–	55
Due from shareholders	–	–	11,000	–
Pledge bank balances	–	709	2,287	2,504
Cash and bank balances	12,011	615	273	2,097
	94,046	65,188	224,135	50,205

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	18,156	46,555	12,517
Financial liabilities included in other payable, accruals and receipts in advance	18,436	45,087	215	12,349
Due to a director	63	59	–	82,410
Interest-bearing bank borrowings	75,096	7,560	135,585	17,485
	93,595	70,862	182,355	124,761

32. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, balances with directors and related parties, financial liabilities included in other payables, accruals and receipts in advance and interest-bearing bank borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, balances with directors, shareholders and a related party, financial liabilities included in other payables, accruals and receipts in advance and interest-bearing bank borrowings. The main purpose of these financial instruments is to provide finance for the Target Group's operations.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

Interest rate risk is the risk that the value and the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Company has significant bank borrowings (note 23) and bank deposits with floating interest rate which are exposed to cash flow interest-rate risk. During the Relevant Periods, the Target Company has not hedged its cash flow and fair value interest rate risks. The directors of the Target Company consider that the exposure of cash flow interest rate risk on the bank deposits is insignificant as most deposits bear variable interest rates which did not significantly fluctuated in the Relevant Periods.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of each of the Relevant Periods was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the period ended 31 August 2016, year ended 31 December 2015 and 31 December 2013 would decrease/increase by approximately HK$717,000, HK$724,000 and HK$375,000, respectively, and the Target Group's post-tax loss for the year ended 31 December 2014 would increase/decrease by approximately HK$413,000.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the respective reporting periods and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at these dates. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

Sensitivity analysis on bank deposits is not presented as the directors of the Target Group consider that the Target Group's exposure to interest rate fluctuations on bank deposits is insignificant.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The carrying amount of trade receivables, deposits and other receivables, balances with directors and related parties and cash and bank balances included in the Financial Information represent the Target Group's maximum exposure to credit risk in relation to its financial assets. The Target Group has no other financial assets which carry significant exposure to credit risk. These receivable balances are monitored on an ongoing basis and the Target Group's exposure to bad debts is not significant. The credit risk of the Target Group's other financial assets, which comprise cash and cash equivalents, and other receivables with a maximum exposure equal to the carrying amounts of these instruments.

Since the Target Group mainly trades with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. As at 31 December 2013, 31 December 2015 and 31 August 2016, the Target Company has certain concentrations of credit risk as 100%, 62% and 40%, respectively, of the Target Group's trade receivables were due from the Target Group's largest customer. Further quantitative data in respect of the Target Group's exposure to credit risk arising from trade receivables are disclosed in note 14 to the Financial Information.

Liquidity risk

The Target Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements and capital commitments of the Target Group.

The objective of the Target Group is to maintain a balance between continuity of funding and flexibility through the funding from a subsidiary and also through the use of bank borrowings, as well as the strict control over its receivables due in day to day business.

The maturity profile of the financial liabilities of the Target Group as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

31 August 2016

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	12,517	–	12,517
Financial liabilities included in other payables, accruals and receipts in advance	–	12,349	–	12,349
Due to a director	–	–	82,410	82,410
Interest-bearing bank borrowings	–	17,713	–	17,713
	–	42,579	82,410	124,989

31 December 2015

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	46,555	–	46,555
Financial liabilities included in other payables, accruals and receipts in advance	–	215	–	215
Interest-bearing bank borrowings	–	135,716	–	135,716
	–	182,486	–	182,486

31 December 2014

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	18,156	–	18,156
Financial liabilities included in other payables, accruals and receipts in advance	–	45,087	–	45,087
Due to a director	59	–	–	59
Interest-bearing bank borrowings	–	7,560	–	7,560
	59	70,803	–	70,862

31 December 2013

	On demand	Less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	–	–	–	–
Financial liabilities included in other payables, accruals and receipts in advance	–	18,436	–	18,436
Due to a director	63	–	–	63
Interest-bearing bank borrowings	–	75,788	–	75,788
	63	94,224	–	94,287

Capital management

The primary objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, polices or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is the total interest bearing bank borrowings divided by the total equity. The Target Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios as at the Relevant Periods are as follows:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	75,096	7,560	135,585	17,485
Total equity/(deficiency in assets)	518	(1,687)	14,744	30,081
Gearing ratio	14,497%	(448)%	920%	58%

34. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

Information about the statement of financial position of the Target Company in the Relevant Periods is as follows:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Investment in a subsidiary	–	–	–	3,906
Prepayments	–	–	3,906	–
Deferred tax asset	–	436	154	–
Total non-current assets	–	436	4,060	3,906
CURRENT ASSETS				
Trade receivables	983	–	23,150	–
Prepayments, deposits and other receivables	81,275	83,559	244,480	147,095
Due from a director	–	–	–	4,000
Due from shareholders	–	–	11,000	–
Due from a related party	–	–	–	55
Restricted bank balances	–	709	2,287	–
Cash and bank balances	12,011	615	273	188
Total current assets	94,269	84,883	281,190	151,338
CURRENT LIABILITIES				
Trade payables	–	18,156	46,555	–
Other payables and accruals	18,490	61,129	88,264	78,747
Due to a director	63	59	–	–
Due to a subsidiary	–	–	–	54,538
Interest-bearing bank borrowings	75,096	7,560	135,585	–
Tax payables	102	102	102	1,257
Total current liabilities	93,751	87,006	270,506	134,542
NET CURRENT ASSETS/(LIABILITIES)	518	(2,123)	10,684	16,796
Net assets/(liabilities)	518	(1,687)	14,744	20,702
EQUITY/(DEFICIENCY IN ASSETS)				
Share capital	–	–	15,000	15,000
Reserves	518	(1,687)	(256)	5,702
Total equity/(deficiency in assets)	518	(1,687)	14,744	20,702

Note:

A summary of the Target Company's reserves is as follows:

	Note	Share capital HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity/ (deficiency in assets) HK$'000
Initial issue of shares on incorporation	25	–	–	–
Profit for the period and total comprehensive income for the period		–	518	518
At 31 December 2013 and 1 January 2014		–	518*	518
Loss for the year and total comprehensive loss for the year		–	(2,205)	(2,205)
At 31 December 2014 and 1 January 2015		–	(1,687)*	(1,687)
Profit for the year and total comprehensive income for the year		–	1,431	1,431
Issue of shares	25	15,000	–	15,000
At 31 December 2015 and 1 January 2016		15,000	(256)*	14,744
Profit for the period and total comprehensive income for the period		–	5,958	5,958
At 31 August 2016		15,000	5,702*	20,702

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 31 August 2016.

Yours faithfully,
Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
25 January 2017

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015, and eight months ended 31 August 2016 (the "**Relevant Periods**").

Business review

The Target Company was incorporated in Hong Kong with limited liability on 7 March 2013. It is principally engaged in trading of scrap materials throughout the Relevant Periods. The Target Company became the holding company of the PRC Company after its acquisition of the PRC Company on 19 February 2016. Since then, the Target Group composed the Target Company and the PRC Company. The principal activities of the Target Group include dismantling and trading of scrap materials and acting as an agent by sourcing scrap materials in the PRC.

The revenue and the gross profit of the Target Company for the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013 represented the service income generated from sourcing scrap materials. The revenue of the Target Company was recognised when the relevant services has been rendered. The net profit after tax of the Target Company for the period from 7 March 2013 (date of incorporation) to 31 December 2013 of approximately HK$518,000 was mainly resulted from the service income of approximately HK$983,000 and offset by finance costs of approximately HK$296,000 and income tax expenses of approximately HK$102,000.

Starting from 2014, the suppliers have changed its settlement method of service income from cash to scrap materials (the "**Commission Goods**"). The revenue of the Target Company would be recognised upon the sales of such Commission Goods to the customers. For the year ended 31 December 2014, the Target Company did not generate any revenue or gross profit since the Target Company has not made any sales of Commission Goods during the year. The Target Company incurred a net loss after tax for the year ended 31 December 2014 of approximately HK$2,205,000 due to the selling, administrative and finance costs.

For the year ended 31 December 2015, the revenue of the Target Company from the sales of Commission Goods amounted to HK$44,986,000 and the costs of sales amounted to approximately HK$41,778,000, which represented the rebates payable to the PRC Company in sourcing scrap materials for its own and/or referral of customers. The gross profit and the gross margin of the Target Company were approximately HK$3,208,000 and 7.1% respectively. The Target Company recorded net profit after tax of approximately HK$1,431,000 for the year ended 31 December 2015 (2014: a net loss after tax of approximately HK$2,205,000).

For the eight months ended 31 August 2016, the consolidated revenue, gross profit and net profit after tax of the Target Group amounted to approximately HK$136,230,000, HK$18,622,000 and HK$15,017,000 respectively (for the eight months ended 31 August 2015: HK$41,383,000, HK$960,000 and a net loss after tax of HK$150,000 respectively). The increase in consolidated revenue, gross profit and net profit after tax of the Target Group was mainly attributable to the consolidation of the financial results of the PRC Company since 19 February 2016. The improvement of gross margin of the Target Group from approximately 7.1% for the year ended 31 December 2015 to approximately 13.7% for the eight months ended 31 August 2016 was mainly due to (i) the increase in sales price of the Commission Goods and the finished goods sold by the PRC Company; (ii) the decrease in the costs of raw materials as a result of the change in product mix of scrap materials dismantled by the PRC Company, which were in better quality and involved simpler processing, and improving bargaining power with suppliers to negotiate on purchase discounts since the acquisition of the PRC Company by the Target Company on 19 February 2016; and (iii) the reduction in cost of sales of the Target Company, which represented its rebates payable to the PRC Company for referring customers in purchasing scrap materials (which is treated as "Commission income" under "Other income" in PRC Company's account) and were eliminated as consolidation adjustments of the Target Group after the aforesaid acquisition of the PRC Company.

Liquidity and financial resources

During the period from 7 March 2013 (date of incorporation of the Target Company) to 31 December 2013, for each of the years ended 31 December 2014 and 2015, the Target Company mainly financed its operation by internally generated resources and bank borrowings. For the eight months ended 31 August 2016, the Target Group mainly financed its operation by internally generated resources, bank borrowings and amount due to a director.

As at 31 December 2013, 2014 and 2015 and 31 August 2016, the consolidated current assets of the Target Group amounted to approximately HK$94,269,000, HK$84,883,000, HK$281,190,000 and HK$222,370,000 respectively. Out of which, HK$12,011,000, HK$1,324,000, HK$2,560,000 and HK$4,601,000 as at 31 December 2013, 2014 and 2015 and 31 August 2016 respectively represented the aggregate consolidated cash and bank balances and pledged bank balances of the Target Group, which were denominated in RMB, US$ or HK$.

The Target Group had consolidated bank borrowings of approximately HK$75,096,000, HK$7,560,000, HK$135,585,000 and HK$17,485,000 as at 31 December 2013, 2014 and 2015 and 31 August 2016 respectively, which carried at a fixed interest rate between 2.06% and 2.54%, between 1.82% and 4.80%, between 1.56% and 4.80%, and between 2.28% and 5.66% respectively. The bank borrowings of the Target Group were all secured and repayable within one year. Except for the bank borrowings of HK$7,560,000, HK$30,499,000 and HK$8,092,000 as at 31 December 2014 and 2015 and 31 August 2016 respectively were denominated in RMB, all other bank borrowings of the Target Group were denominated in US$.

The Target Group has utilised the proceeds from bank borrowings to finance its working capital, including but not limited to, prepayments to suppliers on behalf of its customers for their inventory purchases, which is treated as "Prepayments, deposits and other receivables" in the Target Group's account. Depending on the credit terms for individual orders, prior to the placing of orders by the Target Group to the suppliers, customers may have to prepay their purchase amount to the Target Group, which is treated as "Receipts in advance" in the Target Group's account. As the Target Group had more receipts in advance from the customers as at 31 December 2014 and 31 August 2016, the Target Group required fewer borrowings to finance its prepayments to suppliers as compared to those as at 31 December 2013 and 2015. On the other hand, the balance of prepayments, deposits and other receivables of the Target Group was increased from approximately HK$81.3 million as at 31 December 2013 to approximately HK$244.4 million as at 31 December 2015, which was mainly due to the increasing receipts in advance and orders placed from customers. A decline in the balance of prepayments, deposits and other receivables of the Target Group to approximately HK$170.8 million as at 31 August 2016 was due to the settlement of purchases after shipment of inventories.

As at 31 December 2013 and 2014, the Target Company had amounts due to a director of approximately HK$63,000 and HK$59,000 respectively, which were denominated in RMB and were unsecured, interest-free and repayable on demand. As at 31 August 2016, the Target Group had amounts due to a director of approximately HK$82,410,000, which were denominated in RMB and were unsecured, interest-free and not repayable within 12 months.

The gearing ratio of the Target Group, which is defined as interest-bearing bank borrowings divided by total equity, was approximately 145 times, 9 times and 0.6 times as at 31 December 2013, 31 December 2015 and 31 August 2016 respectively. No gearing ratio of the Target Company at 31 December 2014 could be calculated due to the deficiency in assets of the Target Company.

Exchange rate exposure

The transactions of the Target Company were mainly conducted in HK$, US$ and RMB during each of the three years ended 31 December 2013, 2014 and 2015 while the transactions of the Target Group during the eight months ended 31 August 2016 were mainly conducted in HK$, US$ and RMB. The Target Group reviews its foreign currency exposures on a regular basis and did not consider its foreign currency risk to be significant. As at 31 December 2013, 2014 and 2015 and 31 August 2016, the Target Group did not use any financial instruments for hedging purpose.

Financial guarantees and charge of assets

As at 31 December 2013, 2014 and 2015, the bank borrowings of the Target Company were secured by (i) other receivables of HK$38,005,000, HK$27,348,000 and HK$49,238,000 respectively; and (ii) pledged bank balance of nil, HK$709,000 and HK$2,287,000 respectively.

As at 31 August 2016, the bank borrowings of the Target Group was secured by the pledges of (i) its buildings with net carrying amount of approximately HK$20,126,000, (ii) the prepaid lease payments with aggregate carrying amounts of approximately HK$5,555,000; and (iii) pledged bank balances of HK$2,504,000.

Significant investments, material acquisitions and disposals

On 30 September 2015, the Target Company entered into respective share transfer agreements with two individuals, namely 鄭德榮先生 (Mr. Zheng Derong*) and 葉志明先生 (Mr. Ye Zhiming*), where one of them is a relative of the Guarantor, pursuant to which the Target Company acquired 80% and 20% of registered capital of the PRC Company at the consideration of RMB2.48 million and RMB0.62 million respectively. The considerations were paid during the year ended 31 December 2015 and the acquisition of the PRC Company by the Target Company was completed on 19 February 2016.

Save as disclosed above, the Target Group did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Contingent liabilities

As at 31 December 2013, 2014 and 2015 and 31 August 2016, the Target Group did not have any material contingent liabilities.

Employment and remuneration policies

The Target Group had 1, 1, 1 and 246 employee(s) in the PRC as at 31 December 2013, 2014 and 2015 and 31 August 2016 respectively. For the period from 7 March 2013 (date of incorporation) to 31 December 2013, for each of the two years ended 31 December 2014 and 2015 and for eight months ended 31 August 2016, the remuneration of the employee (excluding directors' and chief executive remuneration) amounted to approximately HK$54,000, HK$108,000, HK$108,000 and HK$3,311,000 respectively. The remuneration of the employees of the Target Group mainly composed salaries, pension scheme contributions and other welfare and was reference to the market terms and individual merits.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets of the Target Group as at 31 December 2013, 2014 and 2015 and 31 August 2016.

1. ACCOUNTANTS' REPORT

The following is the text of a report from Ernst & Young, the independent reporting accountants, in respect of the financial information of the PRC Company for each of the three years ended 31 December 2013, 2014 and 2015 and for the eight months ended 31 August 2016 as set out in this appendix and prepared for the sole purpose of inclusion in this circular. Terms defined herein apply to this report only.

EY 安永

The Board of Directors
Realord Group Holdings Limited

Dear Sirs,

We set out below our report on the financial information of 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited) (hereafter referred to as "the PRC Company") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the PRC Company for each of the years ended 31 December 2013, 2014 and 2015, and the eight months ended 31 August 2016 (the "Relevant Periods"), and the statements of financial position of the PRC Company as at 31 December 2013, 2014 and 2015 and 31 August 2016, together with the notes thereto (the "Financial Information"), and the comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the PRC Company for the eight months ended 31 August 2015 (the "31 August 2015 Financial Information"), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Realord Group Holdings Limited (the "Company") dated 25 January 2017 (the "Circular") in connection with the proposed acquisition of the 60% of the issued share capital of Top Eagle International Trading Limited (the "Target Company") at a cash consideration of HK$25,000,000 and allotment and issuance of up to 5,000,000 new shares by the Company (the "Acquisition").

The PRC Company was established in the People's Republic of China (the "PRC") with limited liability on 22 July 2009. The principal activity of the PRC Company consisted of dismantling and sales of scrap materials in the PRC.

The statutory financial statements of the PRC Company for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") and were audited by 深圳誠華會計師事務所有限公司, certified public accountants registered in the PRC.

For the purpose of this report, the directors of the PRC Company (the "Directors") have prepared the financial statements of the PRC Company (the "Underlying Financial Statements") in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Underlying Financial Statements for each of the years ended 31 December 2013, 2014 and 2015, and the eight months ended 31 August 2016 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors' responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the 31 August 2015 Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the 31 August 2015 Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the 31 August 2015 Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures as we consider necessary on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the 31 August 2015 Financial Information 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 principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the 31 August 2015 Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the financial position of the PRC Company as at 31 December 2013, 2014 and 2015 and 31 August 2016 and the financial performance and cash flows of the PRC Company for each of the Relevant Periods.

Review conclusion in respect of the 31 August 2015 Financial Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the 31 August 2015 Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Eight months ended 31 August	
		2013	2014	2015	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
REVENUE	5	338,070	269,288	294,932	236,434	102,394
Cost of sales		(342,778)	(267,806)	(310,075)	(246,084)	(94,349)
Gross profit/(loss)		(4,708)	1,482	(15,143)	(9,650)	8,045
Other income and gains	5	68	2,074	14,152	10,875	1,934
Administrative expenses		(1,731)	(1,607)	(1,977)	(1,068)	(1,957)
Finance costs	6	–	(989)	(1,890)	(1,424)	(474)
PROFIT/(LOSS) BEFORE TAX	7	(6,371)	960	(4,858)	(1,267)	7,548
Income tax credit/(expense)	9	1,565	(281)	1,377	356	(1,864)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(4,806)	679	(3,481)	(911)	5,684
OTHER COMPREHENSIVE INCOME						
Other comprehensive income not to be reclassified to profit and loss in subsequent periods:						
Gain on property revaluation		626	292	325	216	541
Income tax effect		(157)	(73)	(81)	(54)	(135)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		469	219	244	162	406
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		(4,337)	898	(3,237)	(749)	6,090

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 August
		2013	**2014**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	10	18,941	18,120	17,330	17,107
Prepaid land lease payments	11	4,550	4,450	4,350	4,283
Deferred tax asset	12	419	65	1,361	–
Pledged time deposits	13	–	63,000	–	–
Total non-current assets		23,910	85,635	23,041	21,390
CURRENT ASSETS					
Inventories	14	9,220	32,048	2,853	16,630
Trade receivables	15	4,817	31,890	11,301	16,560
Prepayments, deposits and other receivables	16	102,996	161,913	220,193	18,411
Due from the immediate holding company	17	–	–	–	45,320
Tax recoverable		–	–	–	3,249
Pledged time deposits and bank balances	13	10,000	1,200	101,602	2,104
Cash and bank balances	13	5,101	6,246	555	1,605
Total current assets		132,134	233,297	336,504	103,879
CURRENT LIABILITIES					
Trade and bills payables	18	46,213	82,441	56,146	10,519
Other payables, accruals and receipts in advance	19	43,266	81,362	187,793	26,414
Interest-bearing bank borrowings	20	3,150	87,602	50,615	14,693
Total current liabilities		92,629	251,405	294,554	51,626
NET CURRENT ASSETS/ (LIABILITIES)		39,505	(18,108)	41,950	52,253
TOTAL ASSETS LESS CURRENT LIABILITIES		63,415	67,527	64,991	73,643

		As at 31 December			As at 31 August
		2013	**2014**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Due to a director	17	63,413	66,627	67,328	–
Due to a related party	17	–	–	–	69,252
Deferred tax liabilities	12	–	–	–	638
Total non-current liabilities		63,413	66,627	67,328	69,890
Net assets/(liabilities)		2	900	(2,337)	3,753
EQUITY/(DEFICIENCY IN ASSETS)					
Share capital	21	3,000	3,000	3,000	3,000
Reserves		(2,998)	(2,100)	(5,337)	753
Total equity/(deficiency in assets)		2	900	(2,337)	3,753

STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Accumulated losses *RMB'000*	Asset revaluation reserve *RMB'000*	Total equity/ (deficiency in assets) *RMB'000*
At 1 January 2013	3,000	(1,630)	2,969	4,339
Loss for the year	–	(4,806)	–	(4,806)
Other comprehensive income for the year:				
Gain on property revaluation	–	–	626	626
Income tax effect			(157)	(157)
Total comprehensive income/(loss) for the year	–	(4,806)	469	(4,337)
Transfer from asset revaluation reserve	–	160	(160)	–
At 31 December 2013 and 1 January 2014	3,000	(6,276)*	3,278*	2
Profit for the year	–	679	–	679
Other comprehensive income for the year:				
Gain on property revaluation	–	–	292	292
Income tax effect			(73)	(73)
Total comprehensive income for the year	–	679	219	898
Transfer from asset revaluation reserve	–	187	(187)	–
At 31 December 2014 and 1 January 2015	3,000	(5,410)*	3,310*	900
Loss for the year	–	(3,481)	–	(3,481)
Other comprehensive income for the year:				
Gain on property revaluation	–	–	325	325
Income tax effect			(81)	(81)
Total comprehensive income/(loss) for the year	–	(3,481)	244	(3,237)
Transfer from asset revaluation reserve	–	200	(200)	–
At 31 December 2015 and 1 January 2016	3,000	(8,691)*	3,354*	(2,337)
Profit for the period	–	5,684	–	5,684
Other comprehensive income for the period:				
Gain on property revaluation	–	–	541	541
Income tax effect			(135)	(135)
Total comprehensive income for the period	–	5,684	406	6,090
Transfer from asset revaluation reserve	–	144	(144)	–
At 31 August 2016	3,000	(2,863)*	3,616*	3,753

	Share capital	Accumulated losses	Asset revaluation reserve	Total equity/ (deficiency in assets)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)				
At 1 January 2015	3,000	(5,410)	3,310	900
Loss for the period	–	(911)	–	(911)
Other comprehensive loss for the period:				
Gain on property revaluation	–	–	216	216
Income tax effect	–	–	(54)	(54)
Total comprehensive loss for the period	–	(911)	162	(749)
Transfer from asset revaluation reserve	–	108	(108)	–
At 31 August 2015	3,000	(6,213)	3,364	151

* *These reserve accounts comprised the negative reserve of RMB2,998,000, RMB2,100,000 and RMB5,337,000, and positive reserve of RMB753,000 in the statements of financial position as at 31 December 2013, 2014 and 2015, and 31 August 2016, respectively.*

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Eight months ended 31 August	
		2013	2014	2015	2015	2016
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		(6,371)	960	(4,858)	(1,267)	7,548
Adjustments for:						
Interest income	5	(18)	(2,074)	(3,117)	(2,031)	(988)
Finance costs	6	–	989	1,890	1,424	474
Depreciation	7	1,072	1,113	1,131	753	768
Amortisation of prepaid land lease payments	7	100	100	100	67	67
		(5,217)	1,088	(4,854)	(1,054)	7,869
Decrease/(increase) in inventories		4,324	(22,828)	29,195	25,268	(13,777)
Decrease/(increase) in trade receivables		4,355	(27,073)	20,589	8,884	(5,259)
Decrease/(increase) in prepayments, deposits and other receivables		(102,995)	(58,917)	(58,280)	(5,658)	201,782
Increase in amount due from the immediate holding company		–	–	–	–	(45,320)
Decrease/(increase) in trade and bills payables		38,920	36,228	(26,295)	(46,691)	(45,627)
Increase/(decrease) in other payables and accruals		22,994	38,096	106,431	138,184	(161,379)
Cash generated from/(used in) operations		(37,619)	(33,406)	66,786	118,933	(61,711)
Profits taxes paid		–	–	–	–	(3,249)
Net cash flows from/(used in) operating activities		(37,619)	(33,406)	66,786	118,933	(64,960)

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(55)	–	(16)	(12)	(4)
Interest received	18	2,074	3,117	2,031	988
Decrease/(increase) in pledged time deposits with original maturity of more than three months when acquired	–	(63,000)	(38,602)	(38,602)	101,602
Net cash flows from/(used in) investing activities	(37)	(60,926)	(35,501)	(36,583)	102,586
CASH FLOWS FROM FINANCING ACTIVITIES					
New bank loans	3,150	163,350	157,111	132,335	42,454
Repayment of bank loans	–	(78,898)	(194,098)	(170,724)	(78,376)
Increase/(decrease) in amount due to a director	63,413	3,214	701	(47,617)	(67,328)
Increase/(decrease) in amount due to a related party	(16,210)	–	–	–	69,252
Interest paid	–	(989)	(1,890)	(1,424)	(474)
Net cash flows from/(used in) financing activities	50,353	86,677	(38,176)	(87,430)	(34,472)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,697	(7,655)	(6,891)	(5,080)	3,154
Cash and cash equivalents at beginning of year/period	2,404	15,101	7,446	7,446	555
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	15,101	7,446	555	2,366	3,709
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	5,101	6,246	555	1,366	1,605
Bank balances with original maturity of less than three months when acquired, pledged as security for bank facilities	10,000	1,200	–	1,000	2,104
	15,101	7,446	555	2,366	3,709

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The PRC Company was registered as a company with limited liability in the PRC on 22 July 2009. The principal office of the PRC Company is located at No. 9, Hua Jing Avenue, Wuzhou Import Renewable Resources Processing Park, Wuzhou City, Guangxi Province, the PRC.

Pursuant to the acquisition which was completed on 19 February 2016, the PRC Company became a wholly-owned subsidiary of the Target Company, a company incorporated in Hong Kong.

The PRC Company's principal activities consisted of dismantling and sales of scrap materials in the PRC.

2.1 BASIS OF PRESENTATION

The Financial Information 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, accounting principles generally accepted in Hong Kong.

The Financial Information has been prepared under the historical cost convention, except for buildings classified as property, plant and equipment which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the PRC Company, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

For the purpose of preparation of the Financial Information, the PRC Company has adopted all the revised standards and new interpretations applicable throughout the Relevant Periods.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The PRC Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	*Financial Instruments* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 14	*Regulatory Deferral Accounts* [2]
HKFRS 15	*Revenue from Contracts with Customers* [1]
HKFRS 16	*Leases* [4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016
3 No mandatory effect date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 January 2019

The PRC Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the PRC Company considers that these new and revised HKFRSs are unlikely to have a significant impact on the PRC Company's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

The PRC Company measures buildings classified as property, plant and equipment at fair value at the end of each reporting 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 PRC Company. 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 interest.

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 PRC Company 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 financial statements 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 financial statements on a recurring basis, the PRC Company 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, buy not to an amount higher than the carrying amount that would have been determined (net of any depreciation/ amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the PRC Company if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the PRC Company;

(ii) has significant influence over the PRC Company; or

(iii) is a member of the key management personnel of the PRC Company or of a parent of the PRC Company;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the PRC Company are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the PRC Company are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the PRC Company or an entity related to the PRC Company;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) 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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the PRC Company or to the parent of the PRC Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the PRC Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the PRC Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit or loss. Any subsequent revaluation surplus is credited to the profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5%
Machinery	10%
Furniture and fixtures	20%
Office equipment	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Useful lives and the depreciation method are reviewed, and adjusted if appropriate, at lease at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the PRC Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and 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 PRC Company 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised:

- the rights to receive cash flows from the asset have expired; or

- the PRC Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the PRC Company has transferred substantially all the risks and rewards of the asset, or (b) the PRC Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the PRC Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the PRC Company continues to recognise the transferred asset to the extent of the PRC Company's continuing involvement. In that case, the PRC Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the PRC Company has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The PRC Company's financial liabilities include trade and bills payables, other payables and accruals, due to a director and a related party, and interest-bearing bank borrowings. All financial liabilities are initially stated at fair value less directly attributable transaction costs and 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. The related interest expense is recognised within "finance costs" in profit or loss.

Subsequent measurement

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

Loans and borrowings

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 the 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 the profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts 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 statement of financial position if, and only 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the statement 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 PRC Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted presented value amount arising from the passage of time is included in finance costs in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the PRC Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

Revenue from the sale of goods is recognised on the transfer of the significant risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Commission fee income is recognised when the services have been rendered.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate to the net carrying amount of the finance asset.

Foreign currency transactions

These financial informations are presented in Renminbi ("RMB"), which is the PRC Company's functional currency. Transactions in foreign currencies are translated into the functional currency of the PRC Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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 for the current and prior periods 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 PRC Company 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, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward 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, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the cost, which is intended to compensate are expensed.

Employee benefits

The employees of the PRC Company are required to participate in a central pension scheme operated by the local municipal government. the PRC Company is required to contribute certain specific percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the PRC Company's accounting policies, management has not made any significant judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements:

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, 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.

Estimation of fair value of buildings

In the absence of current prices in an active market for similar properties, the PRC Company considers information from a variety of sources, including:

(a) current price in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of buildings at 31 December 2013, 2014, and 2015 and 31 August 2016 was RMB18,623,000, RMB17,855,000, RMB17,103,000 and RMB16,913,000, respectively. Further details, including the key assumptions used for fair value measurement, are given in note 10 to the Financial Information.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the PRC Company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value does not exist; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Deferred tax assets

Deferred tax assets are recognised for 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. Further details are contained in note 12 to the Financial Information.

4. SEGMENT INFORMATION

For management purpose, the PRC Company has only one reportable operating segment which is the dismantling and sales of scrap materials in the PRC.

No geographical segment information is presented as all of the PRC Company's revenue is derived from customers based in the PRC, and all of the PRC Company's assets are located in the PRC.

Revenue from each of the major customers, which individually amounted to 10% or more of the PRC Company's revenue, is set out below:

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A	–	–	–	–	12,965
Customer B	–	–	–	–	10,542
Customer C	–	–	125,034	87,133	–
Customer D	11,057	44,244	16,307	16,307	–
Customer E	55,550	–	–	–	–
Customer F	43,383	8,548	–	–	–

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for return and trade discounts during the years/period.

An analysis of revenue, other income and gains is as follow:

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue					
Sales of goods	338,070	269,288	294,932	236,434	102,394
Other income and gains					
Bank interest income	18	2,074	3,117	2,031	988
Commission income	–	–	9,858	8,535	557
Government subsidy	–	–	868	–	389
Others	50	–	309	309	–
	68	2,074	14,152	10,875	1,934

6. FINANCE COSTS

The finance costs represent interest expense on bank borrowings in the Relevant Periods.

7. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax is arrived at after charging:

		Year ended 31 December			Eight months ended 31 August	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cost of inventories sold		342,778	267,806	310,075	246,084	94,349
Depreciation	10	1,072	1,113	1,131	753	768
Amortisation of prepaid land lease payments	11	100	100	100	67	67
Employee benefit expense (excluding directors' remuneration – *(note 8)*):						
Wages and salaries		8,661	5,383	2,964	2,388	3,021
Pension scheme contributions		110	117	125	72	95
		8,771	5,500	3,089	2,460	3,116
Foreign exchange differences, net		–	–	620	269	616

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the years/period, disclosed pursuant to section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2013	**2014**	**2015**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fee	–	–	–	–	–
Other emoluments:					
Salaries	42	42	42	28	28
Pension scheme contributions	–	–	–	–	–
	42	42	42	28	28

The remunerations of each of the years ended 31 December 2013, 2014 and 2015 are set out below:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
葉志明 (Ye Zhiming)	–	42	–	42

The remunerations of each of the eight months period ended 31 August 2016 and 31 August 2015 are set out below:

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
葉志明 (Ye Zhiming)	–	21	–	21
瞿勇濤 (Qu Yougtao)	–	7	–	7
	–	28	–	28

(b) Five highest paid employees

The five highest paid employees during the years ended 31 December 2013, 2014 and 2015 included 1 director and during the eight months ended 31 August 2016 included 2 directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration of the remaining non-director, highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	208	208	208	138	140

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to RMB1,000,000	4	4	4	4	3

9. INCOME TAX

No provision for Hong Kong profits tax has been made during the Relevant Periods as the PRC Company did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

The PRC corporate income tax provision in respect of operations in Mainland China are calculated at rates of tax prevailing in Mainland China.

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current – Mainland China	–	–	–	–	–
Deferred *(note 12)*	(1,565)	281	(1,377)	(356)	1,864
Total tax charge/(credit) for the year/period	(1,565)	281	(1,377)	(356)	1,864

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

	Year ended 31 December						Eight months ended 31 August			
	2013		2014		2015		2015		2016	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Profit/(loss) before tax	(6,371)		960		(4,858)		(1,267)		7,548	
Tax at the statutory tax rate of 25%	(1,593)	25.0	240	25.0	(1,215)	25.0	(317)	25.0	1,887	25.0
Expenses not deductible for tax	–	–	41	4.3	(162)	3.3	(39)	3.1	–	–
Others	28	(0.4)	–	–	–	–	–	–	(23)	(0.3)
Tax charge/(credit) at effective rate	(1,565)	24.6	281	29.3	(1,377)	28.3	(356)	28.1	1,864	24.7

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Furniture and fixtures	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2013					
At 1 January 2013:					
Cost or valuation	19,019	349	11	25	19,404
Accumulated depreciation	–	(64)	(2)	(6)	(72)
Net carrying amount	19,019	285	9	19	19,332
At 1 January 2013, net of accumulated depreciation	19,019	285	9	19	19,332
Surplus on revaluation	626	–	–	–	626
Additions	–	5	–	50	55
Depreciation provided during the year	(1,022)	(36)	(2)	(12)	(1,072)
At 31 December 2013, net of accumulated depreciation	18,623	254	7	57	18,941
At 31 December 2013:					
Cost or valuation	18,623	354	11	75	19,063
Accumulated depreciation	–	(100)	(4)	(18)	(122)
Net carrying amount	18,623	254	7	57	18,941

	Buildings	Machinery	Furniture and fixtures	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014					
At 31 December 2013 and 1 January 2014:					
Cost or valuation	18,623	354	11	75	19,063
Accumulated depreciation	–	(100)	(4)	(18)	(122)
Net carrying amount	18,623	254	7	57	18,941
At 1 January 2014, net of accumulated depreciation	18,623	254	7	57	18,941
Surplus on revaluation	292	–	–	–	292
Depreciation provided during the year	(1,060)	(36)	(2)	(15)	(1,113)
At 31 December 2014, net of accumulated depreciation	17,855	218	5	42	18,120
At 31 December 2014:					
Cost or valuation	17,855	354	11	75	18,295
Accumulated depreciation	–	(136)	(6)	(33)	(175)
Net carrying amount	17,855	218	5	42	18,120
31 December 2015					
At 31 December 2014 and 1 January 2015:					
Cost or valuation	17,855	354	11	75	18,295
Accumulated depreciation	–	(136)	(6)	(33)	(175)
Net carrying amount	17,855	218	5	42	18,120
At 1 January 2015, net of accumulated depreciation	17,855	218	5	42	18,120
Additions	–	–	–	16	16
Surplus on revaluation	325	–	–	–	325
Depreciation provided during the year	(1,077)	(36)	(3)	(15)	(1,131)
At 31 December 2015, net of accumulated depreciation	17,103	182	2	43	17,330

	Buildings	Machinery	Furniture and fixtures	Office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2015:					
Cost or valuation	17,103	354	11	91	17,559
Accumulated depreciation	–	(172)	(9)	(48)	(229)
Net carrying amount	17,103	182	2	43	17,330
31 August 2016					
At 31 December 2015 and 1 January 2016:					
Cost or valuation	17,103	354	11	91	17,559
Accumulated depreciation	–	(172)	(9)	(48)	(229)
Net carrying amount	17,103	182	2	43	17,330
At 1 January 2016, net of accumulated depreciation	17,103	182	2	43	17,330
Additions	–	–	–	4	4
Surplus on revaluation	541	–	–	–	541
Depreciation provided during the period	(731)	(23)	(2)	(12)	(768)
At 31 August 2016, net of accumulated depreciation	16,913	159	–	35	17,107
At 31 August 2016:					
Cost or valuation	16,913	354	11	95	17,373
Accumulated depreciation	–	(195)	(11)	(60)	(266)
Net carrying amount	16,913	159	–	35	17,107

As at 31 December 2013, 2014 , 2015 and 31 August 2016, the PRC Company's buildings with net carrying amount of approximately RMB18,623,000, RMB17,855,000, RMB17,103,000 and RMB16,913,000, respectively, were pledged to secure banking facilities granted to the PRC Company.

The PRC Company's buildings were revalued individually by B.I. Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of RMB18,623,000, RMB17,855,000, RMB17,103,000, and RMB16,913,000 as at 31 December 2013, 2014 and 2015, and 31 August 2016, respectively based on their existing use. A revaluation surplus of RMB626,000, RMB292,000, RMB325,000, and RMB541,000 resulting from the above valuation has been credited to other comprehensive income.

The Directors have determined that the PRC Company's buildings are industrial buildings based on the nature, characteristics and risks of the property. Each year, the PRC Company's management decides to appoint which external valuer to be responsible for the external valuations of the PRC Company's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. the PRC Company's management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the PRC Company's buildings:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	18,623	18,623

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	17,855	17,855

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	17,103	17,103

	Fair value measurement as at 31 August 2016 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Industrial properties	–	–	16,913	16,913

The PRC Company's buildings represented industrial properties and the fair value measurements as at 31 December 2013, 2014, and 2015, and 31 August 2016 using significant unobservable inputs (Level 3).

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Had the buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately RMB14,251,000, RMB13,441,000, RMB12,630,000, and RMB12,090,000 as at 31 December 2013, 2014 and 2015, and 31 August 2016, respectively.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Industrial properties
	RMB'000
Carrying amount at 1 January 2013	19,019
Depreciation provided during the year	(1,022)
Surplus on revaluation	626
Carrying amount at 31 December 2013 and 1 January 2014	18,623
Depreciation provided during the year	(1,060)
Surplus on revaluation	292
Carrying amount at 31 December 2014 and 1 January 2015	17,855
Depreciation provided during the year	(1,077)
Surplus on revaluation	325
Carrying amount at 31 December 2015 and 1 January 2016	17,103
Depreciation provided during the period	(731)
Surplus on revaluation	541
Carrying amount at 31 August 2016	16,913

The fair values of the buildings were determined using the depreciated replacement cost approach based on the aggregate amount of the new replacement cost of the buildings with adjustment made on factors such as age, condition, location, size and aspects of the properties.

Below is a summary of the key inputs to the valuation of buildings:

	Significant unobservable inputs	2013	2014	2015	2016
Industrial properties	Estimated replacement cost (per sq.m.)	RMB2,450	RMB2,450	RMB2,350	RMB2,350

The fair values of the buildings were based on the highest and best use of buildings in the Mainland China, which did not differ from their actual use.

11. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	4,750	4,650	4,550	4,450
Recognised during the year/ period	(100)	(100)	(100)	(67)
Carrying amount at 31 December	4,650	4,550	4,450	4,383
Current portion included in prepayments, deposits and other receivables	(100)	(100)	(100)	(100)
Non-current portion	4,550	4,450	4,350	4,283

As at 31 December 2013, 2014, 2015 and 31 August 2016, the PRC Company's prepaid land lease payments with aggregate carrying amounts of approximately RMB4,650,000, RMB4,550,000, RMB4,450,000 and RMB4,383,000 respectively, were pledged to secure banking facilities granted to the PRC Company.

12. DEFERRED TAX

The movements in the PRC Company's deferred tax asset/(lability) during the Relevant Periods are as follows:

	Losses available for offsetting against future taxable profits	**Revaluation of properties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2013	–	(989)	(989)
Deferred tax credited to profit or loss during the year *(note 9)*	1,512	53	1,565
Deferred tax charged to equity during the year	–	(157)	(157)
At 31 December 2013 and 1 January 2014	1,512	(1,093)	419
Deferred tax credited/(charged) to profit or loss during the year *(note 9)*	(343)	62	(281)
Deferred tax charged to equity during the year	–	(73)	(73)
At 31 December 2014 and 1 January 2015	1,169	(1,104)	65
Deferred tax credited to profit or loss during the year *(note 9)*	1,310	67	1,377
Deferred tax charged to equity during the year	–	(81)	(81)
At 31 December 2015 and 1 January 2016	2,479	(1,118)	1,361
Deferred tax credited/(charged) to profit or loss during the period *(note 9)*	(1,911)	47	(1,864)
Deferred tax charged to equity during the period	–	(135)	(135)
At 31 August 2016	568	(1,206)	(638)

The PRC Company has tax estimated losses arising in Mainland China of approximately RMB6,048,000, RMB4,676,000, RMB9,916,000, and RMB2,272,000 as at 31 December 2013, 2014 and 2015, and 31 August 2016, respectively, that will expire in one to five years for offsetting against future taxable profits.

13. CASH AND BANK BALANCES/PLEDGED TIME DEPOSITS AND BANK BALANCES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	5,101	6,246	555	1,605
Pledged bank balances	10,000	1,200	–	2,104
Pledged time deposits with original maturity of more than three months when acquired	–	63,000	101,602	–
	15,101	70,446	102,157	3,709
Less: Pledged time deposits with original maturity of more than three months when acquired	–	(63,000)	(101,602)	–
Pledged bank balances	(10,000)	(1,200)	–	(2,104)
Cash and cash equivalents	5,101	6,246	555	1,605

As at 31 December 2013, 2014 and 2015 and 31 August 2016, time deposits and bank balances of RMB10,000,000, RMB64,200,000, RMB101,602,000 and RMB2,104,000, respectively, were pledged time deposits and for certain banking facilities.

At 31 December 2013, 2014 and 2015, and 31 August 2016, the cash and bank balances, pledged bank balances and pledged time deposits of the PRC Company denominated in RMB amounted to RMB15,101,000, RMB70,446,000, RMB102,157,000 and RMB3,709,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the PRC Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the PRC Company, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

14. INVENTORIES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw material	1,556	5,774	–	2,188
Finished goods	7,664	26,274	2,853	14,442
	9,220	32,048	2,853	16,630

15. TRADE RECEIVABLES

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,817	31,890	11,301	16,560

The PRC Company's trading terms with its customers are mainly on credit with partial advance payment. The credit period is generally for a period of two months. Each customer has a maximum credit limit. The PRC Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the PRC Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The PRC Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	1,734	13,866	2,301	4,750
1 to 2 months	3,083	6,680	3,601	11,587
2 to 3 months	–	233	2,703	223
Over 3 months	–	11,111	2,696	–
	4,817	31,890	11,301	16,560

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	4,817	20,546	5,902	16,337
Less than 1 month past due	–	233	2,703	223
1 to 3 months past due	–	10,632	266	–
Over 3 months past due	–	479	2,430	–
	4,817	31,890	11,301	16,560

Receivables that were neither past due nor impaired relate to independent customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the PRC Company. Based on past experience, the directors of the PRC Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	122	14,535	108,500	132
Deposits and other receivables	102,874	147,378	111,693	18,279
	102,996	161,913	220,193	18,411

None of the assets included in the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

17. BALANCES WITH THE IMMEDIATE HOLDING COMPANY, A DIRECTOR AND A RELATED PARTY

The balance due from the immediate holding company as at 31 August 2016 is unsecured, interest-free and has no fixed terms of repayment.

The balance due to a director as at 31 December 2013, 2014 and 2015 were unsecured, interest-free and not repayable within 12 months.

The balance due to a related party as at 31 August 2016 represented an amount due to a director of the PRC Company's parent company, which was unsecured, interest-free and not repayable within 12 months.

18. TRADE AND BILLS PAYABLES

Included in the trade and bills payables are trade payables of RMB16,050,000 and RMB27,736,000 as at 31 December 2013 and 31 December 2014, respectively, and bills payables of RMB30,163,000, RMB54,705,000, RMB 56,146,000 and RMB 10,519,000 as at 31 December 2013, 2014, and 2015, and 31 August 2016 respectively.

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The bills payables are non-interest-bearing and are normally settled within one year.

19. OTHER PAYABLES, ACCRUALS AND RECEIPTS IN ADVANCE

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	1,948	3,740	3,832	5,174
Other payables	7,528	5,420	10,323	10,377
Receipts in advance	33,790	72,202	173,638	10,863
	43,266	81,362	187,793	26,414

The other payables are non-interest-bearing and are normally settled on 60-day terms.

20. INTEREST-BEARING BANK BORROWINGS

	As at 31 December									As at 31 August		
	2013			2014			2015			2016		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current bank loan, secured	1.54%	2013	3,150	1.54% to 4.80%	2014	87,602	1.68% to 1.75%	2016	50,615	2.28% to 5.66%	2016	14,693

Notes:

(a) Certain of the PRC Company's bank borrowings are secured by:

(i) The PRC Company's buildings situated in Mainland China, which had net carrying amount of RMB17,855,000, RMB17,103,000 and RMB16,913,000 as at 31 December 2014, 31 December 2015 and 31 August 2016, respectively (Note 10);

(ii) The PRC Company's prepaid land lease payments situated in Mainland China, which had net carrying amount of RMB4,550,000, RMB4,450,000 and RMB4,383,000 as at 31 December 2014, 31 December 2015 and 31 August 2016, respectively (Note 11);

(iii) Certain properties owned by shareholders of the PRC Company as at 31 December 2015;

(iv) Certain personal assets owned by the PRC Company's employee as at 31 December 2013 and 31 December 2014; and

(v) The PRC Company's time deposits and bank balances amounting to RMB64,200,000, RMB101,602,000 and RMB2,104,000 as at 31 December 2014, 2015 and 31 August 2016, respectively.

In addition, the PRC Company's shareholders and directors have personally guaranteed certain of the PRC Company's bank borrowings amounting to RMB23,622,000 and RMB23,356,000 as at 31 December 2014 and 31 December 2015 respectively.

(b) The interest-bearing bank borrowings were denominated in the following currencies:

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	3,150	15,000	–	6,800
US Dollars	–	72,602	50,615	7,893
	3,150	87,602	50,615	14,693

21. SHARE CAPITAL

	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered and fully paid	3,000	3,000	3,000	3,000

22. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions disclosed elsewhere in the Financial Information, the PRC Company had the following material related party transactions during the Relevant Periods:

	Year ended 31 December			Eight months ended 31 August	
	2013	2014	2015	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Commission income received from the immediate holding company	–	–	–	–	577

Commission income received from the immediate holding company was based on the terms agreed between the relevant parties.

(b) Outstanding balances with related parties:

(i) Details of the balance due from the immediate holding company are disclosed in note 17 to the financial statements.

(ii) Details of balances due to a director and a related party are disclosed in note 17 to the financial statements.

(iii) The PRC Company's shareholders and directors have guaranteed certain of the PRC Company's bank borrowings amounting to RMB 23,622,000 and RMB 23,356,230 as at 31 December 2014 and 31 December 2015, respectively, as further detailed in note 20 to the Financial Information.

(c) Compensation of key management personnel of the PRC Company:

Details of the director' emoluments, who are key management personnel of the PRC Company, are disclosed in note 8(a) to the financial statements.

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the each of the Relevant Periods are as follows:

Financial assets

	Loans and receivables			
	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	4,817	31,890	11,301	16,560
Financial assets included in prepayments, deposits and other receivables	102,874	147,378	111,693	18,279
Due from the immediate holding company	–	–	–	45,320
Pledged time deposits and bank balances	10,000	64,200	101,602	2,104
Cash and bank balances	5,101	6,246	555	1,605
	122,792	249,714	225,151	83,868

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at 31 August
	2013	2014	2015	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	46,213	82,441	56,146	10,519
Financial liabilities included in other payables, accruals and receipts in advance *(note 19)*	41,318	77,622	183,961	21,240
Due to a director	63,413	66,627	67,328	–
Due to a related party	–	–	–	69,252
Interest-bearing bank borrowings	3,150	87,602	50,615	14,693
	154,094	314,292	358,050	115,704

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, pledged time deposits and bank balances trade receivables, financial assets included in prepayments deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, balance with the immediate holding company, a dircetor and a related party, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current position of pledged time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The PRC Company did not have any financial assets and liabilities measured at fair value as at 31 December 2013, 2014 and 2015, and 31 August 2016.

25. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the Financial Information were as follows:

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to a bank in connection with facilities granted to:				
Top Eagle International Trading Limited	10,000	–	53,000	–

On 19 February 2016, the Target Company acquired the entire equity interest in the PRC Company and became its immediate holding company.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The PRC Company's principal financial instruments comprise cash and bank balances, pledged time deposits and bank balances trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, balance with the immediate holding company, a director and a related party and interest-bearing bank borrowings. The main purpose of these financial instruments is to provide finance for the PRC Company's operations.

The main risks arising from the PRC Company's financial instruments are interest rate risk, credit risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rate risk is not material during the Relevant Periods as the PRC Company has only loans with fixed interest rates during the year.

Credit risk

The PRC Company trades only with recognised and creditworthy third parties. It is the PRC Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the PRC Company's exposure to bad debts is not significant.

The credit risk of the PRC Company's other financial assets, which comprise financial assets included in prepayments, deposits and other receivables, due from the immediate holding company, pledged time deposits and bank balances and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the PRC Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentration of credit risk are managed by customer. As at 31 August 2016, the PRC Company has certain concentrations of credit risk as 40% of the PRC Company's trade receivables were due from the PRC Company's largest customer. Further quantitative data in respect of the PRC Company's exposure to credit risk arising from trade receivables are disclosed in note 15 to the Financial Information.

Liquidity risk

The PRC Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The PRC Company's objective is to maintain a balance between continuity of funding and flexibility through the continuous financial support from the intermediate holding companies and also through bank borrowing. the PRC Company will consistently maintain a prudent financing policy and ensure that it maintains sufficient liquid funds to meet its liquidity requirements.

The maturity profile of the financial liabilities of the PRC Company as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

31 August 2016

	On demand	Less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	10,519	–	10,519
Financial liabilities included in other payables, accruals and receipts in advance	–	21,240	–	21,240
Due to a related party	–	–	69,252	69,252
Interest-bearing bank borrowings	–	14,885	–	14,885
	–	46,644	69,252	115,896

31 December 2015

	On demand	Less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	56,146	–	56,146
Financial liabilities included in other payables, accruals and receipts in advance	–	183,961	–	183,961
Due to a director	–	–	67,328	67,328
Interest-bearing bank borrowings	–	50,893	–	50,893
Guarantees given to bank in connection with facilities granted to Top Eagle International Trading Limited *(note 25)*	53,000	–	–	53,000
	53,000	291,000	67,328	411,328

31 December 2014

	On demand	Less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	82,441	–	82,441
Financial liabilities included in other payables, accruals and receipts in advance	–	77,622	–	77,622
Due to a director	–	–	66,627	66,627
Interest-bearing bank borrowings	–	88,291	–	88,291
	–	248,354	66,627	314,981

31 December 2013

	On demand	Less than 12 months	Over 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	–	46,213	–	46,213
Financial liabilities included in other payables, accruals and receipts in advance	–	41,318	–	41,318
Due to a director	–	–	63,413	63,413
Interest-bearing bank borrowings	–	3,213	–	3,213
Guarantees given to bank in connection with facilities granted to Top Eagle International Trading Limited *(note 25)*	10,000	–	–	10,000
	10,000	90,744	63,413	164,157

Capital management

The primary objectives of the PRC Company's capital management are to safeguard the PRC Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The PRC Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the PRC Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, polices or processes for managing capital during the Relevant Periods.

The PRC Company monitors capital using a gearing ratio, which is the total interest bearing bank borrowings divided by the total equity. The PRC Company's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios as at the Relevant Periods are as follows:

	As at 31 December			As at 31 August
	2013	**2014**	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	3,150	87,602	50,615	14,693
Total equity/(deficiency in assets)	2	900	(2,337)	3,753
Gearing ratio	157,500%	9,734%	(2,166)%	392%

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the PRC Company in respect of any period subsequent to 31 August 2016.

Yours faithfully,

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong
25 January 2017

2. MANAGEMENT DISCUSSION AND ANALYSIS ON THE PRC COMPANY

Set out below is the management discussion and analysis on the PRC Company for each of the three years ended 31 December 2013, 2014 and 2015, and eight months ended 31 August 2016 (the **"Relevant Periods"**).

Business review

The PRC Company was established in the PRC with limited liability on 22 July 2009. During the Relevant Periods, it was principally engaged in dismantling and sales of scrap materials in the PRC.

The revenue of the PRC Company represented the sales of scrap materials, including nonferrous metals (such as copper and aluminium), iron and plastics, while the costs of sales of the PRC mainly represented costs of inventories and expenses incurred in dismantling process, including employee benefit expenses and depreciation of property, plant and equipment, etc.

For the year ended 31 December 2013, the revenue of the PRC Company amounted to approximately RMB338,070,000. The PRC Company incurred a gross loss of approximately RMB4,708,000 and a negative gross margin of approximately 1.4% respectively. The net loss after tax of the PRC Company amounted to approximately RMB4,806,000 mainly included the aforementioned gross loss and the administrative expenses of approximately RMB1,731,000, which mainly composed employee benefit expenses, general office expenses and business development expenses.

For the year ended 31 December 2014, the revenue of the PRC Company amounted to approximately RMB269,288,000, which has been decreased by approximately RMB68,782,000 or 20.3% as compared to prior year due to the drop in market price and demand of nonferrous metals. Despite a decline in revenue, the PRC Company recorded gross profit of approximately RMB1,482,000 (2013: gross loss of approximately RMB4,708,000). The increase in gross margin to 0.6% for the year ended 31 December 2014 (2013: gross margin of -1.4%) was mainly due to the purchase rebate received from the Target Company which has reduced the cost of sales of the PRC Company. The net profit after tax of the PRC Company for the year ended 31 December 2014 amounted to approximately RMB679,000 (2013: net loss after tax of approximately RMB4,806,000). The increase in net profit after tax by approximately RMB5,485,000 for the year ended 31 December 2014 as compared to prior year was mainly attributable to (i) the increase in gross profit by RMB6,190,000; and (ii) the increase in bank interest income by approximately RMB2,056,000.

For the year ended 31 December 2015, the revenue of the PRC Company amounted to approximately RMB294,932,000 (2014: RMB269,288,000). Despite the increase in revenue, the PRC Company recognised a gross loss of approximately RMB15,143,000 and a negative gross margin of approximately 5.1% for the year ended 31 December 2015 (2014: gross profit of approximately RMB1,482,000; and gross margin of 0.6%). The gross loss and decrease in gross margin were mainly resulted from the reduction in sales price of the finished goods to reduce inventory on hand so as to manage the cash flows of the PRC Company to support its business turnover, given the substantial portion of cash of the PRC Company has been placed as pledged time deposits for certain banking facilities. The net loss after tax of the PRC Company for the year ended 31 December 2015 amounted to approximately RMB3,481,000 (2014: net profit after tax of approximately RMB679,000). The increase in net loss after tax by approximately RMB4,160,000 for the year ended 31 December 2015 as compared to prior year was mainly due to the increase in gross loss of approximately RMB16,625,000, which was partially offset by (i) increase in bank interest income of approximately RMB1,043,000; and (ii) commission income of approximately RMB9,858,000 provided by the Target Company in relation to the referral of customers by the PRC Company in purchasing scrap materials.

For the eight months ended 31 August 2016, the revenue of the PRC Company amounted to RMB102,394,000, which was decreased by approximately RMB134,040,000 or 56.7% as compared to corresponding period in 2015. The decline in revenue of the PRC Company was mainly due to the renovation in the industrial park where the PRC Company is situated during the first half year of 2016, which led to a reduction in production volume and decrease in sales. Despite the decrease in revenue, the PRC Company recognised a gross profit of RMB8,045,000 and a gross margin of approximately 7.9% for the eight months ended 31 August 2016 (31 August 2015: gross loss of approximately RMB9,650,000; and negative gross margin of 4.1%). The increase in gross profit and gross margin were mainly due to a change in product mix of scrap materials dismantled by the PRC Company, which were in better quality and involved simpler processing. The increase in net profit after tax of the PRC Company by approximately RMB6,595,000 for the eight months ended 31 August 2016 as compared to prior period in 2015 was mainly attributable to the improvement in gross profit by approximately RMB17,695,000, which was partially offset by the decline in commission income by approximately RMB7,978,000. Such commission income was derived from the incentive agreement entered into between the PRC Company and the Target Company in relation to the provision of incentives to the PRC Company for referring customers in purchasing scrap materials. The incentive agreement was ended on 31 May 2016.

Liquidity and financial resources

During the Relevant Periods, the PRC Company mainly financed its operation by internally generated resources, amounts due to related parties and banks borrowings.

As at 31 December 2013, 2014 and 2015 and 31 August 2016, the current assets of the PRC Company amounted to approximately RMB132,134,000, RMB233,297,000, RMB336,504,000 and RMB103,879,000 respectively. Out of which, the aggregate of cash and bank balances, pledged bank balances and pledged time deposits under the current assets of the PRC Company amounted to approximately RMB15,101,000, RMB7,446,000, RMB102,157,000 and RMB3,709,000 as at 31 December 2013, 2014 and 2015 and 31 August 2016 respectively, which were denominated in RMB. The PRC Company also had a pledged time deposits classified under non-current assets of approximately RMB63,000,000 as at 31 December 2014, which were denominated in RMB.

The PRC Company had bank borrowings of approximately RMB3,150,000, RMB87,602,000, RMB50,615,000 and RMB14,693,000 as at 31 December 2013, 2014 and 2015 and 31 August 2016 respectively, which carried at a fixed interest rate of 1.54%, between 1.54% and 4.8%, between 1.68% and 1.75%, and between 2.28% and 5.66% respectively. The bank borrowings of the PRC Company were all secured and repayable within one year. Except for the bank borrowings of RMB3,150,000, RMB15,000,000 and RMB6,800,000 as at 31 December 2013 and 2014, and 31 August 2016 respectively were denominated in RMB, all other bank borrowings were denominated in US$.

As at 31 December 2013, 2014 and 2015, the PRC Company had amounts due to a director of approximately RMB63,413,000, RMB66,627,000, RMB67,328,000, which were denominated in RMB and were unsecured, interest-free and not repayable within 12 months. As at 31 August 2016, the PRC Company had amounts due to a related party of approximately RMB69,252,000, which were denominated in RMB and were unsecured, interest-free and not repayable within 12 months.

The gearing ratio of the PRC Company, which is defined as interest-bearing bank borrowings divided by total equity, was approximately 1,575 times, 97 times and 4 times as at 31 December 2013, 2014 and 31 August 2016 respectively. No gearing ratio of the PRC Company at 31 December 2015 could be calculated due to the deficiency in assets of the PRC Company.

Exchange rate exposure

The transactions of the PRC Company were conducted in RMB or US$ during the Relevant Periods. The PRC Company reviews its foreign currency exposures on a regular basis and did not consider its foreign currency risk to be significant. As at 31 December 2013, 2014 and 2015 and 31 August 2016, the PRC Company did not use any financial instruments for hedging purpose.

Financial guarantees and charge of assets

As at 31 December 2013 and 2015, the PRC Company has provided guarantees of up to RMB10 million and RMB53 million respectively to a bank in connection with standby letter of credit granted to the Target Company.

As at 31 December 2014 and 2015 and 31 August 2016, the bank borrowings of the PRC Company was secured by, among other things, the pledges of (i) its buildings with net carrying amount of approximately RMB17,855,000, RMB17,103,000 and RMB16,913,000 respectively; (ii) the prepaid land lease payments with aggregate carrying amounts of approximately RMB4,550,000, RMB4,450,000 and RMB4,383,000 respectively; and (iii) the time deposits and bank balances of RMB64,200,000, RMB101,602,000 and RMB2,104,000 respectively.

Significant investments, material acquisitions and disposals

The PRC Company did not have any significant investments, material acquisitions or disposals during the Relevant Periods.

Contingent liabilities

Save for the PRC Company's guarantees given to a bank with standby letter of credit granted to the Target Company in the amount of RMB10,000,000 and RMB53,000,000 as at 31 December 2013 and 2015 respectively, the PRC Company did not have any material contingent liabilities as at 31 December 2013, 2014 and 2015 and 31 August 2016.

Employment and remuneration policies

For the years ended 31 December 2013, 2014 and 2015 and for eight months ended 31 August 2016, the PRC Company had 54, 92, 30 and 238 employees on average and had employee benefit expenses (excluding directors' remuneration) amounted to approximately RMB8,771,000, RMB5,500,000, RMB3,089,000 and RMB3,116,000 respectively. The remuneration of the employees of the PRC Company mainly composed salaries and salaries and pension scheme contributions and was reference to the market terms and individual merits.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2013, 2014 and 2015 and 31 August 2016.

1. INTRODUCTION

The accompanying unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statements of profit or loss and the unaudited pro forma consolidated statement of cash flow of the Enlarged Group (collectively, the "Unaudited Pro Forma Financial Information") have been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Listing Rules for the purpose of illustrating the effects of the completion of the proposed acquisition of 60% equity interest of Top Eagle International Trading Limited (the "Target Company") (the "Acquisition") on the consolidated financial position and the consolidated results and cash flows of the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the consolidated statement of financial position of the Group as at 30 June 2016, which has been extracted from the Group's published interim report for the six months ended 30 June 2016 dated 29 August 2016, and the audited consolidated statement of financial position of the Target Group as at 31 August 2016 which have been extracted from the accountants' report of the Target Group set out in Appendix II to this Circular, after taking into account the pro forma adjustments relating to the Acquisition that are (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the acquisition of the Acquisition had been effected on 30 June 2016.

The unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2015, which have been extracted from the Group's published annual report for the year ended 31 December 2015 dated 23 March 2016 and the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Target Company and the audited statement of profit or loss and statement of cash flows of the 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited) (hereafter referred to as the "PRC Company") for the year ended 31 December 2015, which have been extracted from the accountants' reports of the Target Company and PRC Company (collectively, the "Target Group") set out in Appendix II and Appendix III, respectively, to this Circular, after taking into account the pro forma adjustments relating to the acquisition of the Acquisition that are (i) clearly shown and explained; (ii) directly attributable to the Acquisition and not relating to future events or decisions; and (iii) factually supportable, as explained in the accompanying notes, as if the acquisition of Acquisition had been effected on 1 January 2015.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Enlarged Group following the completion of the Acquisition and does not purport to describe the actual financial position, results of operations and cash flows of the Enlarged Group that would have been attained had the Acquisition been effected on the dates indicated herein. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position, results of operations or cash flows of the Enlarged Group after the completion of Acquisition.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 29 of Chapter 4 and paragraph 69(4)(a)(ii) of Chapter 14 of the Listing Rules. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix I to the Circular, the accountants' report of the Target Company as set out in Appendix II, the accountants' report of the PRC Company as set out in Appendix III and other financial information included elsewhere in the Circular.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2016 (unaudited)	**The Target Group as at 31 August 2016** (audited)	**Subtotal**	**Pro forma adjustments**			**Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 5)*	*(Note 6)*	*(Note 7)*	
NON-CURRENT ASSETS							
Property, plant and equipment	83,250	20,357	103,607				103,607
Prepaid land lease payment	–	5,436	5,436				5,436
Investment in a subsidiary	–	–	–	49,000	(49,000)		–
Investment properties	1,033,700	–	1,033,700				1,033,700
Goodwill	2,100	7,264	9,364		30,951		40,315
Other intangible asset	4,400	–	4,400				4,400
Finance lease receivables	5,611	–	5,611				5,611
Equity investment	–	–	–				–
Available-for-sale investments	13,844	–	13,844				13,844
Deferred tax assets	110	–	110				110
Prepayments and deposits	26,462	–	26,462	(3,000)			23,462
Total non-current assets	**1,169,477**	**33,057**	**1,202,534**				**1,230,485**
CURRENT ASSETS							
Inventories	15,574	19,343	34,917				34,917
Trade receivables	102,012	19,706	121,718				121,718
Receivables arising from securities broking	115,580	–	115,580				115,580
Prepayments, deposits and other receivables	14,383	170,798	185,181				185,181
Due from a related party	–	55	55				55
Due from a director	–	4,000	4,000				4,000
Finance lease receivables	1,615	–	1,615				1,615
Tax recoverable	208	3,867	4,075				4,075
Equity investment at fair value through profit or loss	23,188	–	23,188				23,188
Cash held on behalf of clients	23,973	–	23,973				23,973
Pledged bank balances	–	2,504	2,504				2,504
Cash and cash equivalents	82,090	2,097	84,187	(22,000)		(4,000)	58,187
Total current assets	**378,623**	**222,370**	**600,993**				**574,993**

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP (CONTINUED)

	The Group as at 30 June 2016 (unaudited)	The Target Group as at 31 August 2016 (audited)	Subtotal	Pro forma adjustments			Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 5)*	*(Note 6)*	*(Note 7)*	
CURRENT LIABILITIES							
Trade and bills payables	(12,310)	(12,517)	(24,827)				(24,827)
Payables arising from securities broking	(39,113)	–	(39,113)				(39,113)
Other payables, accruals and receipts in advance	(15,589)	(110,180)	(125,769)				(125,769)
Interest-bearing bank borrowings	(166,903)	(17,485)	(184,388)				(184,388)
Tax payables	(1,349)	(1,910)	(3,259)				(3,259)
Total current liabilities	**(235,264)**	**(142,092)**	**(377,356)**				**(377,356)**
NET CURRENT ASSETS	143,359	80,278	223,637				197,637
TOTAL ASSETS LESS CURRENT LIABILITIES	1,312,836	113,335	1,426,171				1,428,122
NON-CURRENT LIABILITIES							
Loans from the ultimate holding company	(246,702)	–	(246,702)				(246,702)
Deferred tax liabilities	(130,472)	(844)	(131,316)				(131,316)
Due to a director	–	(82,410)	(82,410)				(82,410)
Total non-current liabilities	**(377,174)**	**(83,254)**	**(460,428)**				**(460,428)**
Net assets	**935,662**	**30,081**	**965,743**				**967,694**
EQUITY							
Equity attributable to owners of the Company							
Share capital	(115,349)	(15,000)	(130,349)		15,000		(115,349)
Reserves	(820,313)	(15,081)	(835,394)	(24,000)	15,081	4,000	(840,313)
Non-controlling interests	–	–	–		(12,032)		(12,032)
Total equity	**(935,662)**	**(30,081)**	**(965,743)**				**(967,694)**

(B) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE ENLARGED GROUP

	The Group year ended 31 December 2015 (audited)	The Target Company year ended 31 December 2015 (audited)	The PRC Company year ended 31 December 2015 (audited)	Subtotal	Pro forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*		*(Note 7)*	*(Note 8)*	
Revenue	202,018	44,986	350,969	597,973		(12,199)	585,774
Cost of sales	(136,611)	(41,778)	(368,989)	(547,378)		22,576	(524,802)
Gross profit/(loss)	65,407	3,208	(18,020)	50,595			60,972
Other income and gains	101,471	536	16,841	118,848		(10,377)	108,471
Selling and distribution expenses	(4,491)	(566)	–	(5,057)			(5,057)
Administrative expenses	(99,690)	(680)	(2,353)	(102,723)	(4,000)		(106,723)
Other operating expenses	(12,661)	–	–	(12,661)			(12,661)
Finance costs	(1,690)	(785)	(2,249)	(4,724)			(4,724)
Profit/(loss) before tax	48,346	1,713	(5,781)	44,278			40,278
Income tax (expenses)/credit	(15,707)	(282)	1,639	(14,350)			(14,350)
Profit/(loss) for the year	**32,639**	**1,431**	**(4,142)**	**29,928**			**25,928**
Attributable to:							
Owners of the Company	32,427	859	(2,485)	30,801	(4,000)		26,801
Non-controlling interest	212	572	(1,657)	(873)			(873)
	32,639	**1,431**	**(4,142)**	**29,928**			**25,928**

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group year ended 31 December 2015 (audited) *HK$'000* *(Note 1)*	The Target Company year ended 31 December 2015 (audited) *HK$'000* *(Note 3)*	The PRC Company year ended 31 December 2015 (audited) *HK$'000* *(Note 4)*	Sub-total *HK$'000*	Pro Forma adjustments *HK$'000* *(Note 5)*	*HK$'000* *(Note 7)*	The Enlarged Group *HK$'000*
Cash flows from operating activities							
Profit/(loss) before tax	48,346	1,713	(5,781)	44,278		(4,000)	40,278
Adjustments for:							
Finance costs	1,690	785	2,249	4,724			4,724
Interest income from margin financing	(3,407)	–	(3,709)	(7,116)			(7,116)
Bank interest income	(3,742)	–	–	(3,742)			(3,742)
Finance lease interest income	(236)	–	–	(236)			(236)
Gain on disposal of items of property,plant and equipment	(136)	–	–	(136)			(136)
Loss on disposal of equity investments at fair value through profit or loss	5,464	–	–	5,464			5,464
Fair value gain on equity investments at fair value through profit or loss	(1,022)	–	–	(1,022)			(1,022)
Depreciation	5,404	–	1,346	6,750			6,750
Amortisation of the prepaid land lease payments	–	–	119	119			119
Impairment loss on property, plant and equipment	471	–	–	471			471
Changes in fair value of investment properties	(90,076)	–	–	(90,076)			(90,076)
Revaluation deficits on property, plant and equipment	2,067	–	–	2,067			2,067
Reversal of impairment of trade receivables	(192)	–	–	(192)			(192)
Equity-settled share option expenses	6,947	–	–	6,947			6,947
	(28,422)	2,498	(5,776)	(31,700)			(35,700)

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP (CONTINUED)

	The Group year ended 31 December 2015 (audited)	The Target Company year ended 31 December 2015 (audited)	The PRC Company year ended 31 December 2015 (audited)	Sub-total	Pro Forma adjustments		The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*		*(Note 5)*	*(Note 7)*	
Decrease/(increase) in inventories	(4,282)	–	34,742	30,460			30,460
Decrease/(increase) in trade receivables	(54,209)	(23,150)	24,501	(52,858)			(52,858)
Increase in receivables arising from securities broking	(103,352)	–	–	(103,352)			(103,352)
Increase in prepayment, deposits and other receivables	(7,816)	(164,827)	(69,353)	(241,996)			(241,996)
Decrease in cash held on behalf of clients	220	–	–	220			220
Increase in equity investments at fair value through profit or loss	(19,088)	–	–	(19,088)			(19,088)
Increase/(decrease) in trade and bills payables	556	28,399	(31,291)	(2,336)			(2,336)
Increase in payables arising from securities broking	5,874	–	–	5,874			5,874
Increase in other payables, accruals and receipts in advance	692	27,135	126,653	154,480			154,480
Cash generated from/ (used in) operation	(209,827)	(129,945)	79,476	(260,296)			(264,296)
Income tax paid	(767)	–	–	(767)			(767)
Net cash flows from/ (used in) operating activities	(210,594)	(129,945)	79,476	(261,063)			(265,063)

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP (CONTINUED)

	The Group year ended 31 December 2015 (audited) HK$'000 (Note 1)	The Target Company year ended 31 December 2015 (audited) HK$'000 (Note 3)	The PRC Company year ended 31 December 2015 (audited) HK$'000 (Note 4)	Sub-total HK$'000	Pro Forma adjustments HK$'000 (Note 5)	HK$'000 (Note 7)	The Enlarged Group HK$'000
Cash flows from investing activities							
Interest received	7,149	–	3,709	10,858			10,858
Purchases of items of property, plant and equipment	(10,965)	–	(19)	(10,984)			(10,984)
Purchases of investment properties	(106,100)	–	–	(106,100)			(106,100)
Proceeds from disposal of items of property, plant and equipment	1,124	–	–	1,124			1,124
Purchases of available-for-sale investments	(6,500)	–	–	(6,500)			(6,500)
Acquisition of assets through acquisition of subsidiaries	(271,762)	–	–	(271,762)			(271,762)
Acquisition of subsidiaries	(8,616)	–	–	(8,616)	(25,000)		(33,616)
Acquisition of non-controlling interests	(12,668)	–	–	(12,668)			(12,668)
Repayment of loan from a related company	(37,070)	–	–	(37,070)			(37,070)
Receipt of finance lease receivables	520	–	–	520			520
Increase in pledged time deposit with original maturity of more than three months when acquired	–	–	(45,936)	(45,936)			(45,936)
Net cash flows from/(used in) investing activities	(444,888)	–	(42,246)	(487,134)			(512,134)
Cash flows from financing activities							
Interest paid	(1,690)	(785)	(2,249)	(4,724)			(4,724)
Repayment of bank loans	(5,000)	(76,434)	(230,977)	(312,411)			(312,411)
New bank loans	91,760	204,459	186,962	483,181			483,181
Increase in amount due to a director	–	–	834	834			834
Increase in amounts due from shareholders	–	(11,000)	–	(11,000)			(11,000)
Increase in amount due from a director	–	(59)	–	(59)			(59)
Proceeds from issue of shares	504,000	15,000	–	519,000			519,000
Repurchases of shares	(1,746)	–	–	(1,746)			(1,746)

(C) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP (CONTINUED)

	The Group year ended 31 December 2015 (audited) *HK$'000* *(Note 1)*	The Target Company year ended 31 December 2015 (audited) *HK$'000* *(Note 3)*	The PRC Company year ended 31 December 2015 (audited) *HK$'000* *(Note 4)*	**Sub-total** *HK$'000*	**Pro Forma adjustments** *HK$'000* *(Note 5)*	*HK$'000* *(Note 7)*	**The Enlarged Group** *HK$'000*
Net cash flows from/ (used in) financing activities	587,324	131,181	(45,430)	673,075			673,075
Net increase/(decrease) in cash and cash equivalents	(68,158)	1,236	(8,200)	(75,122)			(104,122)
Cash and cash equivalents at beginning of year	281,488	1,324	8,861	291,673			291,673
Effect of foreign exchange rate changes, net	(2,789)	–	–	(2,789)			(2,789)
Cash and cash equivalents at end of year	**210,541**	**2,560**	**661**	**213,762**			**184,762**
Analysis of balances of cash and cash equivalents							
Cash and cash equivalents as stated in the statement of financial position	107,846	273	661	108,780	(25,000)	(4,000)	79,780
Time deposits with original maturity of less three months when acquired, pledged as security for bank overdraft facilities	102,760	–	–	102,760			102,760
Bank balance with original maturity of less than three months when acquired, pledged as security for bank facilities	–	2,287	–	2,287			2,287
Bank overdrafts	(65)	–	–	(65)			(65)
Cash and cash equivalents at end of year	**210,541**	**2,560**	**661**	**213,762**			**184,762**

Notes:

1. The unaudited consolidated statement of financial position as at 30 June 2016 was extracted from the interim report of the Group dated 29 August 2016. The audited consolidated statement of profit or loss and audited consolidated statement of cash flows for the year ended 31 December 2015 of the Group were extracted from the annual report of the Group dated 23 March 2016.

2. The audited consolidated statement of financial position of the Target Group as at 31 August 2016 was extracted from the accountants' report as set out in Appendix II to this Circular. For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group, the Directors assumed that the consolidated statement of financial position of the Target Group as at 31 August 2016 approximated to that as at 30 June 2016.

3. The audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the Target Company for the year ended 31 December 2015 was extracted from the accountants' report as set out in Appendix II to this Circular.

4. The audited consolidated statement of profit or loss and the audited consolidated statement of cash flows of the PRC Company for the year ended 31 December 2015 was extracted from the accountants' report as set out in Appendix III to this Circular, being translated to HK$ at the rate of HK$1 = RMB0.8403.

5. The total purchase consideration shall be satisfied by the Company in the following manners:

   (a) Cash consideration of HK$25,000,000; and

   (b) Contingent consideration shares of a maximum of 5,000,000 shares will be allotted and issued in the following manners:

      (i) 750,000 consideration shares shall be allotted and issued by the Company to the seller if the Qualified Profit (as defined in this Circular) of the Target Group for the financial year ended 31 December 2016 is not less than HK$15,000,000;

      (ii) 1,500,000 consideration shares shall be allotted and issued by the Company to the seller if the Qualified Profit (as defined in this Circular) of the Target Group for the financial year ending 31 December 2017 is not less than HK$35,000,000; and

      (iii) 2,500,000 consideration shares shall be allotted and issued by the Company to the seller if the Qualified Profit (as defined in this Circular) of the Target Group for the financial year ending 31 December 2018 is not less than HK$50,000,000.

   For the purpose of preparation of the Unaudited Pro Forma Financial Information, the Directors assumed that the qualified profits relating to the contingent consideration shares will be fully achieved and 5,000,000 consideration shares will be issued by the Company. The Directors also assumed that the fair value of the consideration shares will be HK$24,000,000 (being the closing price of the share of the Company as at 30 June 2016 times 5,000,000 consideration shares). Accordingly, the total consideration is calculated as follows:

	HK$'000
Cash consideration	25,000
Contingent consideration shares	24,000
Total consideration	**49,000**

   The adjustment is not expected to have a continuing effect on the Enlarged Group.

6. The identified assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair values of the identified assets and liabilities of the Target Group as at 31 August 2016, and it is assumed that the fair values of the identifiable assets and liabilities of the Target Group approximate to their carrying amounts as at 31 August 2016. The consideration of the Acquisition is assumed to be the fair value as if the Acquisition had been completed on 30 June 2016.

A pro forma goodwill arising on the acquisition of the Target Company is calculated as follows:

	HK$'000	*HK$'000*
Consideration		49,000
Pro forma assumed fair value of the identifiable net assets of the Target Group	30,081	
Less: Non-controlling interest	(12,032)	18,049
Goodwill		**30,951**

Actual goodwill or gain on bargain purchase arising from the Acquisition depend on fair value of assets and liabilities of the Target Group and the actual total consideration at the completion date and shall be different to the amount calculated in the above table.

7. The adjustment represents direct expenses of audit, legal, valuation and other professional services related to the transaction and for the purpose of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group which are estimated to be HK$4,000,000 and are charged to profit or loss. The adjustment is not expected to have a continuing effect on the Enlarged Group.

8. The adjustment represents the elimination of intra-group transactions between the Target Company and the PRC Company as if the Target Company and the PRC Company had become wholly-owned subsidiaries of the Group as at 1 January 2015. The adjustment is not expected to have a continuing effect on the Enlarged Group.

9. As detailed in the Company's circular dated 20 July 2016, the Group proposed to subscribe 350,000,000 shares of 粵港證券股份有限公司(Yuegang Securities Company Limited), a company to be incorporated in the PRC, representing a 10% equity interest in Yuegang Securities Company Limited at an aggregate subscription price of RMB350,000,000 (equivalent to approximately HK$416,500,000) ("the Proposed Subscription"). The Proposed Subscription has not been included in the Unaudited Pro Forma Financial Information.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from Ernst & Young, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.

EY 安永

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To the Directors of Realord Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Realord Group 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 2016, and unaudited pro forma consolidated statement of profit or loss and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2015, and related notes as set out in Appendix IV of the circular dated 25 January 2017 issued by the Company (the "Circular") (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 60% equity interest of Top Eagle International Trading Limited (the "Target Company") and its subsidiary (collectively, the "Target Group") (the "Acquisition") on the Group's financial position as at 30 June 2016 and the Group's financial performance and cash flows for the year ended 31 December 2015 as if the Acquisition had taken place at 30 June 2016 and 1 January 2015, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's unaudited interim report for the six months ended 30 June 2016 and audited financial statements for the year ended 31 December 2015 as set out in the interim report of the Company dated 29 August 2016 and the annual report of the Company dated 23 March 2016, respectively. Information about the Target Group's financial position, financial performance and cash flows has been extracted by the Directors from the financial information of the Target Company and its subsidiary as set out in its accountants' report included in Appendix II and Appendix III to the Circular.

Directors' responsibility 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* 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 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, 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 accountants' 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition 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 Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

25 January 2017

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 Group. 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 this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the allotment and issuance of 5,000,000 Consideration Shares at the issue price of HK$7.00 per Consideration Share upon Completion and fulfilment of the Target Profits for the three years ended 31 December 2016 and ending 31 December 2017 and 2018 (assuming that there is no other change in the issue share capital of the Company since the Latest Practicable Date) will be as follows:

Authorised:		*HK$*
20,000,000,000	Shares of HK$0.10 each	2,000,000,000.00
Issued and fully paid or to be credited as fully paid:		*HK$*
1,150,001,398	Shares in issue as at the Latest Practicable Date	115,000,139.80
5,000,000	Maximum amount of Consideration Shares to be allotted and issued under the Acquisition Agreement	500,000.00
1,155,001,398	Shares of HK$0.10 each	115,500,139.80

3. DISCLOSURE OF INTERESTS

(a) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company 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 were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Dr. Lin	Interest of controlled corporation	785,001,518 *(Note 1)*	68.26%
	Interest of spouse	1,080,000 *(Note 2)*	0.09%
	Beneficial owner	1,080,000 *(Note 3)*	0.09%
		787,161,518	68.45%
Madam Su	Interest of spouse	786,081,518 *(Note 4)*	68.35%
	Beneficial owner	1,080,000 *(Note 3)*	0.09%
		787,161,518	68.45%
Mr. Lin Xiaodong	Beneficial owner	1,000,000 *(Note 3)*	0.09%
Mr. Yu Leung Fai	Beneficial owner	500,000 *(Note 3)*	0.04%
Mr. Fang Jixin	Beneficial owner	500,000 *(Note 3)*	0.04%
Dr. Li Jue	Beneficial owner	500,000 *(Note 3)*	0.04%

Notes:

(1) As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 785,001,518 Shares representing approximately 68.26% of the issued share capital of the Company. Since Dr. Lin owned 70% of the issued share capital of Manureen Holdings, he was deemed to be interested in 787,001,518 Shares under the SFO.

(2) Dr. Lin, the spouse of Madam Su, was deemed under the SFO to be interested in 1,080,000 Shares which Madam Su interested in.

(3) Under the share option scheme of the Company adopted on 10 August 2012, certain share options, each entitling its holder to subscribe for one Share, were granted on 20 May 2015 to the Directors with an exercise price of HK$4.11 per Share and exercise period between 20 May 2017 and 19 May 2025. Accordingly, the Directors were regarded as having an interest in the underlying Shares.

(4) Madam Su, the spouse of Dr. Lin, was deemed under the SFO to be interested in 786,081,518 Shares which Dr. Lin was deemed to be interested in.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any beneficial or deemed interests 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 were required (a) 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 (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, persons who had interests or short positions in the Shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or in any options in respect of such capital, were as follows:

Long position in the Shares

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Manureen Holdings	Beneficial owner	785,001,518 *(Note)*	68.26%

Note:

As at the Latest Practicable Date, Manureen Holdings was the legal and beneficial owner of 785,001,518 Shares representing approximately 68.26% of the issued share capital of the Company. Manureen Holdings was owned as to 70% by Dr. Lin and as to 30% by Madam Su.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors and chief executive of the Company, no other person (other than the Directors and the chief executive of the Company) had interests 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 would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group or in any options in respect of such capital.

4. DIRECTORS' INTERESTS

(i) Interests in contract or arrangement

Manureen Holdings and the Company entered into a loan agreement dated 24 March 2016 (as supplemented by the supplemental loan agreement dated 14 September 2016) pursuant to which Manureen Holdings provided an unsecured, 18-months loan in the principal amount of not more than RMB300 million (equivalent to approximately HK$336 million) and carrying an interest rate of 8.2% per annum to the Company. As at the Latest Practicable Date, Manureen Holdings was the controlling Shareholder and was owned to 70% by Dr. Lin and as to 30% by Madam Su, both of whom are Directors.

Save as disclose above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

(ii) Interests in assets

None of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

(iii) Interests in competing business

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group other than contracts expiring or determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

Citibest Global Limited ("**Citibest**"), a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, received a civil writ dated 22 June 2016 which was issued by 深圳市新有序規劃設計有限公司 (Shenzhen Xin You Xu Planning and Design Company Limited*) (the "**Plaintiff A**") against, among others, (i) Citibest; (ii) Ms. Hung Hsin-Hui ("**Ms. Hung**"), being the sole shareholder of Citibest prior to the completion of the acquisition by the Company of the entire issued share capital of Citibest as announced by the Company on 24 March 2016 which took place on 24 June 2016; and (iii) 冠彰電器(深圳)有限公司 (Guan Zhang Electrical Appliances (Shenzhen) Limited*) ("**Guan Zhang**"), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Citibest, claiming for allegedly outstanding payment in the amount of RMB30,000,000 and interest accrued thereon from 25 March 2016 up to the actual date of payment at the prevailing rate of the PRC, under an agency agreement dated 29 January 2015 and entered into among Plaintiff A, Citibest, Guan Zhang and its legal representative (which was entered into prior to the entering into of the Citibest Acquisition) pursuant to which Citibest agreed to appoint Plaintiff A as its agent to liaise with potential purchaser for the disposal by Citibest of its equity interest in Guan Zhang and the land use rights and properties held by Guan Zhang. Subsequently, Plaintiff A filed an application to Shenzhen Qianhai Cooperation Zone People's Court ("**Shenzhen Qianhai Court**") in the PRC for the seizure of assets of Guan Zhang with a total value of RMB31,350,000 for the purpose of preservation of assets and Shenzhen Qianhai Court made a ruling for the seizure of a factory owned by Guan Zhang located at Fumin Community, Guanlan Town, Baoan District, Shenzhen, subject to release upon the occurrence of any of the following events: (1) with the consent of the Shenzhen Qianhai Court, the provision of other security assets by Guan Zhang; (2) Shenzhen Qianhai Court has not made further ruling to extend the seizure period upon the expiry of the seizure period; (3) Shenzhen Qianhai Court ruled in its judgment that Guan Zhang shall not be held liable for the relevant claim; or (4) Plaintiff A withdraw its claim or seizure application. The Board considers that the subject claim by Plaintiff A contains untrue and unfounded allegations and overall the case has no merits. Legal advisers have been engaged to advise on the subject case and the parties concerned will vigorously contest the aforesaid claim. Nevertheless, Ms. Hung has put RMB23,800,000 in an escrow account for covering the claim, such amount would be otherwise released to Ms. Hung, pending the results of the aforesaid litigation. The directors of the Company considered the possibility of any cash outflow in settling the legal claims is remote after due consideration of the fact with reference to legal advice.

On 3 August 2016, 深圳市沪田利商貿有限公司 (Shenzhen Shi Hui Tian Li Business Trading Company Limited*) ("**Plaintiff B**") filed an application to Shenzhen Baoan District People's Court ("**Shenzhen Baoan Court**") for a freezing injunction of two bank accounts maintained by Guan Zhang with a total value of approximately RMB26,440,000 for the purpose of preservation of assets. On 22 August 2016, Shenzhen Baoan Court granted the freezing injunction of the said bank accounts maintained by Guan Zhang for a period of one year commencing from 22 August 2016 and ending on 21 August 2017. On 1 September 2016, Plaintiff B filed a civil writ against Guan Zhang, claiming for allegedly outstanding payment in the amount of approximately RMB25,069,000 and interest accrued thereon, under a loan repayment agency agreement dated 8 March 2016 and entered into among Guan Zhang, Citibest and Plaintiff B, pursuant to which Citibest agreed to appoint Plaintiff B to repay for and on behalf of Citibest a debt in the sum of approximately RMB25,069,000 to Guan Zhang. On 8 November 2016, Shenzhen Baoan Court handed down its judgment and ruled that Guan Zhang shall not be held liable for the subject claim and that Plaintiff B shall bear the legal costs incurred for the claim. On 27 November 2016, Plaintiff B filed a notice of appeal to Shenzhen Baoan Court to appeal the judgment. Legal advisers have been engaged to advise on the subject case and the parties concerned will vigorously contest the aforesaid claim.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular:

(i) the subscription agreement dated 28 January 2015 entered into between the Company as the issuer and Manureen Holdings as the subscriber, in relation to the subscription of 360,000,000 Shares for the consideration of HK$1.4 per Share;

(ii) the sale and purchase agreement dated 29 April 2015 entered into between Best Throne Holdings Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and Mr. Chan Yum Kit and Ms. Tsui How Kiu Shirley as the vendors, in relation to the acquisition of Concept Star Corporation Limited for the consideration of HK$225,000,000;

(iii) the sale and purchase agreement dated 29 May 2015 entered into among Easy Yield Ventures Limited as the purchaser, International Treasure Holdings Limited as the vendor and Mr. Zhan Jinnan as guarantor of the vendor's obligations thereunder, in relation to the acquisition of 40% of the total issued shares of Realord Vehicle Parts Limited and the shareholder's loan owed to International Treasure Holdings Limited immediately prior to completion for the aggregate consideration of HK$12,668,000;

(iv) the sale and purchase agreement dated 12 September 2015 entered into between Realord Manureen Financial Group Limited (a wholly-owned subsidiary of the Company) as the purchaser and Dr. Lin and Madam Su as the vendors, in relation to the acquisition of the entire issued share capital of Manureen Group Holdings Limited for the consideration of HK$48,000,000;

(v) the sale and purchase agreement dated 23 September 2015 entered into between Qianhai Weilu Cross-border E-Commerce (Shenzhen) Co., Ltd (an indirect wholly-owned subsidiary of the Company) as the purchaser and Mr. Zhuang Xu Feng, Ms. Wu Qiao Hong and Mr. Zhuang Yao Ming as the vendors, in relation to the acquisition of certain properties including a piece of land, a factory compound and two dormitory buildings erected thereon, situated at Zhangkeng Residents' Association of Zhangkengjing Community, Guanlan Street, Baoan District, Shenzhen, the PRC for a cash consideration of RMB76,578,600 (equivalent to approximately HK$85,768,000);

(vi) the share transfer agreement dated 30 September 2015 entered into between the Target Company as the purchaser and 鄭德榮先生 (Mr. Zheng Derong*) as the vendor in relation to the acquisition of 80% registered capital of the PRC Company for the consideration of RMB2,480,000;

(vii) the share transfer agreement dated 30 September 2015 entered into between the Target Company as the purchaser and 葉志明先生 (Mr. Ye Zhiming*) as the vendor in relation to the acquisition of 20% registered capital of the PRC Company for the consideration of RMB620,000;

(viii) the sale and purchase agreement dated 24 March 2016 entered into between Virtue Summit Ventures Limited (an indirect wholly-owned subsidiary of the Company) as the purchaser and Ms. Hung as the vendor, in relation to the acquisition of the entire issued share capital of Citibest and the shareholder's loan owed to Ms. Hung at completion (if any) for the aggregate consideration of RMB238,000,000 (equivalent to approximately HK$266,560,000);

(ix) the promoters' agreement dated 23 May 2016 entered between Realord Manureen Securities Limited ("**Realord Manureen Securities**") (an indirect wholly-owned subsidiary of the Company) and other five co-promoters, namely 廣東粵財投資控股有限公司 (Guangdong Yuechai Investment Holdings Limited*),深圳市泓景投資有限公司 (Shenzhen Hongjin Investment Company Limited*), 保利物業管理有限公司(Poly Property Management Company Limited*), Karl-Thomson Securities Company Limited and Eternal Pearl Securities Limited, in relation to the formation of 粵港證券股份有限公司 (Yuegang Securities Company Limited*) (the "**Securities Company**") and the subscription of 350,000,000 shares of the Securities Company, representing 10% equity interests thereof, by Realord Manureen Securities at an aggregate subscription price of RMB350,000,000 (equivalent to approximately HK$392,000,000); and

(x) the Acquisition Agreement.

8. EXPERT AND CONSENT

The reports dated 25 January 2017 on (i) the financial information of the Target Group; (ii) the financial information of the PRC Company; and (iii) the unaudited pro forma financial information of the Group assuming Completion takes place, the text of which are set out in Appendix II, III and IV to this circular respectively, were made by Ernst & Young, the Certified Public Accountants, for incorporation in the circular. Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Ernst & Young was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any assets which have been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Enlarged Group since 31 December 2015 (the date to which the latest published audited financial statements of the Company were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong from 9:00 a.m. to 6:00 p.m. on any business day from the date of this circular up to and including the date of the SGM:

(i) the bye-laws of the Company;

(ii) the annual reports of the Company for the nine months ended 31 December 2014 and for the year ended 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016;

(iii) the accountants' reports of the Target Group and the PRC Company issued by Ernst & Young, the text of which are set out in Appendix II and III to this circular respectively;

(iv) the report on the unaudited pro forma financial information of the Enlarged Group assuming Completion takes place issued by Ernst & Young, the text of which is set out in Appendix IV to this circular;

(v) the material contracts referred to in the section headed "Material contracts" in this appendix;

(vi) the written consent referred to in the section headed "Expert and consent" in this appendix;

(vii) the circular of the Company dated 20 July 2016 in relation to the formation of the Securities Company; and

(viii) this circular.

10. GENERAL

(i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Suites 2403-2410, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong.

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

(iii) The company secretary of the Company is Mr. Chan Ying Kay, who is a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(iv) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text of the same.

偉祿集團控股有限公司
REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1196)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Special General Meeting**") of Realord Group Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Friday, 17 February 2017 at Capital Conference Services Limited at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong for the purpose of considering and, if thought fit, passing with or without modification the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) subject to the fulfillment of the conditions therein, the conditional sale and purchase agreement dated 5 September 2016, as amended and supplemented by a supplemental agreement thereto dated 30 December 2016, (together, the "**Acquisition Agreement**") entered into among the Company, Way Strong Holdings Limited, a direct wholly-owned subsidiary of the Company as purchaser, Fortune Victory Asia Corporation as vendor and Ms. Zhong Chunmei as the vendor's guarantor, in relation to the sale and purchase of 60% of the total issued share capital of Top Eagle International Trading Limited (the "**Sale Shares**") (a copy of the Acquisition Agreement has been produced to the Special General Meeting marked "**A**" and signed by the chairman of the Special General Meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the allotment and issue of a maximum of 5,000,000 new shares (the "**Consideration Shares**") of HK$0.1 each in the share capital of the Company, credited as fully paid, at the issue price of HK$7.00 per Consideration Share to the Vendor (or its nominee(s)) pursuant to the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder be and is hereby approved; and

(c) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Consideration Shares, as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole."

By Order of the Board
Realord Group Holdings Limited
Lin Xiaohui
Chairman

Hong Kong, 25 January 2017

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the Special General Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Special General Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Special General Meeting is enclosed. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar 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 for holding the special general meeting or any adjournment thereof or upon the poll concerned. Completion and return of a form of proxy will not preclude a member of the Company from attending in person and voting at the Special General Meeting or any adjournment thereof should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. Where there are joint holders of any share, any one of such holders may vote at the Special General Meeting either personally or by proxy in respect of such share as if he/she were solely entitled to vote; but if more than one of such joint holders are present at the Special General Meeting in person or by proxy, then the one of such joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

As at the date of this notice, the executive directors of the Company are Dr. Lin Xiaohui, Madam Su Jiaohua and Mr. Lin Xiaodong; and the independent non-executive directors of the Company are Mr. Yu Leung Fai, Mr. Fang Jixin and Dr. Li Jue.