THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Newtree Group Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

TM

Newtree Group Holdings Limited
友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 20% OF THE ISSUED SHARE CAPITAL OF ALPHA YOUTH LIMITED AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting (the "**EGM**") of Newtree Group Holdings Limited (the "**Company**") to be held at 11:00 a.m. on Wednesday, 14 February 2018 at Unit 1103, China Building, 29 Queen's Road Central, Central, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM or any adjournment thereof (as the case may be) is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) if you so wish.

25 January 2018

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Holding Company B (procured by the Vendor) pursuant to the terms and condition of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 21 September 2017 entered into between the Purchaser and the Vendor in relation to the Acquisition, as amended and supplemented by the Supplemental Acquisition Agreement and the extension letter dated 7 December 2017
"Board"	the board of the Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal number 8 or above or a "black" rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	British Virgin Islands
"Call Option"	the right to be granted by the Vendor to the Purchaser to acquire all but not part of the remaining 80% of the issued share capital of the Target from the Holding Company B within two years from the Completion Date
"Company"	Newtree Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1323)
"Completion"	completion of the Acquisition
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Consideration"	the consideration for the Acquisition of HK$119,000,000 (subject to adjustments)
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 11:00 a.m. on Wednesday, 14 February 2018 at Unit 1103, China Building, 29 Queen's Road Central, Central, Hong Kong for the Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group upon Completion
"Grace Wisdom"	Grace Wisdom Holdings Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
"Group"	the Company and its subsidiaries
"Holding Company A"	Bikerland Limited, a company incorporated in the BVI with limited liability which is wholly owned by the Vendor
"Holding Company B"	South Sunrise Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Holding Company A
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	23 January 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Option Deed"	the option deed in respect of the grant of the Call Option to be entered into between the Purchaser and the Vendor at Completion

"PRC"	the People's Republic of China, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Subsidiary"	海南華盛混凝土有限公司 (Hainan Huasheng Concrete Company Limited*), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of Grace Wisdom
"PRC Group"	the PRC Subsidiary and its subsidiaries
"Promissory Note(s)"	the interest-free promissory note(s) in the aggregate principal amount of HK$24,000,000 due on the date falling on the second anniversary from the Completion Date to be issued by the Company to the Vendor (or its nominee(s)) for payment of part of the Consideration
"Purchaser"	Bright World Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Sale Shares"	40 ordinary shares of US$1.00 in the share capital of the Target which shall represent 20% of the issued share capital of the Target as at the Completion Date
"Sale Shares Valuation"	the valuation of the Sale Shares which is equal to 20% of the valuation of the Target Group based on the valuation report as set out in Appendix V to this circular
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

* *For identification purpose only*

"Shareholders' Agreement"	the shareholders' agreement for the Target to be entered into among the Purchaser, the Holding Company B and the Target at Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Acquisition Agreement"	the supplemental agreement dated 6 October 2017 entered into between the Purchaser and the Vendor to amend certain terms and conditions of the Acquisition Agreement
"Target"	Alpha Youth Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target and its subsidiaries
"Vendor"	Mr. Zhou Feng Tang
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent.

For ease of reference, amounts in RMB are translated to HK$ on the basis of RMB1 = HK$1.19. The conversion is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK$ at that rate or at other rates or at all.

Newtree Group Holdings Limited
友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)

Executive Directors
Mr. Wong Wai Sing
(Chairman and Chief Executive Officer)
Mr. Chan Kin Lung
Mr. Lee Chi Shing, Caesar
Mr. Wong Jeffrey

Non-executive Director
Ms. Lin Fang

Independent Non-executive Directors
Mr. Kwok Kam Tim
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

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Macau Finance Centre
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Macau

Principal place of business in Hong Kong
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Shui On Centre
6-8 Harbour Road, Wanchai
Hong Kong

25 January 2018

To the Shareholder(s) and, for information only, holders of the outstanding convertible bonds and share options of the Company

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 20% OF THE ISSUED SHARE CAPITAL OF ALPHA YOUTH LIMITED

INTRODUCTION

On 21 September 2017 (after trading hours of the Stock Exchange), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement (as amended and supplemented by the Supplemental Acquisition Agreement), pursuant to which, among other things, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to procure the Holding Company B to sell, the Sale Shares, which shall represent 20% of the issued share capital of the Target as at the Completion Date, at the Consideration of HK$119,000,000 (subject to adjustments) which shall be satisfied as to HK$95,000,000 in cash and as to HK$24,000,000 by way of the issue of the Promissory Notes by the Company to the Vendor (or its nominee(s)).

The Acquisition constitutes a major transaction for the Company and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Acquisition Agreement; (ii) financial information and other information of the Group; (iii) financial information of the Target Group; (iv) financial information of the PRC Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Target Group; and (vii) a notice of the EGM.

THE ACQUISITION AGREEMENT

Date: 21 September 2017

Parties: (i) the Purchaser: Bright World Investment Limited (a wholly-owned subsidiary of the Company); and

(ii) the Vendor: Mr. Zhou Feng Tang, who shall procure the Holding Company B (a company wholly owned by the Vendor) to sell the Sale Shares to the Purchaser at Completion.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Holding Company B is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to procure the Holding Company B to sell, the Sale Shares. The Sale Shares shall represent 20% of the issued share capital of the Target as at the Completion Date.

Details of the Target Group are set out in the section headed "Information on the Target Group" below.

Shareholding Restructuring

As at the date of the Acquisition Agreement, the Target was wholly owned by the Vendor. The Vendor shall undertake a shareholding restructuring of the Target (the "**Shareholding Restructuring**") prior to Completion, which involves (i) the incorporation of the Holding Company A to be wholly owned by the Vendor; (ii) the incorporation of the Holding Company B to be wholly owned by the Holding Company A; and (iii) the transfer of the 100 shares of the Target held by the Vendor to the Holding Company B. The Holding Company B will subscribe for 100 new shares of the Target at the consideration of HK$36,000,000. Upon completion of the Shareholding Restructuring and the subscription as aforesaid, the Holding Company B will become the sole shareholder of the Target holding 200 shares of the Target (including the Sale Shares), and the Vendor will remain as the ultimate beneficial owner of the Target as at Completion.

As at the Latest Practicable Date, the Shareholding Restructuring has been completed.

Consideration

The Consideration of HK$119,000,000 (subject to adjustments as described under the paragraphs headed "Adjustments to the Consideration" and "Profit guarantee" below) shall be satisfied by the Purchaser in the following manner:

(i) as to HK$47,000,000 has been paid by the Purchaser to the Vendor and its nominee in cash as a refundable deposit (the "**Deposit**") upon the signing of the Acquisition Agreement;

(ii) as to HK$48,000,000 shall be payable by the Purchaser to the Vendor (or its nominee(s)) in cash upon Completion (the "**Second Cash Payment**"); and

(iii) as to the remaining balance of HK$24,000,000 shall be payable by way of the issue of two Promissory Notes in the respective principal amount of HK$8,500,000 and HK$15,500,000 by the Company to the Vendor (or its nominee(s)).

As a security for the profit guarantee as described in the paragraph headed "Profit guarantee" below, the Promissory Notes shall be held in escrow by an escrow agent jointly appointed by the Purchaser and the Vendor (the "**Escrow Agent**") upon Completion. Details regarding the release of the Promissory Notes to the Vendor or its nominee(s) upon the fulfilment of the profit guarantee are set out in the paragraph headed "Profit guarantee" below.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to (i) the preliminary valuation of 100% equity interest in the PRC Subsidiary (an indirect wholly-owned subsidiary of the Target) as at 30 June 2017 which was prepared from a non-controlling interest perspective by Grant Sherman Appraisal Limited, an independent professional valuer appointed by the Company based on market approach; (ii) the historical financial performance of the PRC Subsidiary; and (iii) the prospect of the Target Group. Based on the preliminary valuation of the entire equity interest of the PRC Subsidiary of RMB514,837,000 (equivalent to approximately HK$612,656,000) as at 30 June 2017, 20% of the entire issued share capital of the PRC Subsidiary would amount to approximately RMB102,967,000 (equivalent to approximately HK$122,531,000) and the Consideration would represent a discount of approximately 2.9% to the aforesaid preliminary valuation.

The Directors noted that the original acquisition cost paid by the Vendor to the previous owners for the entire equity interest in the PRC Subsidiary was RMB30,000,000 (equivalent to approximately HK$34,328,000 (based on the exchange rate of RMB1=HK$1.14 as at 11 July 2017)) and were aware of the considerable premium when comparing the implied consideration for the entire equity interest in the PRC Subsidiary of HK$595 million (calculated based on the Consideration divided by 20% of the entire issued share capital of the PRC Subsidiary) with the original acquisition cost. To the best of the Directors' knowledge, information and belief, the previous owners of the PRC Subsidiary intended to focus on and thereby expand their cement business by disposing of the PRC Subsidiary. The Vendor was a former employee of a cement company which is wholly owned by the previous owners. In view of the Vendor's diverse business background, in particular his network in property industry in Hainan Province, the previous owners of the PRC Subsidiary were of the view that the Vendor has the requisite knowledge, network and experience to continue and manage the business of the PRC Subsidiary. As a result of the foregoing, the previous owners of the PRC Subsidiary agreed to dispose of the entire equity interest in the PRC Subsidiary to Grace Wisdom (a company wholly owned by the Vendor) at RMB30,000,000. In the negotiation process of the Consideration between the Company and the Vendor, the original acquisition cost paid by the Vendor was not taken into account as the parties considered that it was not reflecting the fair market value of the PRC Subsidiary but a result arrived at between the Vendor and the previous owners at the time of the previous acquisition. Therefore, the Board is of the view that the original acquisition cost paid by the Vendor is irrelevant to the determination of the Consideration. As disclosed above, the Consideration was a result of the arm's length negotiation between the Purchaser and the Vendor having taking into account a number of factors including the preliminary valuation of the entire equity interest in the PRC Subsidiary, the historical financial performance of the PRC Subsidiary and the prospect of the Target Group.

The Directors are also aware that the aforesaid implied consideration represents a considerable premium over the net asset value of the PRC Subsidiary as at 31 July 2017 of approximately RMB137,053,000 (equivalent to approximately HK$163,093,000), but they are of the view that the PRC Subsidiary is not an asset-based company and the net asset value of the PRC Subsidiary fails to reflect the fair market value of the PRC Subsidiary as it did not take into account the future earning potential of the PRC Subsidiary, and therefore the net asset value of the PRC Subsidiary should not be relevant to the determination of the Consideration.

The historical financial performance of the Target Group is also one of the factors the Company took into account in determining the Consideration. The PRC Subsidiary has been profit making for many years and it recorded net profit of approximately RMB32,207,000, RMB46,946,000 and RMB9,430,000 for the years ended 31 December 2014, 2015 and 2016, respectively. The Directors noted that there was a decrease in profit of the PRC Subsidiary of approximately 79.9% from approximately RMB46,946,000 for the year ended 31 December 2015 to approximately RMB9,430,000 for the year ended 31 December 2016, which was principally due to the increase in the costs of raw materials (which accounted for approximately 95.9% of the total cost of sales of the PRC Subsidiary for the year ended 31 December 2016) of approximately 20.7%, and was partially offset by the increase in average selling price of concrete products per cubic meter of approximately 5.0% in the year ended 31 December 2016. For the seven months ended 31 July 2017, the PRC Subsidiary was able to record a notable increase in the revenue of approximately 40.8% (as compared with the corresponding period in 2016), which was driven by the increase in demand for concrete in Hainan Province in 2017. As a result, the profit of the PRC Subsidiary also increased by approximately 1.1 times from approximately RMB10,081,000 for the seven months ended 31 July 2016 to approximately RMB21,257,000 for the seven months ended 31 July 2017.

While the profit of the PRC Subsidiary amounted to RMB21,257,000 for the seven months ended 31 July 2017, based on the historical financial performance in previous years, it is expected that the PRC Subsidiary shall make more profit in the second half of the year than the first half of the year. Moreover, the Vendor has irrevocably warranted and guaranteed to the Purchaser that the audited net profit after tax of the PRC Subsidiary shall not be less than RMB42,000,000 (equivalent to approximately HK$49,980,000) and RMB47,000,000 (equivalent to approximately HK$55,930,000) for the year ended 31 December 2017 and the year ending 31 December 2018 respectively. In the event that the respective profit guarantee cannot be met, the Vendor shall compensate the Purchaser the respective compensation amount. Details of the profit guarantees and the compensation amounts are set out in the paragraph headed "Profit guarantee" below. With the notable increase in the profit of the PRC Subsidiary for the seven months ended 31 July 2017, it is expected that the target profit of RMB42,000,000 of the PRC Subsidiary for the year ended 31 December 2017 shall be achievable. Therefore, as disclosed in the valuation report as set out in Appendix V to this circular, the profit guarantee for the year ended 31 December 2017 is considered as a reliable reference of the profitability of the PRC Subsidiary to derive the valuation of the equity interest in the PRC Subsidiary.

Having considered the above factors and the factors as set out under the section headed "Reasons for and benefits of the Acquisition", the Directors consider that the Consideration is fair and reasonable and is in the interests of the Group and the Shareholders as a whole.

The Purchaser has funded the Deposit and intends to fund the remaining balance of the Consideration by the internal resources of the Group.

Adjustments to Consideration

Pursuant to the Acquisition Agreement, if the Sale Shares Valuation (i.e. 20% of the valuation of the Target Group based on the valuation report as set out in Appendix V to this circular),

(i) exceeds HK$124,950,000 (the "**Sale Shares Valuation Cap**"), the Second Cash Payment payable by the Purchaser upon Completion shall be increased from HK$48,000,000 to HK$53,950,000; or

(ii) is lower than HK$113,050,000 (the "**Sale Shares Valuation Floor**"), the Second Cash Payment payable by the Purchaser upon Completion shall be reduced by the absolute amount of the difference between the Sale Shares Valuation Floor and the Sale Shares Valuation.

For the avoidance of doubt, if the Sale Shares Valuation falls between the Sale Shares Valuation Floor and the Sale Shares Valuation Cap, no adjustment shall be made to the Second Cash Payment.

Based on the valuation report set out in Appendix V to this circular, the Sale Shares Valuation, being 20% of the valuation of the Target Group, amounts to RMB100,222,000 (equivalent to approximately HK$119,264,000), which falls between the Sale Shares Valuation Floor and the Sale Shares Valuation Cap. Hence, no adjustment is made to the Second Cash Payment.

Profit guarantee

Pursuant to the Acquisition Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that:

(i) the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) for the year ending 31 December 2017, shall not be less than RMB42,000,000 (equivalent to approximately HK$49,980,000) (the "**2017 Guaranteed Profit**"); and

(ii) the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) for the year ending 31 December 2018 shall not be less than RMB47,000,000 (equivalent to approximately HK$55,930,000) (the "**2018 Guaranteed Profit**").

In the event the actual audited net profit after tax of the PRC Subsidiary for the year ending 31 December 2017 (the "**2017 Actual Profit**") is less than the 2017 Guaranteed Profit, the Vendor shall compensate the Purchaser an amount calculated based on the following formula (the "**2017 Compensation Amount**"):

2017 Compensation Amount = (2017 Guaranteed Profit – 2017 Actual Profit) x 12 x 20% x RMB exchange rate

In the event the actual audited net profit after tax of the PRC Subsidiary for the year ending 31 December 2018 (the "**2018 Actual Profit**") is less than the 2018 Guaranteed Profit, the Vendor shall compensate the Purchaser an amount calculated based on the following formula (the "**2018 Compensation Amount**"):

2018 Compensation Amount = (2018 Guaranteed Profit – 2018 Actual Profit) x 12 x 20% x RMB exchange rate

The RMB exchange rate shall be the mid rate as announced by the State Administration of Foreign Exchange on the date of issue of the relevant certificate certifying the 2017 Actual Profit or 2018 Actual Profit (as the case may be).

If the Target recorded a loss for the year ending 31 December 2017 or for the year ending 31 December 2018, for the purpose of calculating the compensation amount, the 2017 Actual Profit or the 2018 Actual Profit (as the case may be) shall be regarded as zero. In any case, the sum of the 2017 Compensation Amount and the 2018 Compensation Amount shall not exceed the Consideration (subject to the adjustment as described under the paragraph headed "Adjustments to Consideration" above).

The Purchaser and the Vendor shall jointly engage an auditor to prepare and to provide them with (i) the audited financial statements of the PRC Subsidiary for the year ending 31 December 2017 or for the year ending 31 December 2018 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants; and (ii) a certificate confirming the amount of the 2017 Actual Profit or the 2018 Actual Profit, within three months after the end of 2017 or 2018 (as the case may be). In the event that the Vendor needs to pay the 2017 Compensation Amount or the 2018 Compensation Amount to the Purchaser, the Purchaser has the right to set off such compensation amount against the face value of the Promissory Notes on a dollar for dollar basis. The Company will cancel the original Promissory Note and issue a new Promissory Note with the balance after the set-off (if any) to the Vendor.

If the face value of the Promissory Notes is not sufficient to cover the compensation amount, the Vendor shall pay the remaining balance in cash to the Purchaser within fourteen (14) days after the receipt of the certificate issued by the auditor.

If the 2017 Actual Profit is equal to or more than the 2017 Guaranteed Profit, the Purchaser and the Vendor shall procure the Escrow Agent to release the Promissory Note in the principal amount of HK$8,500,000 within ten (10) Business Days after the receipt of a certificate issued by an auditor confirming the amount of the 2017 Actual Profit.

If the 2018 Actual Profit is equal to or more than the 2018 Guaranteed Profit, the Purchaser and the Vendor shall procure the Escrow Agent to release the Promissory Note in the principal amount of HK$15,500,000 within ten (10) Business Days after the receipt of a certificate issued by an auditor confirming the amount of the 2018 Actual Profit.

Promissory Notes

The principal terms of the Promissory Notes are as follows:

Issuer:	the Company
Principal amount:	HK$8,500,000 and HK$15,500,000
Issue date:	the Completion Date
Maturity date:	two years after the Completion Date
Interest:	interest-free
Security:	the obligations of the Company under the Promissory Notes are unsecured
Early redemption:	the Company may redeem all or part of the outstanding principal amount of the Promissory Notes at any time between the issue date and the day prior to the maturity date by serving not less than 10 Business Days' prior written notice to the holders of the Promissory Notes, provided that each redemption shall be made in the principal amount of not less than HK$1,000,000 (or the entire outstanding principal amount if the outstanding principal amount of the Promissory Notes is less than HK$1,000,000)
Transferability:	the Promissory Notes may be assigned or transferred to any persons other than a connected person of the Company.

Conditions precedent

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

(i) 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 conducted by the Purchaser and/or its advisers and agents;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;

(iv) the passing by the Shareholders at the EGM to be convened and held to approve the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Promissory Notes);

(v) the warranties provided by the Vendor under the Acquisition Agreement remaining true and accurate and not misleading in all material respect as if repeated at Completion and at all times between the date of the Acquisition Agreement and the Completion Date;

(vi) the Purchaser having received a PRC legal opinion to be issued by a PRC legal adviser designated by the Purchaser in such form and substance to the satisfaction of the Purchaser in respect of the affairs of the Target Group and the matters relating to the Acquisition Agreement;

(vii) the Shareholding Restructuring having been completed; and

(viii) the Holding Company B having subscribed for 100 new shares of the Target at the consideration of HK$36,000,000.

The Purchaser may at any time at its absolute and sole discretion waive any of the conditions set out in (i), (v) and (vi) above by notice in writing to the Vendor. Save for the aforementioned, none of the conditions set out above shall be waived by the parties to the Acquisition Agreement.

If any of the above conditions have not been fulfilled or waived (as the case may be) on or before 29 March 2018 (or such later date as the Purchaser and the Vendor may agree in writing), or the condition set out in (v) above has not been fulfilled or waived on the Completion Date, the Vendor shall return the Deposit of HK$47,000,000 to the Purchaser within ten (10) Business Days in full without interest. The Acquisition Agreement shall cease and terminate and neither party 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, condition (vii) set out above had been fulfilled.

Completion

Completion shall take place on the third Business Day after fulfillment or waiver (as the case may be) of all of the conditions precedent to the Acquisition Agreement (or such other date as the Purchaser and the Vendor may agree in writing).

Upon Completion, the Target will become an associate of the Group and its financial results will be equity accounted for in the consolidated financial statements of the Enlarged Group.

OPTION DEED

Upon Completion, the Purchaser and the Vendor shall enter into the Option Deed, pursuant to which the Vendor shall grant the Purchaser the right to acquire all but not part of the remaining 80% of the issued share capital of the Target from the Holding Company B (the "**Remaining Shares**") at the sole discretion of the Purchaser within two years from the Completion Date. In the event that the Company exercises the Call Option, the Company will comply with the applicable requirements under the Listing Rules.

Exercise price

The exercise price of the Call Option shall be determined with reference to 80% of the valuation of the entire equity interest of the Target Group to be prepared by an independent professional valuer jointly appointed by the Purchaser and the Vendor at the time of the exercise of the Call Option (the "**Further Valuation**").

In the event that the Further Valuation is more than 120% of the valuation of the entire equity interest of the Target Group as set out in Appendix V to this circular (the "**Further Valuation Cap**"), being RMB601,332,000 (equivalent to approximately HK$715,585,000), the exercise price of the Call Option shall be capped to 80% of the Further Valuation Cap.

In the event that the Further Valuation is less than 80% of the valuation of the entire equity interest of the Target Group as set out in Appendix V to this circular (the "**Further Valuation Floor**"), being RMB400,888,000 (equivalent to approximately HK$477,057,000), the Purchaser is entitled to serve the notice to the Vendor that it intends to exercise the Call Option at the exercise price equal to 80% of the Further Valuation. However, the Vendor has the right to refuse the exercise of the Call Option by the Purchaser within five (5) Business Days after receiving such written notice.

In the event that the Further Valuation is within the range of 80% and 120% of the valuation of the entire equity interest of the Target Group as set out in Appendix V to this circular, the exercise price of the Call Option shall equal to 80% of the Further Valuation.

Conditions precedent

The acquisition of the Remaining Shares upon the exercise of the Call Option is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) all necessary consents and approvals required to be obtained on the part of the Vendor and the Holding Company B in respect of the acquisition of the Remaining Shares having been obtained;

(ii) all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the acquisition of the Remaining Shares having been obtained;

(iii) if applicable, the passing by the Shareholders at an extraordinary general meeting of the Company to be convened and held to approve the exercise of the Call Option and the transactions contemplated therewith; and

(iv) the Purchaser having received a PRC legal opinion to be issued by a PRC legal adviser designated by the Purchaser in such form and substance to the satisfaction of the Purchaser in respect of the affairs of the Target Group and the exercise of the Call Option.

The Purchaser may at any time at its absolute and sole discretion waive the condition set out in (iv) above by notice in writing to the Vendor. Save for the aforementioned, none of the conditions set out above shall be waived by the parties to the Option Deed.

Completion of the acquisition of the Remaining Shares shall take place on the third Business Day after fulfillment or waiver (as the case may be) of all of the aforesaid conditions precedent.

THE SHAREHOLDERS' AGREEMENT

Upon Completion, the Purchaser, the Holding Company B and the Target shall enter into the Shareholders' Agreement in respect of the affairs (including but not limited to the operations, management and business) of, and the rights and obligations of the Purchaser and the Holding Company B with respect to their interests in, the Target Group.

The principal terms of the Shareholders' Agreement are set out below:

Board composition

The board of directors of the Target shall comprise five (5) directors, of which the Purchaser is entitled to appoint one (1) director and the Holding Company B is entitled to appoint four (4) directors.

Right of first refusal

If a shareholder of the Target wishes to dispose of all or a portion of its interest in the Target (the "**Offered Subject Interests**"), such shareholder shall give a notice (the "**Offering Notice**") to the other shareholder of the Target stating the identity of the purchaser and the details of the terms of the transfer whereas the other shareholder shall have the right, for a period of fourteen (14) Business Days after the receipt of the Offering Notice, to elect to purchase all (but not less than all) of the Offered Subject Interests at the same price and on the same terms as specified in the Offering Notice. Such transfer shall be completed within a period of thirty (30) Business Days from the receipt of the Offering Notice from the selling shareholder.

Funding

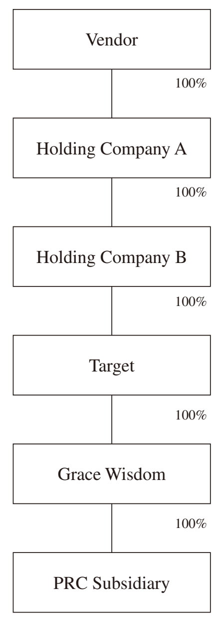
If the Target Group requires additional funding, the board of directors of the Target should determine the means of funding, including but not limit to, internal resources, loans from financial institutions or other third parties. Any guarantee to be provided by the shareholders of the Target to secure the loans from any financial institutions or other third parties should be proportionate to their respective shareholdings in the Target.

In the event that the Target Group is not able to secure loans from the abovementioned means, the Target may request shareholders' loan which should be provided by the shareholders based on their respective shareholdings in the Target. Such shareholders' loan should be non-secured and interest-free.

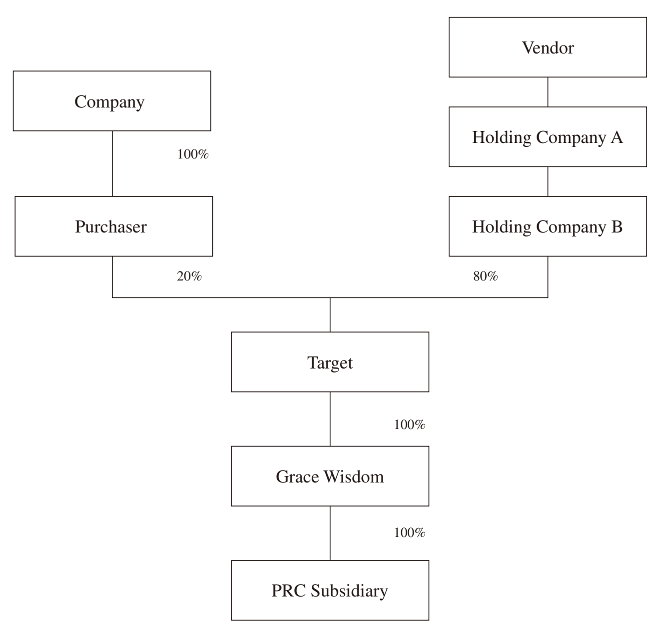
INFORMATION ON THE TARGET GROUP

Group structure

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



Set out below is the shareholding structure of the Target Group immediately after Completion:



Information of the Target Group

The Target is a company incorporated on 10 May 2016 in the BVI with limited liability. On 11 July 2017, Grace Wisdom, a wholly foreign-owned enterprise established in the PRC, acquired the entire equity interest in the PRC Subsidiary from Mr. Chen Yuyong and Ms. Cai Xili, being the founders of the PRC Subsidiary (the "**Founders**") who are third parties independent of the Company and its connected persons, at the consideration of RMB30,000,000. The Founders commenced the cement business in Hainan Province in 2000 and currently have three cement manufacturing bases in Hainan Province. Chengmai Huasheng Tianya Cement Co., Ltd.* (澄邁華盛天涯水泥有限公司) ("**Chengmai Huasheng**"), a company wholly owned by the Founders, is one of the largest cement producers in Hainan Province. It has been supplying cement (being one of the raw materials for the production of concrete) to the PRC Subsidiary since the commencement of concrete business of the PRC Subsidiary.

Grace Wisdom was acquired by the Target from the Vendor on 17 August 2017. Upon the completion of the Shareholding Restructuring and as at the Latest Practicable Date, the Target is wholly owned by the Holding Company B, a company indirectly wholly owned by the Vendor. Both the Target and Grace Wisdom are investment holding companies and the principal assets of which are their direct or indirect interest in the PRC Subsidiary.

The PRC Subsidiary is a wholly foreign-owned enterprise established in the PRC which is principally engaged in the production and sale of concrete in Hainan Province, the PRC. As of 31 July 2017, the Target Group had about 340 employees. Since its commencement of the concrete business in the Hainan Province in 2006, the PRC Subsidiary has emerged as one of the market leaders in the concrete industry in the Hainan Province, capturing over 20% of the total market share in Haikou. The major operating assets of the PRC Subsidiary are the concrete production plant and machinery and the motor vehicles for delivery of concrete which amounted to approximately RMB20,419,000 and RMB71,629,000 as at 31 July 2017 (representing approximately 3.3% and approximately 11.5% of the total assets of the PRC Subsidiary, respectively). The PRC Subsidiary has 6 production lines and the existing maximum production capacity of concrete of the Target Group is approximately 1.8 million cubic meter per year and the Target Group is producing approximately 1.3 million cubic meter per year. The PRC Subsidiary has employed strict quality controls over its products, such as in-house raw material testing and routine end product testing, to ensure the quality of the concrete meets the required standards. Based on the PRC legal opinion, the PRC Subsidiary has obtained the business license and all licenses in relation to the incorporation of the company. It has also obtained the Certificate of Construction Enterprise Qualification (建築業企業資質證) which is required for carrying out the concrete business of the PRC Subsidiary. According to the PRC legal opinion, the PRC Subsidiary has submitted an application of pollutant discharge permit (排放污染物許可證) to

* *For identification purpose only*

the local environmental protection department. However, as confirmed by the local environmental protection department, since the pollutant discharge system for the whole concrete industry in Hainan Province is undergoing a reform process, the corresponding governmental department currently does not process any, including the aforesaid application. According to the results of a reference check on the local environmental department system and the confirmation letter issued by the relevant authority, the PRC Subsidiary has not been subject to any sanctions due to its failure to obtain any pollutant discharge permits.

According to the interview with an officer of the local environmental department by the PRC legal advisers and as confirmed by the PRC Subsidiary, the PRC Subsidiary has completed the necessary environmental protection acceptance formalities in respect of its production and/or construction projects (except for the machine-proceed sand production line which will be further assessed by local environmental department upon its completion) and will not be subject to any sanctions, suspension or revocation of licenses or permits, or adversely affect the continued operation of the PRC Subsidiary due to its failure to obtain any pollutant discharge permits or as a result of its continued operation in the absence of any pollutant discharge permits. As advised by the PRC legal advisers, according to the aforesaid interview, should the corresponding governmental department resumes the process of approving the application and the PRC Subsidiary submits an application in compliance with the applicable laws and regulations, there would be no legal impediment for the PRC Subsidiary to obtain the pollutant discharge permits. Saved as disclosed above, no other governmental or regulatory approvals or licenses are required to conduct the business of the PRC Subsidiary.

One of the key raw materials for production of concrete is cement and Chengmai Huasheng has been the sole supplier of cement to the PRC Subsidiary since its commencement of business. Based on the information provided by the Vendor, the unit price of cement charged by Chengmai Huasheng was on normal commercial terms and comparable to the prevailing market price of cement. Although the PRC Subsidiary can procure cement from other independent suppliers in the Hainan Province, it is expected that the PRC Subsidiary will continue to procure cement from Chengmai Huasheng as the PRC Subsidiary has maintained a good business relationship with Chengmai Huasheng which can ensure the steady supply of cement to the PRC Subsidiary at market price. Besides, the production plant of the PRC Subsidiary is located next to that of Chengmai Huasheng, the PRC Subsidiary can benefit from the saving of the transportation cost for the cement. During the first seven months in 2017, the PRC Subsidiary has supplied approximately 0.8 million cubic meter concrete to over 300 construction projects in the Haikou city and the Chengmai region. In 2017, the PRC Subsidiary has more than 150 customers including state-owned enterprises and privately-owned enterprises which are contractors of the property developers in the Hainan Province. As at 31 July 2017, the PRC Subsidiary had entered into master framework agreements with 69 customers which are independent to the PRC Subsidiary. Although only the framework agreements were entered into and no legally binding orders were placed, it is the industry practice that the contractors of the property developers will not change to another concrete supplier after signing the framework agreements as any change of concrete suppliers may result in the inconsistency in the quality of the concrete and delay the construction schedule. It will also cause harm to the reputation of the contractors and other suppliers may be reluctant to supply the concrete to these contractors in the future. Based on the signed master framework agreements entered into between the Target and the customers which stipulate the orders to be placed by the customers and the expected delivery schedule of the orders, the forecasted production of concrete for the years ended 31 December 2017 and ending 31 December 2018 would reach 1.6 and 1.7 million cubic meter, respectively.

The PRC Subsidiary is currently capturing over 20% of the total market share in Haikou and the current production level is within the existing maximum production capacity. The PRC Subsidiary intends to expand the sales team so as to obtain more sales orders from existing and new customers to enlarge its market share. The management of the PRC Subsidiary targets to enforce the expansion plan in the western area of Haikou.

Business model of the Target Group

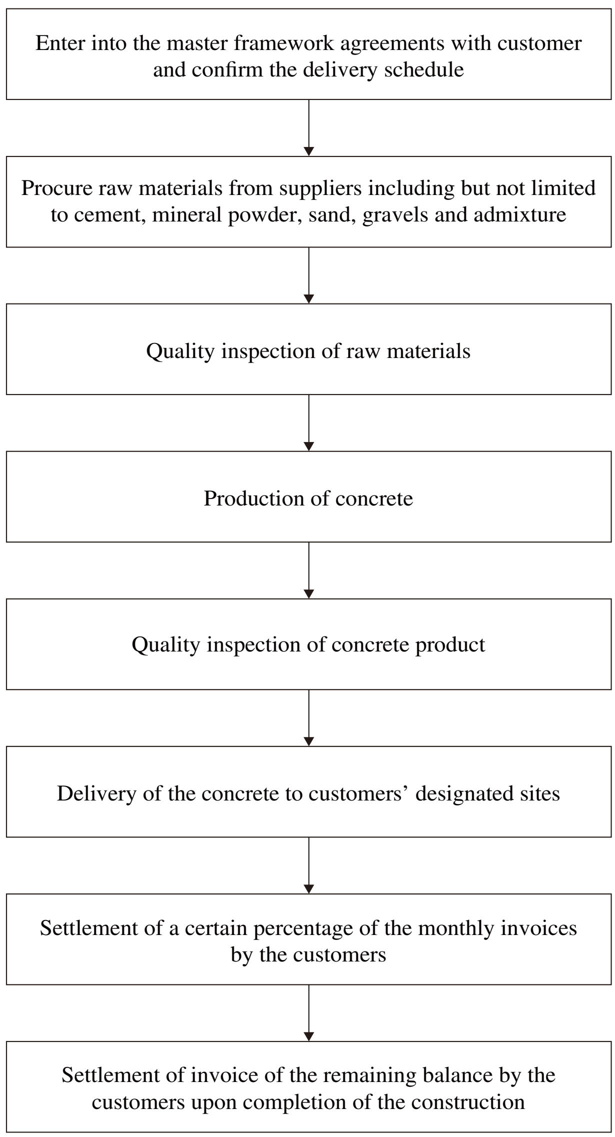
The Target Group is principally engaged in concrete business. Commercial concrete is also known as ready-mixed concrete. It is composed of cement, water, gravel, sands and chemical admixture according to a given proportion. The ingredients get measured and mixed in mixing stations with final products being sold and transported to the construction sites within designated time. Differed from traditional concrete, commercial concrete is produced in a larger scale and transported in mixing tanks. Commercial concrete manufacturers synchronise their batching plants' production with their customers' construction work at building sites. The production of commercial concrete are tailored based on formula for specific needs of customers.

The sales team usually approaches the customers and discusses with the customers on their specific needs in relation to the concrete requirement. After negotiation, the PRC Subsidiary will enter into master framework agreements with the customers which include the detailed concrete requirement, the approximate quantity needed, the timeframe of the planned construction, the pricing and the payment terms. The PRC Subsidiary will then source raw material and start the production of the concrete and deliver the concrete to the customers in accordance with their respective construction schedule.

The PRC Subsidiary generates revenue from the production and sales of concrete to its customers while the major costs of the PRC Subsidiary are the cost of raw materials, staff costs and the selling and distribution expenses which include the marketing and delivery costs.

As discussed above, for the year ended 31 December 2016, the prices of raw materials, including but not limited to sands, increased substantially. In order to minimise the risk of fluctuation in cost of raw materials and to reduce the costs of production, the PRC Subsidiary is assembling a production line which could produce machine processed sands by powdering small pieces of gravel. It is expected that the production line would be able to provide approximately 30% of the sands used for the production of concrete. The PRC Subsidiary has sufficient working capital for its operation and it is expected that no capital commitment would be required for the operation of the PRC Subsidiary.

Set out below is the operating workflow of the business of the PRC Subsidiary:



Financial information of the Target Group

Set out below is the audited financial information of the Target Group for the periods from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and the four months ended 31 July 2017 as prepared in accordance with Hong Kong Financial Reporting Standards:

	For the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017	**For the four months ended 31 July 2017**
	HK$'000	*HK$'000*
	(audited)	(audited)
(Loss)/profit before income tax	(13)	105,532
(Loss)/profit after income tax	(13)	102,122

The profit of the Target Group for the four months ended 31 July 2017 was mainly attributable to the gain from a bargain purchase as a result of the acquisition of the PRC Subsidiary by the Target Group on 11 July 2017. Excluding the gain from the bargain purchase, the Target Group recorded a profit before and after income tax for the four months ended 31 July 2017 of approximately HK$13,332,000 and HK$9,922,000 respectively.

The net asset value of the Target Group as at 31 July 2017 amounted to approximately HK$103,682,000.

Set out below is the audited financial information of the PRC Subsidiary for each of the two financial years ended 31 December 2015 and 2016 and the unaudited/audited financial information of the PRC Subsidiary for the seven months ended 31 July 2016 and 2017 as prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December		**For the seven months ended 31 July**	
	2015	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(audited)
Profit before income tax	64,142	15,406	14,606	28,660
Profit after income tax	46,946	9,430	10,081	21,257

The net profit after income tax of the PRC Subsidiary decreased by approximately 79.9% from approximately RMB46,946,000 for the year ended 31 December 2015 to approximately RMB9,430,000 for the year ended 31 December 2016. Such decrease was primarily due to the substantial increase in the price of sand, which is the raw material for concrete, during the year ended 31 December 2016. In spite of such increase in the price of sand, the PRC Subsidiary was able to record a significant increase in the net profit after income tax of approximately RMB11,176,000, or 110.9%, from approximately RMB10,081,000 for the seven months ended 31 July 2016 to approximately RMB21,257,000 for the seven months ended 31 July 2017 as a result of the increasing demand for concrete in 2017.

The net asset value of the PRC Subsidiary amounted to approximately RMB137,053,000 as at 31 July 2017.

RISK FACTORS

Risks relating to the business of the Target Group

The business of the Target Group depends significantly on the market conditions of the construction and infrastructure industry in Hainan Province

The Target Group operates in Hainan province. Therefore, the demand for the concrete products primarily depends on the general level of activity and growth in the construction industry in Hainan province. General national economic conditions, mortgage and interest rate levels, PRC government policies, inflation, unemployment, demographic trends and GDP growth, among other factors, may have a significant impact on the performance and growth of the construction industry in the markets in which the Target Group operates and, consequently, the demand for the concrete products. While the economy of China and Hainan province has generally experienced growth in recent years, the gross domestic product has increased from RMB350.1 billion in 2014 to RMB404.5 billion in 2016 with compound annual growth rate of 4.93%, such economic growth may not continue in the future. Any slowdown in the growth of the economy of China, Hainan province or any downturn in the construction industry, in China or in any of the regional markets in which the Target Group operates, could materially and adversely affect its results of operations and its financial condition.

The price of raw materials may continue to rise, and the Target Group may not be able to pass on some or all of the cost increase to the customers

Certain raw materials used in the production, such as stone, stone powder and sand, are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies.

Target Group cannot assure the key suppliers will continue to provide it with raw materials at reasonable prices, or that the raw materials prices will remain stable in the future. In addition, the

Target Group may not be able to transfer some or all of the increase in costs in its raw materials to its customers. As a result, any increase or material fluctuation in the prices of its raw materials could have a material adverse effect on its business, financial condition and results of operations.

The Target Group may not be able to renew the operating lease where its production plant is located

The production facilities of the Target Group are under short term operating leases which were entered into with the Founders. The operation may be suspended if the operating lease is not extended upon its expiry and the Target Group may be required to relocate the production facilities to other area. Such business interruption could materially and adversely affect the business of the Target Group.

Any failure to maintain an effective quality control system at the production facilities would have a material and adverse effect on the business of the Target Group

The quality of the concrete products is critical to the success of the concrete business of the Target Group. The product quality depends on the effectiveness of the quality control system, which in turn depends on a number of factors including but not limit to the design of the system, the quality control training program and whether the employees adhere to the quality control policies and guidelines of the Target Group. Any failure or deterioration of the quality control system would result in the production of defective or substandard products, which in turn may result in delays in the delivery of the products, the Target Group would need to replace defective or substandard products, this would cost the Target Group to replace defect products, subject to law suits and penalties or damages to the reputation of the Target Group.

Failure to comply with environmental regulations may result in adverse publicity, significant fines and suspension of the business operation of the Target Group

The Target Group is subject to national and local governmental protection laws and regulations. Failure to comply with these regulations may result in penalties, fines, administrative sanctions, proceeding and/or suspension or revocation of licenses or permits to conduct the business of the Target Group. The PRC government has adopted a series of environmental policies to reduce the adverse effects of the concrete industries on the environment. With the increasing awareness of environmental protection issue, the environmental regulatory framework in the PRC will become increasingly stringent. In the event that, the Target Group is unable to comply with any additional environmental regulations, which may be implemented in the future, on a cost-effective basis, this may materially and adversely affect the business and financial performance of the Target Group.

Entry barrier for the concrete industry is low and the Target Group may not be able to maintain its market share

As the capital investment for the establishment of a concrete production plant is not substantial and the technology required for the production of concrete is not advanced, the entry barrier for the concrete manufacturers is low. Any increase in competition may adversely affect the market share of the Target Group and may have a material adverse impact on the business and financial performance of the Target Group.

Results of operations of the Target Group are subject to seasonal fluctuations

Demand for the concrete products is subject to seasonal fluctuations. Target Group usually records the lowest quarterly sales in the first quarter due to the Chinese New Year's holidays. The Target Group generally experiences an increase in sales volume of the products in the third and fourth quarters because of improved weather conditions and the Target Group generally increases the prices of the concrete products due to higher demand during this period as a result of the higher level of construction activities. As a result of the seasonal fluctuations, the quarterly results may not be indicative of the Target Group's business and financial performance for the year as a whole.

Product liability claims may be brought against the Target Group and, whether or not successful, could harm the business, financial condition and results of operations

The Target Group is exposed to risks associated with product liability claims if the use of the concrete products results in property damage or personal injury. The concrete products are mainly used as construction materials. While the Target Group seeks to conform the products to meet a variety of contractual specifications and regulatory requirements, the Target Group cannot assure product liability claims against the Target Group will not arise, whether due to product malfunctions, defects, or other causes. Any such claims, regardless of whether they are ultimately successful, could cause the Target Group to incur litigation costs, harm the business reputation and disrupt its operations. Furthermore, the Target Group cannot assure to be able to defend against such claims successfully. If any such claims against the Target Group were ultimately successful, the Target Group could be required to pay substantial damages, which could materially and adversely affect the business, financial condition and results of operations.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, the Target will become an associate of the Group and its financial results will be equity accounted for in the consolidated financial statements of the Enlarged Group.

Effect on assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information. The total assets of the Enlarged Group would be increased from HK$736,336,000 to HK$756,985,000 and the total liabilities would be increased from

HK$318,713,000 to HK$339,362,000. The details of the financial effect of the Acquisition on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information of the Enlarged Group are set out, for illustration purpose only, in Appendix IV to this circular.

Effect on earnings

Upon Completion, the Target will become an associate of the Group and the Group will adopt equity accounting method to account for the sharing of profit or loss of the Target Group in the consolidated financial statements of the Enlarged Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) wholesale and retail of household consumables; (ii) coal trading business; (iii) digital technology business; (iv) education business; and (v) provision of money lending services.

As disclosed in the annual report of the Company for the year ended 31 March 2017, the Group has been exploring new investment opportunities in different sectors to diversify its business and find new growth drivers to support the long term development of the Group.

The Target Group is a well-established concrete manufacturer in Haikou City, Hainan Province, the PRC. According to the Statistical Communique of the 2016 National Economic and Social Development of Hainan Province published on 10 February 2017, the completed investments in real estate development in Hainan Province increased by approximately RMB8.4 billion, or 4.9%, from approximately RMB170.4 billion in 2015 to approximately RMB178.8 billion in 2016. Further, there were 3,390 investment projects under construction in Hainan Province in 2016, representing an increase of 13.8% as compared with 2015. During 2016, there were 1,325 newly commenced projects in Hainan Province, representing an increase of 13.9% as compared with 2015. In view of the above and the substantial increase in the unaudited net profit after taxation of the PRC Subsidiary for the seven months ended 31 July 2017 as discussed under the paragraph headed “Financial information of the Target Group” above, the Directors believe there would be strong demand for concrete in Hainan Province in the coming years and are optimistic about the growth and prospect of the concrete industry in Hainan Province.

Based on the signed master framework agreements entered into between the Target and the customers, the forecasted production of concrete for the years ending 31 December 2017 and 2018 would reach 1.6 and 1.7 million cubic meter, respectively. The Target Group also has good relationships with its suppliers and it is believed that it would be able to secure the stable supply of raw materials for production of concrete including but not limited to cements, sand and stone . The Board believes this, together with the aforesaid promising prospect of concrete industry resulting from the increase in investment in Hainan Province, would enable the Target Group to meet the 2017 Profit Guarantee and 2018 Profit Guarantee.

The Company and the Vendor will enter into the Shareholders' Agreement to govern and regulate the operations and affairs of the Target Group and the board of directors of the Target will comprise one (1) representative from the Company and four (4) representatives from the Vendor. Given the Group will only acquire 20% equity interest in the Target and the Target will become an associate of the Group, the Company will not participate in the operation of the Target Group. The existing management team of the PRC Subsidiary will continue the day-to-day management of the PRC Subsidiary and it is expected that there will be no interruption to the operations of the PRC Subsidiary after Completion. Although the existing management of the Group does not have experience and expertise in the concrete business, in view of the diverse business backgrounds of the members of the Board who possess experiences in corporate management, internal control, coal mining industry, trading in natural resources, provision of internet e-gaming, travel agent services, entertainment programme production and provision of motor vehicles beauty services, the Directors believe that they could apply such skills and managing experience in overseeing the investment in the Target Group. Further, the Company will consider recruiting candidates who possess the relevant industry experience to assist the Company to oversee the investment in the Target Group as and when necessary.

In view of the positive historical financial performance of the Target Group and the promising prospect of the concrete industry in Hainan Province, the Board believes that the Acquisition provides a good opportunity for the Group to tap into the concrete industry. In the event the future financial performance of the Target Group is satisfactory, the Company may consider exercising the Call Option to acquire the remaining 80% equity interest in the Target for broadening the income source of the Group and maximizing the value to the Shareholders.

Having considered the above factors, 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 its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Acquisition exceed 25% but all are below 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

The EGM will be convened and held at 11:00 a.m. on Wednesday, 14 February 2018 at Unit 1103, China Building, 29 Queen's Road Central, Central, Hong Kong for the Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and thus no Shareholder is required to abstain from voting at the EGM.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 February 2018 to Wednesday, 14 February 2018 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the EGM. No transfer of Shares and/or the conversion of the outstanding convertible bonds will be registered during this period. Shareholders whose name appear on the register of members of the Company on Wednesday, 14 February 2018 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the Shares should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 8 February 2018.

RECOMMENDATIONS

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

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Newtree Group Holdings Limited
Mr. Wong Wai Sing
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 March 2015, 31 March 2016 and 31 March 2017 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2017, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (http://www.hkexnews.hk) and the Company's website (http://www.newtreegroupholdings.com):

- the annual report of the Company for the year ended 31 March 2015 published on 9 July 2015 (pages 51-135);
- the annual report of the Company for the year ended 31 March 2016 published on 14 July 2016 (pages 45-135);
- the annual report of the Company for the year ended 31 March 2017 published on 7 July 2017 (pages 58-153); and
- the interim report of the Company for the six months ended 30 September 2017 published on 13 December 2017 (pages 23-70).

2. INDEBTEDNESS

As at the close of business on 30 November 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	HK$'000
Carrying amount:	
Convertible bonds *(Note)*	201,676

Note:

On 11 August 2017, the Company issued 8% guaranteed convertible bonds with aggregate principal amount of HK$200,000,000. The convertible bonds mature two years from the date of issue at 116% of its principal amount; can be early redeemed by the Company or the convertible bonds holders after the first anniversary of the date of issue at an amount equal to all outstanding convertible bonds at 100% of the principal amount plus a premium of 8% per annum; or can be converted into Shares on and after 11 August 2017 to 10 August 2019 at the holder's option at the initial conversion price of HK$0.46 per Share. Interest of 8% per annum are payable semi-annually in arrears until the convertible bonds are converted or redeemed. The effective interest rate of the liability component on initial recognition and the subsequent measure of interest expense on the convertible bonds is calculated using effective interest rate of 17.67% per annum. The convertible bonds are guaranteed by Mr. Wong Wai Sing, an executive Director and the Chairman of the Board (for the purpose of this paragraph, the "Guarantor"), who unconditionally and irrevocably guarantees that if the Company does not pay any sum payable by it under the subscription agreement, the instrument and the certificate for the convertible bonds by the time and on the date specified for such payment, the Guarantor will pay that sum to or to the order of the convertible bonds holders.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Enlarged Group had no other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credit, guarantees or material contingent liabilities as at the close of business on 30 November 2017.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources of the Enlarged Group, currently available bank and other facilities and the cash flow impact of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular.

4. 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 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Following Completion, the Group will continue to be principally engaged in (i) wholesale and retail of household consumables; (ii) coal trading business; (iii) digital technology business; (iv) education business; and (v) provision of money lending services.

Household consumables business

The Group's household consumables business primarily targets the wholesale and retail customers in the Europe region. The revenue from this segment decreased by approximately HK$2.7 million, or 9.1%, from approximately HK$29.7 million for the six months ended 30 September 2016 to approximately HK$27.0 million for the six months ended 30 September 2017. The decrease was mainly due to the continuous depreciation of Great British Pound since Brexit referendum in June 2016. Despite the ever-changing macroeconomic dynamics in the Europe region which may hinder the household consumable business, the Directors are still optimistic in its potential growth. With deployment of resources, the sales team was expanded recently with an aim to explore new business opportunities previously unexplored in the household consumables business market in the Europe region. In addition, the Group is identifying and introducing new products and product line to expand its client base. Through product mix optimisation and strategic marketing orientation, the profit margin in this segment has been improving in recent years. The profit margin generated in this segment increased from approximately 18.6% for the six months ended 30 September 2016 to 19.4% for the relevant period in 2017. The Group will continue to identify new customers with an aim to increase its market shares, trading volume and distribution channels.

Coal business

The overdue account receivable by the customer is being repaid in a steady but slow pace. The trading is expected to be resumed when respective account receivable being lessen to an acceptable level. As substantial financial resources have been deployed in this segment, the Group will continue to monitor the market development and interact closely with both supplier and customer in reviewing the operating position with an aim to have a sustainable development in this business segment.

Digital technology business

Persistent demands by enterprise in exploring new technologies has driven the growth in digital technology sector for years. However, the rapid changing in demand of users, emerging of disruptive and sophisticated ideas and advancement of innovation information technology such as big data and cloud computing, has put high pressure on the digital technology market players. The revenue in this segment increased by approximately HK$2.5 million, or 8.3 times, from approximately HK$0.3 million for the six months ended 30 September 2016 to approximately HK$2.8 million for the corresponding period in 2017. The increase was mainly due to the change in sales mix of its products which allowed the Company to re-gain the competitiveness in the market, and turned the segment loss of approximately HK$2.5 million for the six months ended 30 September 2016 to a segment profit of approximately HK$0.1 million for the relevant period in 2017. The Group is currently exploring business opportunities and in the process of identifying potential partners, through co-operation and collaboration of the Group's resources and the partners' expertise, to seize new markets in the digital technology business. Going forward, the Group will continue to strive for innovative ideas and technologies to improve the efficiency and maximise the Group's competitive edge in this dynamic industry.

Education business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this segment. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. Revenue from this segment increased by approximately HK$0.7 million or 8.9% from approximately HK$7.9 million for the six months ended 30 September 2016 to approximately HK$8.6 million for the relevant period in 2017. Although the segment still recorded a segment loss of approximately HK$0.3 million for the six months ended 30 September 2017, the performance has been improved when comparing to the loss of approximately HK$3.2 million for the corresponding period in 2016. The Group is optimistic that the overall market size will continue to grow and the education business segment will ride on such industry expansion. To explore new opportunities, the Group is conducting market researches on talent education and early childhood education to analyse the feasibility and profitability.

Money lending business

The money lending business was acquired by the Group in December 2016. For the six months ended 30 September 2017, this segment recorded loan interest income of approximately HK$9.5 million. Base on the current financial performance, the Board is confident that the business will continue to contribute a stable and favourable income stream to the Group in future years. To minimise financial risk in this volatile lending market, the Group targets to expand the business in secured loan, including but not limited to mortgage loan. The Board believes that the money lending business will provide an excellent platform for the Group to explore and capitalise this business market. The Group will continue to develop this business by retaining prudent credit control procedures and strategies to balance between business growth and risk management.

Disposal of loss-making businesses

In the first quarter of financial year 2017/2018, the Group disposed of two underperformed business segments, namely the hygienic disposables business and the jewelries and watches business, with the aim of improving the overall profitability and performance of the Group.

On 17 January 2018, the Group had exercised the put option to dispose of the approximately 10% of the total issued share capital of Goldbell Holdings Limited pursuant to the conditional sale and purchase agreement dated 10 July 2014 entered into among Golden Star Group Holdings Limited (a direct wholly-owned subsidiary of the Company), Sinochoze Investments Limited, Jin Ding Investment Limited, Mr. Lo Man Pui and Mr. Jiang Zhiyong. The Board believes that the disposal of Goldbell Holdings Limited would enable the Group to realise the available-for-sale investments which are relatively illiquid at a reasonable price and to release the Company from the administrative effort in such available-for-sale investments, and as a result to have a better allocation of internal resources of the Group. For details, please refer to the announcement of the Company dated 17 January 2018.

Save for disclosed above, as at the Latest Practicable Date, the Board had no intention and had not entered into any arrangement, understanding or undertaking to acquire any new business, and/or dispose of or downsize the Company's existing businesses and/or its major operating assets.

Target Group

With the growth in number of investment projects under construction and newly commenced projects in Hainan Province, the demand in concrete will continue to increase. The Target Group will seize the opportunities emerging from this growing demand by taking full advantage of its years of experience, expertise and penetration in the concrete business in Haikou City with an aim to sustain sound momentum for growth and seize the greatest market share in the industry.

Being one of the market leaders in the concrete industry in Haikou City which supplies concrete to major local construction projects, the Target Group will continue to deploy its resources in its concrete business and remain a key player in the concrete industry in Haikou City for years to come. The Target Group will continue to closely monitor and review the current manufacturing process, with an aim to enhance the efficiency, profitability, quality of products and maintain its competitive edge.

With the Call Option granted by the Vendor, the Company can exercise its rights to acquire the remaining 80% of the issued share capital of the Target from the Holding Company B if the performance of the Target Group within two years from the Completion Date meets the expectation of the management.

1. ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEWTREE GROUP HOLDINGS LIMITED

We report on the historical financial information of Alpha Youth Limited (the "Target") and its subsidiaries (together, the "Target Group") set out on pages II-5 to II-49, which comprises the consolidated statements of financial position of the Target Group as at 31 March 2017 and 31 July 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and the four months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-5 to II-49 forms an integral part of this report, which has been prepared for inclusion in the circular of Newtree Group Holdings Limited (the "Company") dated 25 January 2018 (the "Circular") in connection with the proposed acquisition of 20% of the issued share capital of the Target by Bright World Investment Limited, a wholly-owned subsidiary of the Company (the "Acquisition").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 March 2017 and 31 July 2017 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2.2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 10 May 2016 (date of incorporation of the Target) to 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2.2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-5 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Target in respect of the Track Record Period.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419
Hong Kong

25 January 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements"). Management of the Target Group is responsible for the preparation and fair presentation of the Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and for such internal control as management of the Target Group determines is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Consolidated Statements of Comprehensive Income

	Notes	10 May 2016 (date of incorporation of the Target) to 31 March 2017 HK$'000	1 April 2017 to 31 July 2017 HK$'000	10 May 2016 (date of incorporation of the Target) to 31 July 2016 HK$'000 (unaudited)
Revenue	*7*	—	61,682	—
Cost of sales		—	(43,740)	—
Gross profit		—	17,942	—
Other income and gain	*8*	—	1,526	—
Gain from a bargain purchase	*9*	—	92,200	—
Selling and distribution expenses		—	(5,316)	—
Administrative expenses		(13)	(820)	(13)
(Loss)/profit before income tax		(13)	105,532	(13)
Income tax expense	*10*	—	(3,410)	—
(Loss)/profit for the period	*11*	(13)	102,122	(13)
Other comprehensive income:				
Item that may be reclassified subsequently to profit or loss:				
— Exchange differences arising on translation of foreign operation		—	1,572	—
Total comprehensive income for the period		(13)	103,694	(13)

Consolidated Statements of Financial Position

	Notes	As at 31 March 2017 HK$'000	As at 31 July 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	—	99,761
Prepayment for acquisition of property, plant and equipment		—	1,985
Retention receivables	*15*	—	30,740
Deferred tax assets	*18*	—	7,035
		—	139,521
Current assets			
Inventories	*14*	—	5,548
Trade, retention and other receivables and prepayments	*15*	—	495,905
Pledged bank deposits	*16*	—	33,702
Bank balances and cash	*16*	—	30,547
		—	565,702
Current liabilities			
Trade and other payables and accruals	*17*	12	598,167
Tax payable		—	3,374
		12	601,541
Net current liabilities		(12)	(35,839)
Net (liabilities)/assets		(12)	103,682
CAPITAL AND RESERVES			
Share capital	*19*	1	1
(Deficit)/reserves	*20*	(13)	103,681
Total (deficit)/equity		(12)	103,682

Consolidated Statements of Changes in Equity

	Share capital	Special reserve	Exchange reserve	(Accumulated losses)/ retained earnings	Total (deficit)/ equity
	HK$'000	*HK$'000* *(Note 20)*	*HK$'000* *(Note 20)*	*HK$'000*	*HK$'000*
Balance as at 10 May 2016 (date of incorporation of the Target)	—	—	—	—	—
Issuance of shares upon incorporation of Grace Wisdom Holdings Limited ("Grace Wisdom")	—	—*	—	—	—*
Issuance of shares upon incorporation of the Target	1	—	—	—	1
Loss and total comprehensive income for the period	—	—	—	(13)	(13)
Balance as at 31 March 2017 and 1 April 2017	1	—*	—	(13)	(12)
Profit for the period	—	—	—	102,122	102,122
Other comprehensive income					
— Exchange differences arising on translation of foreign operation	—	—	1,572	—	1,572
Total comprehensive income for the period	—	—	1,572	102,122	103,694
Balance as at 31 July 2017	1	—*	1,572	102,109	103,682
Balance as at 10 May 2016 (date of incorporation of the Target)	—	—	—	—	—
Issuance of shares upon incorporation of Grace Wisdom	—	—*	—	—	—*
Issuance of shares upon incorporation of the Target	1	—	—	—	1
Loss and total comprehensive income for the period	—	—	—	(13)	(13)
Balance as at 31 July 2016 (unaudited)	1	—*	—	(13)	(12)

* Less than HK$1,000

Consolidated Statements of Cash Flows

	Notes	10 May 2016 (date of incorporation of the Target) to 31 March 2017 HK$'000	1 April 2017 to 31 July 2017 HK$'000	10 May 2016 (date of incorporation of the Target) to 31 July 2016 HK$'000 (unaudited)
Cash flows from operating activities				
(Loss)/profit before income tax		(13)	105,532	(13)
Adjustments for:				
Depreciation of property, plant and equipment		—	1,051	—
Reversal of provision for trade and retention receivables		—	(1,255)	—
Imputed interest income on retention receivables		—	(214)	—
Interest income		—	(57)	—
Gain from a bargain purchase	9	—	(92,200)	—
Operating (loss)/profit before working capital changes		(13)	12,857	(13)
Increase in inventories		—	(523)	—
Decrease in trade, retention and other receivables and prepayments		—	2,440	—
Increase in trade and other payables and accruals		—	5,770	—
Cash (used in)/generated from operations		(13)	20,544	(13)
Income tax paid		—	(4,026)	—
Net cash (used in)/generated from operating activities		(13)	16,518	(13)
Cash flows from investing activities				
Increase in pledged bank deposits		—	(8,072)	—
Interest received		—	57	—
Acquisition of property, plant and equipment		—	(710)	—
Acquisition of a subsidiary, net of cash and cash equivalents received from	9	—	22,325	—
Net cash generated from investing activities		—	13,600	—

	Notes	10 May 2016 (date of incorporation of the Target) to 31 March 2017 HK$'000	1 April 2017 to 31 July 2017 HK$'000	10 May 2016 (date of incorporation of the Target) to 31 July 2016 HK$'000 (unaudited)
Cash flows from financing activities				
Advanced from shareholders		12	5	12
Proceeds from issuance of shares by Grace Wisdom		—*	—	—*
Proceeds from issuance of shares by the Target		1	—	1
Net cash generated from financing activities		13	5	13
Net increase in cash and cash equivalents		—	30,123	—
Cash and cash equivalents at beginning of the period		—	—	—
Effect of foreign exchange rate changes		—	424	—
Cash and cash equivalents at end of the period		—	30,547	—
Analysis of cash and cash equivalents				
Bank balances and cash		—	30,547	—

* Less than HK$1,000

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The Target is a limited liability company incorporated on 10 May 2016 in the British Virgin Islands (the "BVI"). Its registered office is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the British Virgin Islands.

The Target is an investment holding company. The Target was not involved in any business activities before the acquisition as set out in Note 2.1.

The principal activity of the Target Group is production and sales of concrete in the People's Republic of China (the "PRC").

During the Track Record Period, Mr. Zhou Fengtang ("Mr. Zhou"), being the sole shareholder of the Target, is the ultimate controlling shareholder. After the reorganisation (the "Reorganisation") described in Note 2.1, two holding companies controlled by Mr. Zhou, were inserted between Mr. Zhou and the Target. After the insertion and as at the date of this report, South Sunrise Limited ("South Sunrise") and Bikerland Limited ("Bikerland"), companies incorporated in the British Virgin Islands, became immediate holding company and ultimate holding company of the Target. Mr. Zhou, being the sole shareholder of Bikerland, remains the ultimate controlling shareholder.

As of the date of this report, no statutory financial statements have been prepared for the Target since its date of incorporation as there is no statutory requirement under the jurisdiction of its country of incorporation. The Target has not been involved in any significant business transactions except for the Reorganisation.

As at the date of this report, the Target has direct and indirect interests in the following subsidiaries, all of which are companies with limited liability. The particulars of which are set out as follows:

Name of the subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/paid-up capital	Attributable equity interest held by the Target Group			Principal activities and place of operation
			As at 31 March 2017	As at 31 July 2017	As at the date of this report	
Directly held:						
Grace Wisdom *(Note (a))*	Hong Kong, 12 April 2016	HK$100	100%	100%	100%	Investment holding
Indirectly held:						
Hainan Huasheng Concrete Company Limited* (海南華盛混凝土有限公司) (the "PRC Subsidiary") *(Note (b))*	The PRC, 23 May 2006	Renminbi ("RMB")20,000,000	0% *(Note 2.1)*	100%	100%	Production and sales of concrete in the PRC

* The English name of the PRC Subsidiary represent management's best effort at translating the Chinese name of the PRC Subsidiary as no English name has been registered.

Notes:

(a) The statutory financial statements of Grace Wisdom for the period from 12 April 2016 (date of incorporation of Grace Wisdom) to 31 March 2017 were audited by Moore Stephens CPA Limited, certified public accountants. These statutory financial statements were prepared in accordance with HKFRSs issued by the HKICPA.

(b) The statutory financial statements of the PRC Subsidiary for the years ended 31 December 2014, 2015 and 2016 were audited by Haikou Zhongshui Jiaming Certified Public Accountants (海口中稅嘉銘會計師事務所), a firm of certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

(c) Save for the PRC Subsidiary which adopted 31 December as its financial year end date, all other companies now comprising the Target Group have adopted 31 March as their financial year end date.

2. Group reorganisation and basis of preparation and presentation

2.1 Group reorganisation

The companies comprising the Target Group underwent a reorganisation to rationalise the Target Group's structure in preparation for the acquisition of the Target by the Company. The Reorganisation involved the followings:

(a) Acquisition of the PRC Subsidiary by Grace Wisdom

Pursuant to share transfer agreements dated 1 June 2017 entered into between Grace Wisdom and the founders of the PRC Subsidiary, Mr. Chen Yuyong and Ms. Cai Xili (the "Founders") respectively, the Founders, as the vendors, and Grace Wisdom, of which Mr. Zhou is the sole shareholder, as the purchaser, Grace Wisdom acquired the entire equity interest in the PRC Subsidiary at a consideration of RMB30,000,000 (equivalent to approximately HK$34,328,000). Mr. Zhou and the Founders are independent parties and the consideration was determined, with reference to the paid up registered capital of the PRC Subsidiary with mark up by 50%. The acquisition was completed on 11 July 2017.

(b) Acquisition of the Grace Wisdom by the Target

Pursuant to instrument of transfer dated 17 August 2017 of Grace Wisdom, Mr. Zhou, as the vendors, and the Target, of which Mr. Zhou is the sole shareholder, as the purchaser, the Target acquired the entire equity interest in Grace Wisdom at a consideration of HK$100, with reference to the issued share capital of Grace Wisdom.

Following the above steps, the Target becomes the holding company of Grace Wisdom and the PRC Subsidiary.

2.2 Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

Following the change in controlling shareholders of the PRC Subsidiary on 11 July 2017 as stated in Note 2.1(a), the acquisition of the PRC Subsidiary by Grace Wisdom is accounted for as a business combination according to Note 4.2.

Pursuant to the Reorganisation, the Target became the holding company of the companies now comprising the Target Group on 17 August 2017. The Target Group is regarded as a continuing entity resulting from the Reorganisation since the insertion of the Target as the new holding company at the top of Grace Wisdom has no commercial substance and does not form a business combination. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence at those dates taking into account the respective date of incorporation or acquisition, where applicable.

Except for the acquisition of the PRC Subsidiary by Grace Wisdom which is accounted for according to Notes 4.1 and 4.2, (i) the assets and liabilities of the companies comprising the Target Group are consolidated using the existing book values; and (ii) no amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The Historical Financial Information has been prepared on historical cost basis. The Historical Financial Information is presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Target. All values are rounded to the nearest thousand except when otherwise indicated.

The Historical Financial Information has been prepared on a going concern basis notwithstanding that the Target Group had net current liabilities of HK$35,839,000 as at 31 July 2017, which indicates the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern and therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The going concern basis has been adopted on the basis that Mr. Zhou will undertake a shareholding restructuring of the Target (the "Shareholding Restructuring") prior to the completion of the Acquisition pursuant to the supplemental acquisition agreement entered into between Bright World Investment Limited and Mr. Zhou dated 6 October 2017, which involves (i) the incorporation of Bikerland to be wholly owned by Mr. Zhou; (ii) the incorporation of South Sunrise to be wholly owned by Bikerland; (iii) the transfer of the 100 shares of the Target held by Mr. Zhou to South Sunrise; and (iv) South Sunrise will subscribe for 100 new shares of the Target at the consideration of HK$36,000,000.

Should the Target Group be unable to continue as a going concern, adjustments would have to be made to write down the values of assets to their estimated recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these adjustments have not been reflected in the Historical Financial Information.

It should be noted that accounting estimates and assumptions have been used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are set out in Note 5 "Key Sources of Estimation Uncertainty".

3. New and revised HKFRSs not yet adopted

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the Target Group and became effective during the Track Record Period. In preparing the Historical Financial Information, the Target Group has applied all these new and revised HKFRSs which are effective for the Target Group's accounting period beginning on 1 April 2017, consistently throughout the Track Record Period to the extent required or allowed by transitional provisions in the HKFRSs.

As at the date of this report, certain new and amended HKFRSs have been issued but are not yet effective, and have not been applied early by the Target Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contacts[1]
HKFRS 9 (2014)	Financial Instruments[1]
Amendments to HKFRS 9 (2014)	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[*]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019

* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

Further information about these HKFRSs that are expected to be applicable to the Target Group is as follows:

HKFRS 9 (2014) ***Financial Instruments***

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 replaces all existing HKFRSs revenue requirements. This standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when a performance obligation is satisfied.

The core principle is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

HKFRS 16 *Leases*

For lessees, HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16.

The Target Group is still in the process of assessing the impact of HKFRS 9 (2014), HKFRS 15 and HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these Historical Financial Information until the Target Group has completed the assessment.

4. Significant accounting policies

The principal accounting policies are set out below.

4.1 Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Target and entities controlled by the Target (its subsidiaries).

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary is attributed to the owners of the Target and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that the deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 *Income Taxes*.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Target Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Changes in the Target Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Target Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target.

4.3 Subsidiaries

A subsidiary is an investee over which the Target is able to exercise control. The Target controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statements of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4.5 Revenue recognition

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

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

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

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

4.6 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 costs, which it is intended to compensate, are expensed.

4.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, as follows:

Plant and machinery	1 to 10 years
Motor vehicles	1 to 10 years
Furniture, fixtures and equipment	1 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress, which mainly represents construction on plant and machinery, is stated at cost less any identified impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

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

4.8 Leasing

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

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

4.9 Foreign currencies

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

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

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the group entities are translated into the presentation currency of the Target (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

4.10 Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4.11 Retirement benefit plans

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Target Group is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4.12 Taxation

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.14 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Group's financial assets are classified as loans and receivables.

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

The Target Group's financial liabilities i.e. trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

4.15 Impairment losses on non-financial assets

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

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

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

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

4.16 Related parties

(a) A person or a close member of that person's family is related to the Target Group if 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 key management personnel of the Target Group or the Target's parent.

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

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

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

(iii) Both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.17 Segment reporting

The Target Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the director for their decisions about resources allocation to the Target Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the director of the Target are determined following the Target Group's major operations.

The measurement policies the Target Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

5. Key Sources of Estimation Uncertainty

In the application of the Target Group's accounting policies, which are described in Note 4, the management of the Target Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following items are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

Estimated impairment of non-financial assets

Determining whether non-financial assets is impaired requires an estimation of the recoverable amounts of the CGUs to which non-financial assets have been allocated. The recoverable amount calculation requires the Target Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of trade, retention and other receivables

The Target Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required. Further details are set out in Note 15.

Provision for income taxes

The Target Group is subject to income and other forms of taxes in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Target Group recognises provisions for taxes based on estimates of the taxes that are likely to become due. The Target Group believes that its provisions for taxes is adequate for the Track Record Period based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

6. Segment information

An operating segment is a component of the Target Group that is engaged in business activities from which the Target Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the director of the Target, who is the chief operating decision maker, in order to allocate resources and assess performance of the segment. For the Track Record Period, the director of the Target regularly reviewed revenue and operating results derived from the production of concrete for sale on an aggregate basis and consider it as one single operating segment.

Geographical information

The principal place of the Target Group's operation is mainly in the PRC. For the purpose of segment information disclosures under HKFRS 8, the Target Group regarded the PRC as its country of domicile.

As at 31 July 2017, all non-current assets are located in the PRC. During the Track Record Period, all revenue by geographical location of customers, which is based on the principal place of the customers' operation, is in the PRC.

7. Revenue

Revenue represents the sales of concrete, net of return, discounts and sales related taxes during the Track Record Period.

8. Other income and gain

	10 May 2016 (date of incorporation of the Target) to 31 March 2017	1 April 2017 to 31 July 2017	10 May 2016 (date of incorporation of the Target) to 31 July 2016
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
Bank interest income	—	57	—
Imputed interest income on retention receivables	—	214	—
Reversal of provision for trade and retention receivables	—	1,255	—
	—	1,526	—

9. Acquisition of a subsidiary

On 11 July 2017, the Target Group acquired the entire equity interest of the PRC Subsidiary, with a cash consideration of RMB30,000,000 (equivalent to approximately HK$34,328,000). The acquisition provides a platform for the Target Group to expand, explore and capitalise in the new market of production for sales of concrete in the PRC.

The table below summarises the consideration paid for the acquisition of the PRC Subsidiary, and the fair values/provisional fair value of assets and liabilities recognised at the acquisition date:

	HK$'000
Consideration *(Note (a))*	34,328
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment *(Note 13)*	99,027
Prepayment for acquisition of property, plant and equipment	1,964
Deferred tax assets *(Note 18)*	7,315
Inventories	4,967
Trade, retention and other receivables and prepayments *(Note (b))*	521,942
Pledged bank deposits	25,299
Bank balances and cash	22,325
Trade and other payables and accruals	(552,004)
Tax payable	(4,307)
Total identifiable net assets	126,528
Gain from a bargain purchase *(Note (c))*	(92,200)
	34,328
Cash consideration paid	—
Less: Bank balances and cash of subsidiary acquired	(22,325)
Cash inflow on acquisition	(22,325)

The initial accounting for the acquisition of the PRC Subsidiary was incomplete as at 31 July 2017 and the amounts recognised in the consolidated financial statements for the acquisition have been determined only provisionally as the management of the Target Group is still in the process of performing credit reviews of the debtors' balances comprising the "trade, retention and other receivables and prepayments". The management of the Target Group will engage an independent qualified professional valuer to assist in the determination of fair values of these balances as soon as the credit reviews have been completed.

Upon completion of the Acquisition, the directors of the Company will engage an independent qualified professional valuer to carry out the valuation of these trade, retention and other receivables and prepayments as at the date of completion of the Acquisition, based on facts and circumstances existing as at that date. The valuation of these trade, retention and other receivables and prepayments may be significantly different from the assumed valuation used for the purpose of the preparation of the Historical Financial Information.

Notes:

(a) The consideration is payable in six equal instalments of RMB5,000,000. Pursuant to share transfer agreements dated 1 June 2017, the Target is required to settle based on the payment schedule listed in the share transfer agreement, and the last instalment is required to be settled 10 days after the Target controlled the PRC Subsidiary, which is 21 July 2017. As at 31 July 2017, the consideration is fully payable on demand at the request of the Founders. The payable of the consideration is past due and is subject to a penalty interest rate at 0.08% per day. Up to the date of this report, the consideration has not been yet settled and the penalty interest of approximately RMB4,512,000 would be charged by the Founders.

(b) The gross contractual undiscounted balances amounted to HK$534,845,000. The provisional fair values of these trade, retention and other receivables and prepayments at the acquisition date were estimated to be HK$521,942,000, based on a preliminary assessment of the credit risks of the longest past due balances in the portfolio of trade and retention receivables. The provisional fair values include provision for impairment of trade and retention receivables of HK$3,712,000, which the respective balances are long outstanding and the management of the Target Group considered the recoverability of such balances is remote as the related customers have prolonged delay in repayment.

(c) To the best knowledge of the management of the Target Group, the Founders believed that they would be able to focus on and thereby expand their cement business by disposing of the PRC Subsidiary. Further, in view of the Vendor's diverse business background, in particular his network in property industry in Hainan Province, and the fact that the Vendor was a former employee of a cement company (which is wholly owned by the Founder) and possessed solid industry knowledge, the Founders were of the view that the Vendor has the requisite knowledge, network and experience to continue and manage the business of the PRC Subsidiary. As a result of the foregoing, the Founders agreed to dispose of the equity interest in the PRC Subsidiary to Grace Wisdom (a company wholly owned by the Vendor) at RMB30,000,000.

The acquired business contributed revenue of approximately HK$61,682,000 and net profit after tax of approximately HK$8,991,000 for the period from 11 July 2017 to 31 July 2017. If the acquisition had occurred on 1 April 2017, consolidated pro forma revenue and consolidated pro forma profit for the four months ended 31 July 2017 would have been approximately HK$244,094,000 and approximately HK$137,037,000 respectively.

10. Income tax expense

	10 May 2016 (date of incorporation of the Target) to 31 March 2017	1 April 2017 to 31 July 2017	10 May 2016 (date of incorporation of the Target) to 31 July 2016
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
Current tax:			
— PRC Enterprise Income Tax ("PRC EIT")	—	3,053	—
Deferred tax *(Note 18)*	—	357	—
Income tax expense for the period	—	3,410	—

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which group entities of the Target Group are domiciled and operating.

Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax under this jurisdiction during the Track Record Period.

No provision for Hong Kong Profits Tax has been provided as the Target Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

PRC EIT is calculated at 25% of the estimated assessable profits of the subsidiary operating in the PRC for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the (loss)/profit before income tax per the consolidated statements of comprehensive income as follows:

	10 May 2016 (date of incorporation of the Target) to 31 March 2017	1 April 2017 to 31 July 2017	10 May 2016 (date of incorporation of the Target) to 31 July 2016
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
(Loss)/profit before income tax	(13)	105,532	(13)
Tax at statutory tax rates	(2)	18,547	(2)
Tax effect of income not taxable for tax purpose	—	(15,212)	—
Tax effect of expenses not deductible for tax purpose	2	75	2
Income tax expense for the period	—	3,410	—

There was no other significant unprovided deferred taxation for the Track Record Period and at the end of each reporting period.

11. (Loss)/profit for the period

(Loss)/profit for the period is arrived at after charging:

	10 May 2016 (date of incorporation of the Target) to 31 March 2017	1 April 2017 to 31 July 2017	10 May 2016 (date of incorporation of the Target) to 31 July 2016
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
Salaries and other allowance	—	3,455	—
Retirement benefit scheme contributions	—	213	—
Total staff costs	—	3,668	—
Cost of inventories sold	—	43,740	—
Depreciation of property, plant and equipment	—	1,051	—
Minimum lease payments under operating lease	—	83	—

12. Dividend

No dividend was paid or declared by the Target during the Track Record Period.

13. Property, plant and equipment

	Plant and machinery *HK$'000*	Motor vehicles *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost					
As at 10 May 2016 (date of incorporation of the Target), 31 March 2017 and 1 April 2017	—	—	—	—	—
Acquisition of a subsidiary	13,738	73,318	170	11,801	99,027
Additions	380	—	—	330	710
Exchange realignment	153	797	2	130	1,082
As at 31 July 2017	14,271	74,115	172	12,261	100,819
Accumulated depreciation					
As at 10 May 2016 (date of incorporation of the Target), 31 March 2017 and 1 April 2017	—	—	—	—	—
Charge for the period	163	882	6	—	1,051
Exchange realignment	2	5	—	—	7
As at 31 July 2017	165	887	6	—	1,058
Net carrying amount					
As at 31 July 2017	14,106	73,228	166	12,261	99,761
As at 31 March 2017	—	—	—	—	—

14. Inventories

	As at 31 March 2017	As at 31 July 2017
	HK$'000	*HK$'000*
At costs:		
Raw materials	—	2,944
Fuel and consumables	—	2,604
	—	5,548

15. Trade, retention and other receivables and prepayments

	As at 31 March 2017	As at 31 July 2017
	HK$'000	*HK$'000*
Trade receivables — Gross	—	242,689
Less: impairment loss recognised	—	(2,830)
Trade receivables — Net *(Note (a))*	—	239,859
Retention receivables *(Note (b))*	—	174,825
Bills receivables *(Note (a))*	—	813
Prepayments and deposits	—	11,195
Other receivables *(Note (c))*	—	98,963
Amount due from a related company *(Note (d))*	—	990
Total	—	526,645
Less: non-current retention receivables *(Note (b))*	—	(30,740)
Total current portion	—	495,905

As disclosed in Note 9, the initial accounting for the acquisition of the PRC Subsidiary was incomplete as at 31 July 2017 and the amounts of trade, retention and other receivables and prepayments recognised in the consolidated financial statements for the acquisition have been determined only provisionally. Any adjustments to the provisional fair values will also result in adjustments to the carrying amounts of these balances as at 31 July 2017.

Notes:

(a) Trade and bills receivables

The Target Group generally allows an average credit period of 30 to 90 days to its trade customers. However, certain portion of the trade receivables (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers.

The ageing analysis of the Target Group's trade receivables (net of retention portion and allowance for doubtful debts) and bills receivables based on the invoice date at the end of each reporting period is as follows:

	As at 31 March 2017	**As at 31 July 2017**
	HK$'000	*HK$'000*
0–30 days	—	57,996
31–60 days	—	35,008
61–90 days	—	27,987
Over 90 days	—	119,681
	—	240,672

All bills receivables of the Target Group were aged within 180 days at the end of each reporting period.

Before accepting any new customer, the Target Group assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers.

As at 31 July 2017, included in the Target Group's trade receivables are debtors with aggregate carrying amount of approximately HK$182,097,000 which are past due as at the reporting date for which the Target Group has not provided for impairment loss because the Target Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Target Group does not hold any material collateral over these balances.

As at 31 March 2017 and 31 July 2017, ageing analysis of trade receivables which are past due but not impaired, analysed based on the due dates, is as follows:

	As at 31 March 2017	**As at 31 July 2017**
	HK$'000	*HK$'000*
0–30 days	—	35,008
31–60 days	—	27,639
61–90 days	—	21,861
Over 90 days	—	97,589
	—	182,097

The movement of allowance for doubtful debts in respect of trade receivables were as follows:

	HK$'000
As at 10 May 2016 (date of incorporation of the Target), 31 March 2017 and 1 April 2017	—
Acquisition of a subsidiary	2,799
Exchange realignment	31
As at 31 July 2017	2,830

Trade receivables that were neither past due nor impaired related to customers for whom were no recently history of default.

Included in the impairment loss of trade receivables as at 31 July 2017 of approximately HK$2,830,000 were individually fully/partially impaired trade receivables mainly due from customers with an aggregate carrying amount before allowance of approximately HK$8,971,000. The balances were long outstanding and the management of the Target Group considered the recoverability of the balance is remote as the related customers have prolonged delay in repayment, and therefore only a portion of the receivables is expected not to be recovered. The Target Group did not hold any material collateral over those balances.

The Target Group endorsed certain trade receivables (the ″Endorsed Trade Receivables″) with a carrying amount of approximately HK$14,398,000 as at 31 July 2017 and bill receivables (the "Endorsed Bills") with a carrying amount of approximately HK$581,000 as at 31 July 2017 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors of the Company, the Target Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Trade Receivables and the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Trade Receivables and the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Target Group did not retain any rights on the use of the Endorsed Trade Receivables and the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Trade Receivables and the Endorsed Bills to any other third parties. The aggregate carrying amount of trade payables under the Endorsement amounted to approximately HK$14,979,000 as at 31 July 2017 *(Note 17)*.

(b) Retention receivables

The Target Group's receivables represent certified contract payments in respect of works performed, for which payment are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the Target Group pursuant to the provisions of the relevant contracts after the completion of the projects. In the opinion of the directors of the Target, the retention receivables to be received after 1 year are classified as non-current assets in the consolidated statements of financial position since it is not expected to realise the retention receivables in the Target Group's normal operating cycle.

The ageing analysis of the Target Group's retention receivables (net of allowance for doubtful debts) based on the revenue recognition date at the end of each reporting period is as follows:

	As at 31 March 2017 *HK$'000*	**As at 31 July 2017** *HK$'000*
0–30 days	—	15,336
31–60 days	—	16,661
61–90 days	—	16,536
Over 90 days	—	126,292
	—	174,825

As at 31 July 2017, included in the Target Group's retention receivables are debtors with aggregate carrying amount of approximately HK$42,513,000 which are past due as at the reporting date for which the Target Group has not provided for impairment loss because the Target Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Target Group does not hold any material collateral over these balances.

As at 31 March 2017 and 31 July 2017, ageing analysis of retention receivables which are past due but not impaired, analysed based on the due dates, is as follows:

	As at 31 March 2017 *HK$'000*	**As at 31 July 2017** *HK$'000*
0–30 days	—	589
31–60 days	—	2,470
61–90 days	—	78
Over 90 days	—	39,376
	—	42,513

The retention receivables are to be settled, based on the undiscounted cash flows, at the end of each reporting period:

	As at 31 March 2017 *HK$'000*	**As at 31 July 2017** *HK$'000*
On demand or within one year	—	146,072
After one year	—	33,536
	—	179,608

(c) Other receivables

The amounts outstanding as at 31 July 2017 mainly related to funds advanced by the PRC Subsidiary to these companies when they were under common control of the Founders and before the Target Group acquired the entire equity interest of the PRC Subsidiary. The amounts due are unsecured, interest-free and repayable on demand.

(d) Amounts due from a related company

As at 31 July 2017, the amount is due from a related company, in which Mr. Zhou has direct equity interest. The amount was unsecured, interest-free and repayable on demand.

16. Pledged bank deposits and bank balances and cash

As at 31 July 2017, the Target Group's pledged bank deposits are used to secure the bills payables. Bank balances and cash comprise cash held by the Target Group with the original maturity of three months or less.

The Target Group's pledged bank deposit and bank balances carry interests at market rate ranging as follows per annum:

	As at 31 March 2017	As at 31 July 2017
Pledged bank deposits	N/A	0.30%
Bank balances	N/A	0.00% to 0.35%

As at 31 July 2017, all bank balances and cash of the Target Group are denominated in Renminbi and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

17. Trade and other payables and accruals

	As at 31 March 2017 *HK$'000*	As at 31 July 2017 *HK$'000*
Trade payables *(Note (a))*	—	197,103
Bill payables	—	33,702
Customer deposits	—	237
Other payables and accruals *(Note (b))*	—	367,108
Amount due to a shareholder *(Note (c))*	12	17
	12	598,167

Notes:

(a) The aggregate carrying amount of trade payables under the Endorsement amounted to approximately HK$14,979,000 as at 31 July 2017, do not meet the de-recognition requirements in HKAS 39. The correspondence financial assets are included in trade and bill receivables *(Note 15)*.

(b) As at 31 July 2017, included in other payables and accruals, amounting to approximately HK$149,151,000 and approximately HK$205,751,000 are due from Mr. Chen Yuyong, one of the Founders, and companies, in which the Founders have direct equity interest, respectively. The amounts outstanding as at 31 July 2017 related to funds advanced from Mr. Chen Yuyong and those companies before the Target Group acquired the entire equity interest of the PRC Subsidiary. The amounts due are unsecured, interest-free and repayable on demand.

(c) The amount is unsecured, interest-free and repayable on demand.

The ageing analysis of the Target Group's trade payables based on the invoice date at the end of each reporting period is as follows:

	As at 31 March 2017	**As at 31 July 2017**
	HK$'000	*HK$'000*
0–30 days	—	92,806
31–60 days	—	15,032
61–90 days	—	34,956
Over 90 days	—	54,309
	—	197,103

18. Deferred tax assets

Deferred tax assets recognised and the movements of the deferred tax assets during the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and the four months ended 31 July 2017:

	Fair value adjustments on property, plant and equipment arising from acquisition of a subsidiary	**Fair value adjustments on trade and retention receivables arising from acquisition of a subsidiary**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 10 May 2016 (date of incorporation of the Target), 31 March 2017 and 1 April 2017	—	—	—
Acquisition of a subsidiary *(Note 9)*	5,577	1,738	7,315
Charged to profit or loss *(Note 10)*	(39)	(318)	(357)
Exchange realignment	60	17	77
As at 31 July 2017	5,598	1,437	7,035

19. Share capital

The Target

	Number of shares	**Nominal value**
		HK$'000
Ordinary shares of United States dollar ("US$") 1 each		
Authorised:		
As at 10 May 2016 (date of incorporation of the Target), 31 March 2017, 1 April 2017 and 31 July 2017	50,000	390
Issued and fully paid:		
As at 10 May 2016 (date of incorporation of the Target)	—	—
Issuance of shares upon incorporation of the Target *(Note)*	100	1
As at 31 March 2017, 1 April 2017 and 31 July 2017	100	1

Note: On the date of incorporation, 100 ordinary shares were issued and allotted at US$1 each to provide the initial capital of the Target.

20. (Deficit)/reserves

Details of the movements on the Target Group's reserves are as set out in the consolidated statements of changes in equity.

Special reserve

The special reserve represents the nominal value of the share capital issued by the Grace Wisdom which would be eliminated when the Target becomes the holding company of Grace Wisdom upon completion of the Reorganisation.

Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Target's functional currency.

21. Operating lease commitments

The Target Group made minimum lease payments under operating leases in respect of office premises and land during the Track Record Period. No contingent rents were recognised in profit or loss during the Track Record Period.

At the end of each reporting period, the Target Group had no commitments for future minimum lease payments under non-cancellable operating leases.

The lease terms are at 1 year. The agreements do not include an extension option.

22. Capital commitments

At the end of each reporting period, capital commitments outstanding not provided for in the Historical Financial Information are as follows:

	As at 31 March 2017	**As at 31 July 2017**
	HK$'000	*HK$'000*
Property, plant and equipment, contracted but not provided for	—	5,039

23. Capital Risk Management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Target Group consists of equity, comprising issued share capital and reserves.

The management of the Target Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Target Group will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

24. Financial instruments

(a) Categories of financial instruments

	As at 31 March 2017	**As at 31 July 2017**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including bank balances and cash), measured at amortised cost	—	579,699
Financial liabilities		
Financial liabilities, measured at amortised cost	12	586,701

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include trade, retention and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

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

In order to minimise the credit risk, the Target Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions is low.

As at 31 March 2017 and 31 July 2017, the Target Group has no concentration and concentration of credit risk on top five trade receivables which accounted for 28% of the Target Group's total trade receivables, respectively. These top five trade receivables include state-owned enterprises in the PRC and reputable constructors with good past credit records with the Target Group. In order to minimise the credit risk, the management of the Target Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management of the Target Group also performs periodic evaluations and customer visits to ensure the Target Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Target Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Target Group to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on the aged repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

	Weighted average of contractual interest rate	Less than 1 year or on demand	Total undiscounted cash flows	Carrying amount
	% per annum	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2017				
Trade and other payables	N/A	12	12	12
As at 31 July 2017				
Trade and other payables	N/A	586,701	586,701	586,701

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statements of financial position approximate their fair values.

25. Event after the reporting period

Except as disclosed elsewhere in this report, there are no other material subsequent events undertaken by the Target or by the Target Group after 31 July 2017.

26. Subsequent financial statements

No audited financial statements of the Target Group, the Target or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2017 up to the date of this report.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and the four months ended 31 July 2017:

Business and financial review

Turnover

The Target was incorporated on 10 May 2016 and it was not involved in any business activities before the acquisition of the PRC Subsidiary by Grace Wisdom. On 11 July 2017, Grace Wisdom acquired the entire equity interest in the PRC Subsidiary. The principal activity of the Target Group became principally engaging in the production and sales of concrete in the PRC after the acquisition.

The Target Group did not record any turnover for the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017. It recorded a turnover of HK$61.7 million for the four months ended 31 July 2017 which was attributed from the revenue of the PRC Subsidiary.

Gross profit, gross profit margin and net profit

The Target Group recorded a gross profit of HK$17.9 million and a gross profit margin of 29.1% for the four months ended 31 July 2017. The gross profit was attributed from the operations of the PRC Subsidiary. During the same period, the Target Group recorded a net profit before tax of HK$105.5 million, which was mainly derived from the gain of a bargain purchase of HK$92.2 million as a result of the acquisition of the PRC Subsidiary by the Target Group from the Founders on 11 July 2017. The net profit after tax of the Target Group for the four months ended 31 July 2017 was HK$102.1 million.

Liquidity and financial resources and capital structure

As at 31 March 2017, the Target Group's net liabilities amounted to approximately HK$12,000 which comprised the loss due to administrative expenses of the Target.

As at 31 July 2017, the Target Group's net assets amounted to approximately HK$103.7 million. The current ratio was approximately 0.94. The gearing ratio was nil as the Target Group did not have any borrowing. The Target Group's principal source of working capital was cash generated from the sales of its concrete products.

Currency and interest rate exposure

The transactions of the Target Group were mainly denominated in RMB, which exposed the Target Group to foreign currency risks. The Target Group did not have a foreign currency hedging policy. However, the management monitored the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The Target Group's interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the bank balances.

Charge on assets

The Target Group did not have any assets charged as at 31 March and 31 July 2017 respectively.

Contingent liabilities

The Target Group did not have any material contingent liabilities as at 31 March and 31 July 2017 respectively.

Capital and operating lease commitments

The Target Group did not have any material capital commitments as at 31 March and 31 July 2017 respectively. As at 31 July 2017, the Target Group did not have commitments for future minimum lease payments under non-cancellable operating leases.

Employee information and remuneration policy

As at 31 March 2017, the Target Group did not employ any employees. As at 31 July 2017, the Target Group employed a total of 343 employees. Staff salaries, including director's emoluments, for the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and the four months ended 31 July 2017 was nil and approximately HK$3.7 million respectively. The Target Group established a competitive compensation system and favourable welfare system to motivate staffs. Employees are rewarded on a salary and bonus system and other benefits include contribution to statutory retirement benefits, housing and medical scheme under the relevant ordinances in PRC.

Significant investments

The Target Group did not have any significant investment since the date of incorporation of the Target.

Material acquisitions and disposals

On 11 July 2017, Grace Wisdom acquired the entire equity interest in the PRC Subsidiary with a cash consideration of RMB30,000,000 (equivalent to approximately HK$34,328,000 (based on the exchange rate of RMB1=HK$1.14 as at 11 July 2017)). Save as disclosed above, the Target Group did not have any material acquisition and disposal for the period from 10 May 2016 (date of incorporation of the Target) to 31 March 2017 and for the four months ended 31 July 2017 respectively.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of capital assets as at 31 July 2017.

1. ACCOUNTANTS' REPORT OF THE PRC SUBSIDIARY

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEWTREE GROUP HOLDINGS LIMITED

We report on the historical financial information of Hainan Huasheng Concrete Company Limited (海南華盛混凝土有限公司) (the "PRC Subsidiary") and its subsidiaries (together, the "PRC Group") set out on pages III-5 to III-57, which comprises the consolidated statements of financial position of the PRC Group as at 31 December 2014, 2015 and 2016 and 31 July 2017, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages III-5 to III-57 forms an integral part of this report, which has been prepared for inclusion in the circular of Newtree Group Holdings Limited (the "Company") dated 25 January 2018 (the "Circular") in connection with the proposed acquisition of 20% of the issued share capital of Alpha Youth Limited by Bright World Investment Limited, a wholly-owned subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the PRC Group's financial position as at 31 December 2014, 2015 and 2016 and 31 July 2017 and of the PRC Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the PRC Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 July 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page III-5 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which states that no dividends have been paid by the PRC Subsidiary in respect of the Track Record Period.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419
Hong Kong

25 January 2018

HISTORICAL FINANCIAL INFORMATION OF THE PRC GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared by the directors of the Company based on the consolidated financial statements of the PRC Group for the Track Record Period ("the Underlying Financial Statements"). Management of the PRC Group is responsible for the preparation and fair presentation of the Underlying Financial Statements in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, and for such internal control as management of the PRC Group determines is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Consolidated Statements of Comprehensive Income

		For the year ended 31 December			For the seven months ended 31 July	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*7*	400,822	425,757	446,284	223,974	315,443
Cost of sales		(312,701)	(308,432)	(366,807)	(178,052)	(252,347)
Gross profit		88,121	117,325	79,477	45,922	63,096
Other income	*8*	1,709	2,617	3,156	1,897	3,466
Other gains and losses, net	*9*	(452)	(716)	(4,671)	(8)	(1,652)
Selling and distribution expenses		(37,924)	(46,170)	(51,074)	(24,541)	(32,451)
Administrative expenses		(8,860)	(9,787)	(10,579)	(8,245)	(3,799)
Finance costs	*10*	(86)	(592)	—	—	—
Share of profit/(loss) of a joint venture	*15*	1,761	1,465	(903)	(419)	—
Profit before income tax		44,269	64,142	15,406	14,606	28,660
Income tax expense	*11*	(12,062)	(17,196)	(5,976)	(4,525)	(7,403)
Profit and total comprehensive income for the year/period	*12*	32,207	46,946	9,430	10,081	21,257
Profit and total comprehensive income for the year/period attributable to:						
Owners of the PRC Subsidiary		32,207	46,946	9,430	10,081	21,257

Consolidated Statements of Financial Position

		As at 31 December			As at 31 July
		2014	**2015**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*14*	59,526	117,770	110,892	105,206
Interest in a joint venture	*15*	6,861	8,326	—	—
Prepayment for acquisition of property, plant and equipment		7,220	—	1,710	1,710
Retention receivables	*17*	38,842	45,299	38,192	27,291
		112,449	171,395	150,794	134,207
Current assets					
Inventories	*16*	4,428	4,111	3,224	4,779
Trade, retention and other receivables and prepayments	*17*	282,832	452,605	428,403	431,232
Pledged bank deposits	*18*	—	—	9,914	29,026
Bank balances and cash	*18*	27,826	6,233	26,899	26,308
		315,086	462,949	468,440	491,345
Current liabilities					
Trade and other payables and accruals	*19*	355,458	510,899	502,852	485,593
Tax payable		2,657	8,079	586	2,906
Borrowings	*20*	10,000	—	—	—
		368,115	518,978	503,438	488,499
Net current (liabilities)/assets		(53,029)	(56,029)	(34,998)	2,846
Net assets		59,420	115,366	115,796	137,053

		As at 31 December			As at 31 July
		2014	**2015**	**2016**	**2017**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES					
Paid-up capital	*21*	20,000	20,000	20,000	20,000
Reserves	*22*	39,420	86,366	95,796	117,053
Equity attributable to owners of the PRC Subsidiary		59,420	106,366	115,796	137,053
Non-controlling interest		—	9,000	—	—
Total equity		59,420	115,366	115,796	137,053

Consolidated Statements of Changes in Equity

	Attributable to owners of the PRC Subsidiary					
	Paid-up capital	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	RMB'000	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2014	20,000	721	6,492	27,213	—	27,213
Profit and total comprehensive income for the year	—	—	32,207	32,207	—	32,207
Appropriation of statutory reserve	—	3,221	(3,221)	—	—	—
Balance as at 31 December 2014 and 1 January 2015	20,000	3,942	35,478	59,420	—	59,420
Profit and total comprehensive income for the year	—	—	46,946	46,946	—	46,946
Capital contribution received from a holder of non-controlling interest	—	—	—	—	9,000	9,000
Appropriation of statutory reserve	—	4,695	(4,695)	—	—	—
Balance as at 31 December 2015	20,000	8,637	77,729	106,366	9,000	115,366

	Attributable to owners of the PRC Subsidiary					
	Paid-up capital	**Statutory reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	RMB'000	*RMB'000* *(Note 22)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2016	20,000	8,637	77,729	106,366	9,000	115,366
Profit and total comprehensive income for the year	—	—	9,430	9,430	—	9,430
Disposal of a subsidiary	—	—	—	—	(9,000)	(9,000)
Appropriation of statutory reserve	—	943	(943)	—	—	—
Balance as at 31 December 2016 and 1 January 2017	20,000	9,580	86,216	115,796	—	115,796
Profit and total comprehensive income for the period	—	—	21,257	21,257	—	21,257
Appropriation of statutory reserve	—	420	(420)	—	—	—
Balance as at 31 July 2017	20,000	10,000	107,053	137,053	—	137,053
Balance as at 1 January 2016	20,000	8,637	77,729	106,366	9,000	115,366
Profit and total comprehensive income for the period	—	—	10,081	10,081	—	10,081
Balance as at 31 July 2016	20,000	8,637	87,810	116,447	9,000	125,447

Consolidated Statements of Cash Flows

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities					
Profit before income tax	44,269	64,142	15,406	14,606	28,660
Adjustments for:-					
Depreciation of property, plant and equipment	6,427	9,987	13,843	8,174	7,579
Impairment losses on retention receivables	—	—	376	—	419
Impairment losses on trade receivables	—	—	1,260	8	1,233
Imputed interest income on retention receivables	(1,630)	(2,267)	(2,644)	(1,542)	(1,300)
Interest expenses	86	592	—	—	—
Interest income	(67)	(101)	(14)	(8)	(134)
Loss on disposal of a joint venture	—	—	2,323	—	—
Loss on disposal of property, plant and equipment	452	716	713	—	—
Gain on disposal of subsidiaries	—	—	(1)	—	—
Share of (profit)/loss from a joint venture	(1,761)	(1,465)	903	419	—

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating profit before working capital changes	47,776	71,604	32,165	21,657	36,457
Decrease/(increase) in inventories	10,778	317	887	(5,369)	(1,555)
(Increase)/decrease in trade, retention and other receivables and prepayments	(23,862)	(141,033)	6,087	48,263	7,722
Increase/(decrease) in trade and other payables and accruals	14,099	73,149	(4,648)	(39,429)	14,579
Cash generated from/ (used in) operations	48,791	4,037	34,491	25,122	57,203
Income tax paid	(12,559)	(11,774)	(13,469)	(11,050)	(5,083)
Net cash generated from/(used in) operating activities	36,232	(7,737)	21,022	14,072	52,120
Cash flows from investing activities					
Increase in pledged bank deposits	—	—	(9,914)	—	(19,112)
Interest received	67	101	14	8	134
Prepayment for acquisition of property, plant and equipment	(5,990)	—	(1,710)	(1,710)	—
Proceeds from disposal of property, plant and equipment	314	378	21	—	—
Proceeds from disposal of a joint venture	—	—	5,100	—	—
Acquisition of property, plant and equipment	(22,157)	(62,105)	(7,699)	(3,504)	(1,893)

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
(Advanced to)/repayment from related companies	(9,065)	(32,930)	230	230	(2)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	—	—	16,991	—	—
Net cash (used in)/generated from investing activities	(36,831)	(94,556)	3,033	(4,976)	(20,873)
Cash flows from financing activities					
Interest paid	(86)	(592)	—	—	—
Advanced from/(repayment to) related companies	5,079	82,292	(3,389)	(11,609)	(31,838)
Proceeds from borrowings	10,000	—	—	—	—
Repayment of borrowings	—	(10,000)	—	—	—
Capital contribution received from a holder of non-controlling interest	—	9,000	—	—	—
Net cash generated from/(used in) financing activities	14,993	80,700	(3,389)	(11,609)	(31,838)
Net increase/(decrease) in cash and cash equivalents	14,394	(21,593)	20,666	(2,513)	(591)
Cash and cash equivalents at beginning of the year/period	13,432	27,826	6,233	6,233	26,899
Cash and cash equivalents at end of the year/period	27,826	6,233	26,899	3,720	26,308

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Analysis of cash and cash equivalents					
Bank balances and cash	27,826	6,233	26,899	3,720	26,308

Major non-cash transactions:

1) On 31 July 2016, the PRC Subsidiary, Mr. Chen Yuyong ("Mr. Chen") and one of the related companies entered a debt transfer and repayment agreement. The amount due by the PRC Subsidiary to one of the related companies amounting to RMB98,875,000 was assigned to Mr. Chen.

2) On 11 July 2017, Grace Wisdom Holdings Limited ("Grace Wisdom") acquired the entire equity interest of the PRC Subsidiary from Mr. Chen and Ms. Cai Xili, the founders of the PRC Subsidiary. After Grace Wisdom acquired the entire equity interests of the PRC Subsidiary from Mr. Chen and Ms. Cai Xili, these related companies ceased to be related to the PRC Subsidiary. The amounts due from and to these related companies of RMB83,833,000 and RMB173,719,000 respectively, were reclassified as other receivables and other payables respectively. Also, the amount due to Mr. Chen of RMB98,875,000 were reclassified as other payables.

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The PRC Subsidiary is a limited liability company established on 23 May 2006 in the People's Republic of China (the "PRC"). Its registered office is Flat 06, 21/F., Tianyi International Mansion, No. 85–87 Binhai Ave, Haikou City, Hainan Province, the PRC.

The PRC Subsidiary is principally engaged in production and sales of concrete in the PRC and investment holdings. The subsidiaries of the PRC Subsidiary were inactive during the Track Record Period.

On 11 July 2017, Grace Wisdom Holdings Limited ("Grace Wisdom") acquired the entire equity interest in the PRC Subsidiary from Mr. Chen and Ms. Cai Xili, the founders of the PRC Subsidiary. Immediately before this transaction, Mr. Chen was the ultimate controlling shareholder of the PRC Subsidiary. Immediately after this transaction and as at 31 July 2017, in the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the PRC Subsidiary is Grace Wisdom, a company incorporated in Hong Kong. Mr. Zhou Fengtang ("Mr. Zhou"), being the sole shareholder of Grace Wisdom, is the ultimate controlling shareholder. Subsequent to 31 July 2017, three holding companies controlled by Mr. Zhou, were inserted between Mr. Zhou and Grace Wisdom. After the insertion and as at the date of this report, Bikerland Limited ("Bikerland"), a company incorporated in the British Virgin Islands, became ultimate holding company of the PRC Subsidiary. Mr. Zhou, being the sole shareholder of Bikerland, remains the ultimate controlling shareholder.

The statutory financial statements of the PRC Subsidiary for the years ended 31 December 2014, 2015 and 2016 were audited by Haikou Zhongshui Jiaming Certified Public Accountants (海口中税嘉銘會計師事務所), a firm of certified public accountants registered in the PRC. These statutory financial statements were prepared in accordance with relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

The PRC Subsidiary and its subsidiaries have adopted 31 December as their financial year end date.

During the Track Record Period, the PRC Subsidiary had direct interests in the following subsidiaries, all of which are companies with limited liability. As at 31 December 2016 and 31 July 2017 and the date of this report, the PRC Subsidiary does not have any subsidiaries. The particulars of which are set out as follows:

Name of the subsidiary	Place and date of establishment	Issued and fully paid paid-up capital	Attributable equity interest held by the PRC Group					Principal activities and place of operation
			As at 31 December			As at 31 July	As at the date of this report	
			2014	2015	2016	2017	report	
Chengmai Huasheng Concrete Co., Ltd.* ("Chengmai Huasheng") (澄邁華盛混凝土有限公司) *(Note (a))*	The PRC, 17 November 2010	RMB5,000,000	100%	100%	0% *(Note (b))*	0% *(Note (b))*	0% *(Note (b))*	Inactive in the PRC
Hainan Zhonghe Huasheng Trading Co., Ltd.* ("Hainan Zhonghe") (海南中合華盛貿易有限公司) *(Note (a))*	The PRC, 10 March 2014	RMB20,000,000	55%	55%	0% *(Note (b))*	0% *(Note (b))*	0% *(Note (b))*	Inactive in the PRC
Haikou Huasheng Yaoshan Agriculture Development Co., Ltd.* ("Haikou Huasheng") (海口華盛瑤山農業開發有限公司) *(Note (a))*	The PRC, 24 June 2010	RMB1,000,000	100%	100%	0% *(Note (b))*	0% *(Note (b))*	0% *(Note (b))*	Inactive in the PRC
Wanning Huasheng Concrete Co., Ltd.* ("Wanning Huasheng") (萬寧華盛混凝土有限公司) *(Note (a))*	The PRC, 21 July 2015	Nil	N/A	100%	0% *(Note (b))*	0% *(Note (b))*	0% *(Note (b))*	Inactive in the PRC

* The English name of the entities established in the PRC represent management's best effort at translating the Chinese name of such entities as no English name has been registered.

Notes:

(a) No audited financial statements have been prepared for these companies since their respective dates of incorporation as they were not involved in any significant business transactions and were inactive since their respective dates of incorporation and up to their respective disposal dates.

(b) During the year ended 31 December 2016, the PRC Subsidiary has disposed of its entire equity interests in these subsidiaries.

2. Basis of preparation and presentation

The Historical Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA.

The Historical Financial Information has been prepared on historical cost basis. The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the PRC Subsidiary. All values are rounded to the nearest thousand except when otherwise indicated.

It should be noted that accounting estimates and assumptions have been used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are set out in Note 5 "Key Sources of Estimation Uncertainty".

3. New and revised HKFRSs not yet adopted

The HKICPA has issued a number of new and revised HKFRSs which were relevant to the PRC Group and became effective during the Track Record Period. In preparing the Historical Financial Information, the PRC Group has applied all these new and revised HKFRSs which are effective for the PRC Group's accounting period beginning on 1 January 2017, consistently throughout the Track Record Period to the extent required or allowed by transitional provisions in the HKFRSs.

At the date of this report, certain new and amended HKFRSs have been issued but are not yet effective, and have not been applied early by the PRC Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contacts[1]
HKFRS 9 (2014)	Financial Instruments[1]
Amendments to HKFRS 9 (2014)	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[*]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[2]
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019

* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor or its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

Further information about these HKFRSs that are expected to be applicable to the PRC Group is as follows:

HKFRS 9 (2014) ***Financial Instruments***

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 replaces all existing HKFRSs revenue requirements. This standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when a performance obligation is satisfied.

The core principle is that an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

HKFRS 16 *Leases*

For lessees, HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. For lessors, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently. The standard is mandatorily effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16.

The PRC Subsidiary is still in the process of assessing the impact of HKFRS 9 (2014), HKFRS 15 and HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these Historical Financial Information until the PRC Subsidiary has completed the assessment.

4. Significant accounting policies

The principal accounting policies are set out below.

4.1 Basis of consolidation

The Historical Financial Information incorporate the financial statements of the PRC Subsidiary and entities controlled by the PRC Subsidiary (its subsidiaries).

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the PRC Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the PRC Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary is attributed to the owners of the PRC Subsidiary and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the PRC Subsidiary is able to exercise control. The PRC Subsidiary controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.3 Joint ventures

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

An investment in a joint venture is accounted for in the Historical Financial Information under the equity method, less any impairment losses, unless it is classified as held for sale. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the PRC Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the PRC Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the profit or loss, whereas the PRC Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the PRC Group's share of losses exceeds its interest in the joint venture, the PRC Group's interest is reduced to zero and recognition of further losses is discontinued except to the extent that the PRC Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the PRC Group's interest is the carrying amount of the investment under the equity method together with the PRC Group's long-term interests that in substance form part of the PRC Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the PRC Group and its joint ventures are eliminated to the extent of the PRC Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statements of comprehensive income. Goodwill arising from the acquisition of joint ventures is included as part of the PRC Group's investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the PRC Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statements of comprehensive income. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

4.4 Revenue recognition

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

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

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

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

4.5 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 costs, which it is intended to compensate, are expensed.

4.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, as follows:

Plant and machinery	10 years
Motor vehicles	10 years
Furniture, fixtures and equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress, which mainly represents construction on plant and machinery, is stated at cost less any identified impairment losses. Cost comprises direct costs incurred during the periods of construction, installation and testing. No depreciation is provided on construction in progress. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

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

4.7 Leasing

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

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

4.8 Foreign currencies

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

4.9 Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

4.10 Retirement benefit plans

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC Group is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the PRC Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

4.11 Taxation

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.13 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The PRC Group's financial assets are classified as loans and receivables.

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the PRC Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

The PRC Group's financial liabilities i.e. trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The PRC Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

4.14 Impairment losses on non-financial assets

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

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

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

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

4.15 Related parties

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

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

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

(iii) is a member of key management personnel of the PRC Group or the PRC Subsidiary's parent.

(b) An entity is related to the PRC Group if any of the following conditions apply:

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

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

(iii) Both entities 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 the employees of the PRC Group or an entity related to the PRC 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 key management personnel of the entity (or of a parent of the entity).

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

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

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.16 Segment reporting

The PRC Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the managing director of the PRC Subsidiary for their decisions about resources allocation to the PRC Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the managing director of the PRC Subsidiary are determined following the PRC Group's major operations.

The measurement policies the PRC Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

5. Key Sources of Estimation Uncertainty

In the application of the PRC Group's accounting policies, which are described in Note 4, the management of the PRC Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following items are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

Estimated impairment of non-financial assets

Determining whether non-financial assets is impaired requires an estimation of the recoverable amounts of the CGUs to which non-financial assets have been allocated. The recoverable amount calculation requires the PRC Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Estimated impairment of trade, retention and other receivables

The PRC Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required. Further details are set out in Note 17.

Provision for income taxes

The PRC Group is subject to income and other forms of taxes in the PRC and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The PRC Group recognises provisions for taxes based on estimates of the taxes that are likely to become due. The PRC Group believes that its provisions for taxes is adequate for the Track Record Period based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

6. Segment information

An operating segment is a component of the PRC Group that is engaged in business activities from which the PRC Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the managing director, who is the chief operating decision maker, in order to allocate resources and assess performance of the segment. For the Track Record Period, the managing director of the PRC Subsidiary regularly reviewed revenue and operating results derived from the production of concrete for sale on an aggregate basis and consider it as one single operating segment.

Geographical information

The principal place of the PRC Group's operation is mainly in the PRC. For the purpose of segment information disclosures under HKFRS 8, the PRC Group regarded the PRC as its country of domicile.

As at 31 December 2014, 2015 and 2016 and 31 July 2017, all non-current assets are located in the PRC. During the Track Record Period, all revenue by geographical location of customers, which is based on the principal place of the customers' operation, is in the PRC.

7. Revenue

Revenue represents the sales of concrete, net of return, discounts and sales related taxes during the Track Record Period.

8. Other income

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Bank interest income	67	101	14	8	134
Litigation income *(Note (a))*	—	242	280	167	1,733
Government subsidies *(Note (b))*	—	—	140	140	250
Imputed interest income on retention receivables	1,630	2,267	2,644	1,542	1,300
Sundry	12	7	78	40	49
	1,709	2,617	3,156	1,897	3,466

Notes:

(a) During the Track Record Period, there were litigation claims initiated by the PRC Subsidiary against certain trade debtors to demand immediate repayment of the unsettled trade and retention receivables. Pursuant to the judgements of the courts during the Track Record Period, those trade debtors were ordered to pay the PRC Subsidiary the unsettled receivables, interest, penalty and corresponding legal costs. The amount of RMB242,000, RMB280,000, RMB167,000 and RMB1,733,000 represents the aggregate amount of interest, penalty and recharge of corresponding legal costs received from those trade debtors during the years ended 31 December 2015 and 2016 and the seven months ended 31 July 2016 and 2017 according to the judgements by the courts.

(b) The PRC Group received unconditional subsidies from local government during the Track Record Period.

9. Other gains and losses, net

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Impairment losses on retention receivables	—	—	(376)	—	(419)
Impairment losses on trade receivables *(Note 17)*	—	—	(1,260)	(8)	(1,233)
Gain on disposal of subsidiaries *(Note)*	—	—	1	—	—
Loss on disposal of a joint venture *(Note 15)*	—	—	(2,323)	—	—
Loss on disposal of property, plant and equipment	(452)	(716)	(713)	—	—
	(452)	(716)	(4,671)	(8)	(1,652)

Note: During the year ended 31 December 2016, the PRC Subsidiary disposed of its entire equity interest in all its subsidiaries for an aggregate consideration of RMB17,000,000. Gain on disposal of subsidiaries of approximately RMB1,000 was recognised in other gains and losses during the year ended 31 December 2016.

10. Finance costs

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interests on borrowings	86	592	—	—	—

11. Income tax expense

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax:					
— PRC Enterprise Income Tax ("PRC EIT")	12,062	17,196	5,865	4,414	7,507
— Under/(over)-provision in respect of prior years	—	—	111	111	(104)
Income tax expense for the year/period	12,062	17,196	5,976	4,525	7,403

PRC EIT is calculated at 25% of the estimated assessable profits of the PRC Subsidiary for the Track Record Period.

The income tax expense for the years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2016 and 2017 can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	44,269	64,142	15,406	14,606	28,660
Tax at statutory tax rate	11,067	16,036	3,852	3,652	7,165
Tax effect of share of result of a joint venture	(440)	(366)	226	105	—
Tax effect of expenses not deductible for tax purpose	1,435	1,526	1,787	657	342
Under/(over)-provision in respect of prior years	—	—	111	111	(104)
Income tax expense for the year/period	12,062	17,196	5,976	4,525	7,403

There was no other significant unprovided deferred taxation for the Track Record Period and at the end of each reporting period.

During the year ended 31 December 2013, the PRC tax authority commenced an investigation relating to the tax affairs of the PRC Subsidiary. The investigation was completed and final conclusion was made by the tax authority during the year ended 31 December 2016.

Due to the aforesaid tax investigation, penalties of RMB109,000, RMB2,609,000 and RMB2,609,000 in relation to the under-provision of PRC EIT were imposed and charged by the PRC tax authority in respect of the years ended 31 December 2015 and 2016 and the seven months ended 31 July 2016 respectively, which were recognised as administrative expenses for the years ended 31 December 2015 and 2016 and the seven months ended 31 July 2016 respectively. The additional tax payable for the years covered by the investigation amounted to RMB4,589,000 and was adequately covered by the tax prepayments made by the PRC Subsidiary during the year ended 31 December 2013.

12. Profit for the year/period

Profit for the year/period is arrived at after charging:-

	For the year ended 31 December			For the seven months ended 31 July	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other allowance	19,294	19,511	19,393	10,684	13,279
Discretionary bonus	—	5,105	2,934	—	—
Retirement benefit scheme contributions	2,146	3,100	2,304	896	1,051
Total staff costs	21,440	27,716	24,631	11,580	14,330
Cost of inventories sold	312,701	308,432	366,807	178,052	252,347
Depreciation of property, plant and equipment	6,427	9,987	13,843	8,174	7,579
Impairment losses on retention receivables	—	—	376	—	419
Impairment losses on trade receivables *(Note 17)*	—	—	1,260	8	1,233
Minimum lease payments under operating lease	—	—	—	—	502

13. Dividend

No dividend was paid or declared by the PRC Subsidiary during the Track Record Period.

14. Property, plant and equipment

	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
As at 1 January 2014	13,138	44,893	140	1,381	59,552
Additions	326	21,680	198	3,253	25,457
Disposals	—	(1,004)	—	—	(1,004)
As at 31 December 2014 and 1 January 2015	13,464	65,569	338	4,634	84,005
Additions	293	52,291	5	16,736	69,325
Transfer	16,980	—	—	(16,980)	—
Disposals	—	(4,972)	—	—	(4,972)
As at 31 December 2015 and 1 January 2016	30,737	112,888	343	4,390	148,358
Additions	19	—	70	7,610	7,699
Disposals	—	(4,952)	—	—	(4,952)
As at 31 December 2016 and 1 January 2017	30,756	107,936	413	12,000	151,105
Additions	330	145	—	1,418	1,893
Transfer	424	—	—	(424)	—
As at 31 July 2017	31,510	108,081	413	12,994	152,998

	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation					
As at 1 January 2014	3,621	14,618	51	—	18,290
Charge for the year	1,100	5,292	35	—	6,427
Elimination on disposal	—	(238)	—	—	(238)
As at 31 December 2014 and 1 January 2015	4,721	19,672	86	—	24,479
Charge for the year	1,621	8,307	59	—	9,987
Elimination on disposal	—	(3,878)	—	—	(3,878)
As at 31 December 2015 and 1 January 2016	6,342	24,101	145	—	30,588
Charge for the year	3,055	10,724	64	—	13,843
Elimination on disposal	—	(4,218)	—	—	(4,218)
As at 31 December 2016 and 1 January 2017	9,397	30,607	209	—	40,213
Charge for the period	1,694	5,845	40	—	7,579
As at 31 July 2017	11,091	36,452	249	—	47,792
Net carrying amount					
As at 31 December 2014	8,743	45,897	252	4,634	59,526
As at 31 December 2015	24,395	88,787	198	4,390	117,770
As at 31 December 2016	21,359	77,329	204	12,000	110,892
As at 31 July 2017	20,419	71,629	164	12,994	105,206

15. Interest in a joint venture

	As at 31 December			As at 31 July
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets at acquisition date	4,181	4,181	—	—
Goodwill	919	919	—	—
Share of post-tax profits of a joint venture	1,761	3,226	—	—
	6,861	8,326	—	—

Particulars of the joint venture are set out below, which is an unlisted corporate entity of whose quoted market price is not available.

Name of the joint venture	Place and date of establishment	Issued and fully paid paid-up capital	Attributable equity interest held by the PRC Group				Principal activities and place of operation
			As at 31 December			As at 31 July	
			2014	2015	2016	2017	
Sanya Huasheng New Construction Materials Co., Ltd.* ("Sanya Huasheng") (三亞華盛新型建材有限公司)	The PRC, 13 January 2012	RMB10,000,000	51% *(Note (a))*	51% *(Note (a))*	0% *(Note (b))*	0% *(Note (b))*	Production and sales of concrete in the PRC

* The English name of the joint venture established in the PRC represent management's best effort at translating the Chinese name of such joint venture as no English name has been registered.

Notes:

(a) Management of the PRC Subsidiary has assessed the level of influence that the PRC Subsidiary has on this investment, and determined that it has joint control even though the shareholding is at 51% because unanimous consent is required from all parties to the agreements for all relevant activities. Consequently, this investment has been classified as a joint venture.

(b) On 21 December 2016, the PRC Subsidiary disposed of its entire equity interest in Sanya Huasheng to an independent third party for a consideration of RMB5,100,000. Loss on disposal of a joint venture of approximately RMB2,323,000 was recognised in other gains and losses, net during the year ended 31 December 2016.

The following table illustrates the summarised financial information in respect of Sanya Huasheng and reconciled to the carrying amount in the financial statements:

	As at 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
Non-current assets	26,162	21,073
Cash and cash equivalents	2,448	605
Other current assets	59,375	91,615
Current assets	61,823	92,220
Current liabilities *(Note)*	76,334	98,770
Net assets	11,651	14,523

Note: There are no current financial liabilities (excluding trade and other payables) as at 31 December 2014 and 2015.

	As at 31 December	
	2014	**2015**
	RMB'000	*RMB'000*
Reconciliation to the PRC Group's interest in the joint venture:		
Proportion of the PRC Group's ownership	51%	51%
Group's share of net assets of the joint venture	5,942	7,407
Goodwill on acquisition	919	919
Carrying amount of the investment	6,861	8,326

	For the year ended 31 December		For the period from 1 January 2016 to 21 December 2016 (disposal date of Sanya Huasheng)
	2014	**2015**	
	RMB'000	*RMB'000*	*RMB'000*
Revenue	110,389	85,649	74,041
Interest income	2	3	1
Depreciation	(4,815)	(5,089)	(5,108)
Income tax expense	(940)	(580)	—
Profit/(loss) and total comprehensive income for the year/period	3,453	2,872	(1,773)

16. Inventories

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At costs:				
Raw materials	2,699	2,083	1,334	2,536
Fuel and consumables	1,729	2,028	1,890	2,243
	4,428	4,111	3,224	4,779

17. Trade, retention and other receivables and prepayments

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables — Gross	128,993	232,564	218,502	211,438
Less: impairment loss recognised	—	—	(1,204)	(2,437)
Trade receivables — Net *(Note (a))*	128,993	232,564	217,298	209,001
Retention receivables *(Note (b))*	107,219	137,451	134,613	153,095
Bills receivables *(Note (a))*	300	6,300	729	700
Prepayments and deposits	2,318	5,426	6,910	9,642
Other receivables *(Note (c))*	5,713	6,102	23,214	85,232
Amounts due from related companies *(Note (d))*	77,131	110,061	83,831	853
Total	321,674	497,904	466,595	458,523
Less: non-current retention receivables *(Note (b))*	(38,842)	(45,299)	(38,192)	(27,291)
Total current portion	282,832	452,605	428,403	431,232

Notes:

(a) ***Trade and bills receivables***

The PRC Group generally allows an average credit period of 30 to 90 days to its trade customers. However, certain portion of the trade receivables (i.e. the retention portion) would be allowed to settle until 30 to 90 days after the completion of the construction by its trade customers.

The ageing analysis of the PRC Group's trade receivables (net of retention portion and allowance for doubtful debts) and bills receivables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	24,952	43,906	54,009	49,949
31–60 days	16,000	33,799	32,926	30,616
61–90 days	9,268	27,784	23,100	24,471
Over 90 days	79,073	133,375	107,992	104,665
	129,293	238,864	218,027	209,701

All bills receivables of the PRC Group were aged within 180 days at the end of each reporting period.

Before accepting any new customer, the PRC Group assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers.

As at 31 December 2014, 2015 and 2016 and 31 July 2017, included in the PRC Group's trade receivables are debtors with aggregate carrying amount of approximately RMB104,341,000, RMB193,657,000, RMB164,018,000 and RMB159,252,000 which are past due as at the reporting date for which the PRC Group has not provided for impairment loss because the PRC Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The PRC Group does not hold any material collateral over these balances.

As at 31 December 2014, 2015 and 2016 and 31 July 2017, ageing analysis of trade receivables which are past due but not impaired, analysed based on the due dates, is as follows:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	25,249	33,299	32,926	30,616
31–60 days	19	26,984	23,100	24,171
61–90 days	4,537	17,783	14,144	19,119
Over 90 days	74,536	115,591	93,848	85,346
	104,341	193,657	164,018	159,252

The movement of allowance for doubtful debts in respect of trade receivables were as follows:

	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	—	—	—	1,204
Impairment loss during the year/period	—	—	1,260	1,233
Bad debts written-off	—	—	(56)	—
As at 31 December/31 July	—	—	1,204	2,437

Trade receivables that were neither past due nor impaired related to customers for whom were no recently history of default.

Included in the impairment loss of trade receivables as at 31 December 2016 and 31 July 2017 of approximately RMB1,204,000 and RMB2,437,000 were individually fully/partially impaired trade receivables mainly due from customers with an aggregate carrying amount before allowance of approximately RMB1,204,000 and RMB7,845,000 respectively. The balances were long outstanding and the management of the PRC Group considered the recoverability of the balance is remote as the related customers have prolonged delay in repayment, and therefore only a portion of the receivables is expected not to be recovered. The PRC Group did not hold any material collateral over those balances.

The PRC Group endorsed certain trade receivables (the ″Endorsed Trade Receivables″) with a carrying amount of approximately RMB12,400,000 as at 31 July 2017 and bill receivables (the "Endorsed Bills") with a carrying amount of approximately RMB6,300,000, RMB249,000 and RMB500,000 as at 31 December 2015 and 2016 and 31 July 2017 respectively to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors of the Company, the PRC Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Trade Receivables and the Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Trade Receivables and the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the PRC Group did not retain any rights on the use of the Endorsed Trade Receivables and the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Trade Receivables and the Endorsed Bills to any other third parties. The aggregate carrying amount of trade payables under the Endorsement amounted to approximately RMB6,300,000, RMB249,000 and RMB12,900,000 as at 31 December 2015 and 2016 and 31 July 2017 respectively. *(Note 19)*

(b) Retention receivables

The PRC Group's receivables represent certified contract payments in respect of works performed, for which payment are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated as a prescribed percentage of the contract sum. The retention receivables should be released to the PRC Group pursuant to the provisions of the relevant contracts after the completion of the projects. In the opinion of the sole director of the PRC Subsidiary, the retention receivables to be received after 1 year are classified as non-current assets in consolidated statements of financial position since it is not expected to realise the retention receivables in the PRC Group's normal operating cycle.

The ageing analysis of the PRC Group's retention receivables (net of allowance for doubtful debts) based on the revenue recognition date at the end of each reporting period is as follows:

	As at 31 December			**As at 31 July**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	21,427	13,126	12,322	13,208
31–60 days	16,070	12,841	10,443	14,613
61–90 days	1,130	16,252	7,908	14,503
Over 90 days	68,592	95,232	103,940	110,771
	107,219	137,451	134,613	153,095

As at 31 December 2014, 2015 and 2016 and 31 July 2017, included in the PRC Group's retention receivables are debtors with aggregate carrying amount of approximately RMB23,558,000, RMB26,657,000, RMB51,811,000 and RMB37,179,000 which are past due as at the reporting date for which the PRC Group has not provided for impairment loss because the PRC Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The PRC Group does not hold any material collateral over these balances.

As at 31 December 2014, 2015 and 2016 and 31 July 2017, ageing analysis of retention receivables which are past due but not impaired, analysed based on the due dates, is as follows:

	As at 31 December			**As at 31 July**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	2,543	1,871	2,221	515
31–60 days	1,098	8,504	3,665	2,160
61–90 days	2,893	1,061	4,840	68
Over 90 days	17,024	15,221	41,085	34,436
	23,558	26,657	51,811	37,179

During the year ended 31 December 2016 and the seven months ended 31 July 2017, an impairment loss of approximately RMB376,000 and RMB419,000 were provided in relation to the retention receivables which were long outstanding and the management of the PRC Group considered the recoverability of the balance is remote as the related customers have prolonged delay in repayment, and therefore the receivables is expected not to be recovered. The PRC Group did not hold any material collateral over those balances.

The retention receivables are to be settled, based on the undiscounted cash flows, at the end of each reporting period:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
On demand or within one year	68,377	92,152	96,421	125,804
After one year	41,109	47,943	40,421	28,883
	109,486	140,095	136,842	154,687

(c) Other receivables

As at 31 December 2016, other receivables of aggregate amount of RMB22,100,000, are due from independent third parties, which are in relation to the receivables of consideration from disposal of a joint venture and subsidiaries during the year ended 31 December 2016.

As at 31 July 2017, included in other receivables are amounts due from companies, in which Mr. Chen and Ms. Cai Xili, the then shareholders of the PRC Subsidiary prior to 11 July 2017 (Note 1), have direct equity interest, amounting to RMB83,767,000. The amounts due from these companies as at 31 December 2014, 2015 and 2016 are presented as amounts due from related companies (see note (d) below).

After the Target Group acquired the entire equity interest of the PRC Subsidiary effective on 11 July 2017, Mr. Chen and those companies were ceased to be related to the PRC Group. Therefore, the amounts due were classified as other receivables. The amounts are funds advanced to these companies before the Target Group acquired the entire equity interest of the PRC Subsidiary. The amounts due are unsecured, interest-free and repayable on demand.

(d) Amounts due from related companies

As at 31 December 2014, 2015 and 2016, the amounts are due from related companies, in which Mr. Chen and Ms. Cai Xili, the then shareholders of the PRC Subsidiary, have direct equity interest. As at 31 July 2017, the amount is due from a related company, in which Mr. Zhou has direct equity interest. The amounts were unsecured, interest-free and repayable on demand.

18. Pledged bank deposits and bank balances and cash

As at 31 December 2014, 2015 and 2016 and 31 July 2017, the PRC Group's pledged bank deposits are used to secure the bills payables. Bank balances and cash comprise cash held by the PRC Group with the original maturity of three months or less.

The PRC Group's pledged bank deposit and bank balances carry interests at market rate ranging as follows per annum:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged bank deposits	N/A	N/A	0.30%	0.30%
Bank balances	0.00% to 0.35%	0.00% to 0.35%	0.00% to 0.35%	0.00% to 0.35%

As at 31 December 2014, 2015 and 2016 and 31 July 2017, all bank balances and cash of the PRC Group are denominated in Renminbi and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

19. Trade and other payables and accruals

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(Note (a))*	76,632	141,270	171,672	169,755
Bill payables	—	—	9,914	29,026
Customer deposits	36,935	33,617	1,883	204
Other payables and accruals *(Note (b))*	16,362	28,191	14,951	286,608
Amounts due to related companies *(Note (c))*	225,529	307,821	205,557	—
Amount due to a then shareholder *(Note (d))*	—	—	98,875	—
	355,458	510,899	502,852	485,593

Notes:

(a) The aggregate carrying amount of trade payables under the Endorsement amounted to approximately RMB6,300,000, RMB249,000 and RMB12,900,000 as at 31 December 2015 and 2016 and 31 July 2017 respectively, do not meet the de-recognition requirements in HKAS 39. The correspondence financial assets are included in trade and bill receivables *(Note 17)*.

(b) As at 31 July 2017, included in other payables and accruals are amounts of RMB98,875,000 and RMB177,204,000, which are due to Mr. Chen Yuyong, one of the then shareholders of the PRC Subsidiary and companies, in which Mr. Chen and Ms. Cai Xili, the then shareholders of the PRC Subsidiary prior to 11 July 2017 (Note 1), have direct equity interest, respectively. The amounts due to these companies as at 31 December 2014, 2015 and 2016 are presented as amounts due to related companies (see note (c) below).

After the Target Group acquired the entire equity interest of the PRC Subsidiary effective on 11 July 2017, Mr. Chen and those companies were ceased to be related to the PRC Group. Therefore, the amounts due were classified as other payables. The amounts are funds advanced from Mr. Chen and these companies before the Target Group acquired the entire equity interest of the PRC Subsidiary. The amounts due are unsecured, interest-free and repayable on demand.

(c) As at 31 December 2014, 2015 and 2016, the amounts were due to companies, in which Mr. Chen and Ms. Cai Xili, the then shareholders of the PRC Subsidiary, have direct equity interest. The amounts were unsecured, interest-free and repayable on demand.

(d) As at 31 December 2016, the amount was due to Mr. Chen, the then shareholder of the PRC Subsidiary. The amount was unsecured, interest-free and repayable on demand.

The ageing analysis of the PRC Group's trade payables based on the invoice date at the end of each reporting period is as follows:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–30 days	14,855	24,840	48,503	79,930
31–60 days	10,078	23,499	28,386	12,946
61–90 days	541	12,675	20,018	30,106
Over 90 days	51,158	80,256	74,765	46,773
	76,632	141,270	171,672	169,755

20. Borrowings

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings — unsecured	10,000	—	—	—

Other borrowings bore interest at rates ranging from 4.0% to 6.2% per annum as at 31 December 2014.

Other borrowing of RMB8,500,000 was guaranteed by an independent third party with an annual fee of RMB170,000. During the year ended 31 December 2015, all other borrowings were fully settled.

Other borrowings due for repayment, based on the scheduled repayment terms set out in the loan agreements are as follows:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	10,000	—	—	—

21. Paid-up capital

The PRC Subsidiary

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning/end of the year/period	20,000	20,000	20,000	20,000

The PRC Subsidiary was established in the PRC on 23 May 2006 for an operating period of 20 years. As at 1 January 2014, its registered and paid-up capital was RMB20,000,000.

22. Reserves

Details of the movements on the PRC Group's reserves are as set out in the consolidated statements of changes in equity.

Statutory reserve

In accordance with the relevant PRC regulations, entities within the PRC Group are required to allocate certain portion (not less than 10%), as determined by the sole director of the PRC Subsidiary, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

23. Operating lease commitments

The PRC Group made minimum lease payments under operating leases in respect of office premises and land during the Track Record Period. No contingent rents recognised in profit or loss during the Track Record Period.

At the end of each reporting period, the PRC Group had no commitments for future minimum lease payments under non-cancellable operating leases.

The lease terms are at 1 year. The agreements do not include an extension option.

24. Capital commitments

At the end of each reporting period, capital commitments outstanding not provided for in the Historical Financial Information are as follows:

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment, contracted but not provided for	4,141	420	4,340	4,340

25. Related party transactions

Save for those disclosed elsewhere in these Historical Financial Information, details of transactions between the PRC Group and other related parties are disclosed below.

Name of related parties	Nature of transactions	For the year ended 31 December			For the seven months ended 31 July	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Chengmai Huasheng Tianya Cement Co., Ltd.* (澄邁華盛天涯水泥有限公司) *(Note (a))*	Purchase of goods	148,399	117,428	113,356	52,842	73,166
	Sales of goods	249	482	418	246	71
	Minimum lease payment *(Note (b))*	—	—	—	—	400
Yangpu Huasheng Logistics Co., Ltd.* (洋浦華盛物流有限公司) *(Note (a))*	Purchase of goods	5,327	8,435	22,256	13,062	4,603
Sanya Huasheng New Concrete Co., Ltd.* (三亞華盛新混凝土有限公司) *(Note (a))*	Purchase of goods	—	—	—	—	106
Wenchang Huasheng Tianya Cement Co., Ltd.* (文昌華盛天涯水泥有限公司) *(Note (a))*	Purchase of goods	—	—	—	—	2,943
Hainan Huasheng New Artificial Board Co., Ltd.* (海南華盛新人造板有限公司) *(Note (a))*	Sales of goods	29	38	8	8	—
Hainan Fengsen Real Estate Development Co., Ltd.* (海南峰森房地產開發有限公司) *(Note (a))*	Sales of goods	4	—	46	—	—

* The English name of the entity established in the PRC represent management's best effort at translating the Chinese name of such entity as no English name has been registered.

Notes:

(a) Mr. Chen and/or Ms. Cai Xili, the then shareholders of the PRC Subsidiary are the beneficial owners of these related companies. After Grace Wisdom acquired the entire equity interests in the PRC Subsidiary from Mr. Chen and Ms. Cai Xili, these related companies ceased to be related to the PRC Subsidiary.

(b) During the years ended 31 December 2014, 2015 and 2016, the PRC Subsidiary leased the land from Chengmai Huasheng Tianya Cement Co., Ltd. without any lease payment.

The directors of the Company are of the opinion that the above related parties transactions were conducted on terms mutually agreed by the relevant parties and in the ordinary course of business.

26. Capital Risk Management

The PRC Group manages its capital to ensure that entities in the PRC Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The PRC Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the PRC Group consists of debt, which includes borrowings, and equity attributable to owners of the PRC Subsidiary, comprising issued paid-up capital and reserves.

The management of the PRC Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the PRC Group will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

27. Financial instruments

(a) Categories of financial instruments

	As at 31 December			As at 31 July
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including bank balances and cash), measured at amortised cost	347,182	498,711	496,498	504,215
Financial liabilities				
Financial liabilities, measured at amortised cost	314,525	463,061	487,108	475,718

(b) Financial risk management objectives and policies

The PRC Group's major financial instruments include trade, retention and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

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

In order to minimise the credit risk, the PRC Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions is low.

As at 31 December 2014, 2015 and 2016 and 31 July 2017, the PRC Group has concentration of credit risk on top five trade receivables which accounted for 24%, 25%, 28% and 28% of the PRC Group's total trade receivables respectively. These top five trade receivables include state-owned enterprises in the PRC and reputable constructors with good past credit records with the PRC Group. In order to minimise the credit risk, the management of the PRC Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management of the PRC Group also performs periodic evaluations and customer visits to ensure the PRC Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the PRC Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the PRC Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the PRC Group to finance the PRC Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the PRC Group's remaining contractual maturity for its financial liabilities based on the aged repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the PRC Group can be required to pay.

	Weighted average of contractual interest rate	Less than 1 year or on demand	Total undiscounted cash flows	Carrying amount
	% per annum	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2014				
Trade and other payables	N/A	304,525	304,525	304,525
Borrowings	5.84%	10,592	10,592	10,000
		315,117	315,117	314,525
As at 31 December 2015				
Trade and other payables	N/A	463,061	463,061	463,061
As at 31 December 2016				
Trade and other payables	N/A	487,108	487,108	487,108
As at 31 July 2017				
Trade and other payables	N/A	475,718	475,718	475,718

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated statements of financial position approximate their fair values.

28. Subsequent financial statements

No audited financial statements of the PRC Group, the PRC Subsidiary or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2017 up to the date of this report.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRC GROUP

Set out below is the management discussion and analysis of the PRC Group for each of the three financial years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017:

Business and financial review

Turnover

The PRC Group was incorporated on 23 May 2006 in Hainan, the PRC and was engaged in the production and sales of concrete for infrastructure of road and bridge projects and construction projects such as commercial and residential building construction. The PRC Subsidiary is currently having one production plant with six production lines located at Chengmai County, the western part of Haikou City.

The following table sets out details of the PRC Group's turnover, sales volume and average selling price for the three years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 respectively.

	For the year ended 31 December			For the seven months ended 31 July
	2014	2015	2016	2017
Turnover *(RMB'000)*	400,822	425,757	446,284	315,443
Sales volume *(cubic meters'000)*	1,250	1,345	1,339	884
Average selling price *(RMB per cubic meter)*	321	317	333	357

The increase of turnover from approximately RMB400,822,000 for the year ended 31 December 2014 to approximately RMB446,284,000 for the year ended 31 December 2016 mainly comes from the development on the residential properties market during the recent years in Haikou City and Chengmai County.

Gross profit, gross profit margin and net profit

The following table sets out details of the PRC Group's gross profit, gross profit margin and net profit for the three years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 respectively.

	For the year ended 31 December			For the seven months ended 31 July
	2014	**2015**	**2016**	**2017**
Gross profit *(RMB'000)*	88,121	117,325	79,477	63,096
Gross profit margin *(%)*	22.0	27.6	17.8	20.0
Net profit *(RMB'000)*	32,207	46,946	9,430	21,257

The selling price of concrete varies according to the cost of the major raw materials such as sand, gravel, stone, cement and chemical additive. Despite the increase in the purchase price of sand and stone during the year ended 31 December 2015, the significant decrease in the average price of cement not only offset the increase in cost of sand and stone but also had a further reduction in the cost of sales resulting in an increase in the gross profit margin from 22.0% for the year ended 31 December 2014 to 27.6% for the year ended 31 December 2015. During the year ended 31 December 2016, the costs of raw materials increased by approximately 20.7% (which accounted for approximately 95.9% of the total cost of sales of the PRC Subsidiary for the year ended 31 December 2016) while the average selling price of concrete per cubic meter increased by approximately 5.0%. As a result of the foregoing, the gross profit margin dropped to 17.8% for the year ended 31 December 2016. In spite of the aforesaid increase in the price of raw materials, the PRC Subsidiary was able to record a significant increase in revenue of approximately 40.8% for the seven months ended 31 July 2017 (as compared to the corresponding period in 2016), which was driven by the increase in demand for concrete in Hainan Province in 2017. As a result, the profit of the PRC Subsidiary also increased by approximately 1.1 times from approximately RMB10,081,000 for the seven months ended 31 July 2016 to approximately RMB21,257,000 for the seven months ended 31 July 2017.

Liquidity and financial resources and capital structure

The PRC Group's principal source of working capital was cash generated from the sales of its concrete products throughout the three years ended 31 December 2014, 2015 and 2016 and for the seven months ended 31 July 2017. The current ratio as at 31 December 2014, 2015, 2016 and 31 July 2017 was approximately 0.86, 0.89, 0.93 and 1.01 respectively. The gearing ratio as at 31 December 2014, 2015 and 2016 and 31 July 2017 was approximately 16.8%, nil, nil, and nil respectively, calculated as total borrowings over equity attributable to owners of the PRC Subsidiary.

Currency and interest rate exposure

The PRC Group did not expose to any currency risk as the sales and purchase transactions was carried out in RMB and the PRC Group did not have any monetary financial assets and liabilities denominated in currency other than RMB.

The PRC Group's interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the bank balances.

Charge on assets

The PRC Group did not have any assets charged as at 31 December 2014, 2015 and 2016 and 31 July 2017 respectively.

Contingent liabilities

The PRC Subsidiary did not have any material contingent liabilities as at 31 December 2014, 2015 and 2016 and 31 July 2017 respectively.

Capital and operating lease commitments

Save as disclosed in Note 24 to the accountants' report of the PRC Group as set out in this Appendix, the PRC Group did not have any material capital commitments as at 31 December 2014, 2015 and 2016 and 31 July 2017 respectively. As at 31 July 2017, the PRC Group did not have commitments for future minimum lease payments under non-cancellable operating leases.

Employee information and remuneration policy

As at 31 December 2014, 2015 and 2016 and 31 July 2017, the PRC Group employed a total of 367, 342, 330 and 343 employees respectively. Staff costs, including emoluments of the director of the PRC Subsidiary, discretionary bonus and retirement benefit scheme contributions, for the years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 was approximately RMB21,440,000, RMB27,716,000, RMB24,631,000 and RMB14,330,000 respectively. The PRC Group established a competitive compensation system and favourable welfare system to motivate staffs. Employees are rewarded on a salary and bonus system and other benefits include contribution to statutory retirement benefits, housing and medical scheme under the relevant ordinances in the PRC.

Significant investments

The PRC Group did not have any significant investment for the three years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 respectively.

Material acquisitions and disposals

On 15 August 2016, the PRC Subsidiary entered into share transfer agreements to dispose of its 51% and 49% equity interest in Chengmai Huasheng to an independent third party and Ms. Cai Xixiao for a consideration of RMB2,550,000 and RMB2,450,000, respectively. The disposal was completed on 24 August 2016.

On 28 July 2016, the PRC Subsidiary entered into a share transfer agreement to dispose of its 55% equity interest in Hainan Zhonghe to an independent third party for a consideration of RMB11,000,000. The disposal was completed on 12 December 2016.

On 17 October 2016, the PRC Subsidiary entered into share transfer agreements to dispose of its 51% and 49% equity interest in Haikou Huasheng to an independent third party and Ms. Cai Xixiao for a consideration of RMB510,000 and RMB490,000, respectively. The disposal was completed on 2 December 2016.

On 21 December 2016, the PRC Subsidiary disposed of its entire equity interest in Sanya Huasheng to an independent third party for a consideration of RMB5,100,000.

Save as disclosed above, the PRC Group did not have any material acquisition and disposal for the three years ended 31 December 2014, 2015 and 2016 and the seven months ended 31 July 2017 respectively.

Future plans for material investments and acquisition of capital assets

There was no specific plan for material investments and acquisition of capital assets as at 31 July 2017.

The information set forth in this appendix does not form part of the accountants' reports from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix II and III to this circular, and is included herein for information only. The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in this circular.

(A) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(1) Introduction

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed Acquisition on the assets and liabilities of the Group as if the proposed Acquisition had been completed on 30 September 2017.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company in accordance with paragraph 4.29 of the Listing Rules based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the Company's interim report for the six months ended 30 September 2017 which was published on 13 December 2017 after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2017. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future assets and liabilities. The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Group, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

(2) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 30 September 2017

	Consolidated statement of assets and liabilities of the Group as at 30 September 2017	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	1,386			1,386
Other intangible assets	49,691			49,691
Goodwill	84,285			84,285
Investment in an associate	—	102,365		102,365
Available-for-sale financial assets	156,200			156,200
Contingent consideration receivable	—	9,980		9,980
	291,562			403,907
Current assets				
Contingent consideration receivable	—	1,734		1,734
Inventories	4,530			4,530
Loan receivables	236,893			236,893
Trade and other receivables and prepayments	79,072			79,072
Refundable deposit	47,000	(47,000)		—
Bond receivable	10,245			10,245
Financial assets at fair value through profit or loss	20,676	1,570		22,246
Bank balances and cash *(Note 6)*	46,358	(48,000)		(1,642)
	444,774			353,078

	Consolidated statement of assets and liabilities of the Group as at 30 September 2017	Pro forma adjustments		Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	
Current liabilities				
Trade and other payables and accruals	112,007		3,100	115,107
Tax payable	2,355			2,355
Convertible bonds	196,049			196,049
	310,411			313.511
Net current assets	134,363			39,567
Total assets less current liabilities	425,925			443,474
Non-current liabilities				
Deferred tax liabilities	8,302			8,302
Promissory notes	—	17,549		17,549
	8,302			25,851
Net assets	417,623			417,623

Notes:

1 The balances are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the interim report of the Company for the six months ended 30 September 2017 which was published on 13 December 2017.

2 Pursuant to the Acquisition Agreement dated 21 September 2017 entered into between Bright World Investment Limited, a wholly-owned subsidiary of the Company (the "Purchaser") and Mr. Zhou Feng Tang (the "Vendor"), the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 20% of the issued share capital of the Target in accordance with the terms and conditions of the Acquisition Agreement.

Pursuant to the Supplemental Acquisition Agreement dated 6 October 2017 entered into between the Purchaser and the Vendor, the Vendor will undertake a shareholding restructuring of the Target (the "Shareholding Restructuring") prior to Completion, which involves (i) the incorporation of Bikerland Limited ("Bikerland") to be wholly owned by the Vendor; (ii) the incorporation of South Sunrise Limited ("South Sunrise") to be wholly owned by Bikerland; and (iii) the transfer of the 100 shares of the Target held by the Vendor to South Sunrise. South Sunrise will subscribe for 100 new shares of the Target at the consideration of HK$36,000,000. Upon completion of the Shareholding Restructuring and the subscription as aforesaid, South Sunrise will become the sole shareholder of the Target holding 200 shares of the Target (including the Sale Shares), and the Vendor will remain as the ultimate beneficial owner of the Target as at Completion.

The excess amount of the consideration over the Group's share of the net fair value of the Target Group's identifiable assets and liabilities acquired is regarded as goodwill. The goodwill arising from the Acquisition of the Target Group is calculated as follows and recognised as part of the carrying amount of the investment in the associate:

		HK$'000
Cash consideration	*(a)*	95,000
Promissory notes	*(a)*	17,549
Add: legal and professional fee directly attributable to the Acquisition		3,100
Less: contingent consideration receivable	*(d)*	(11,714)
Total cost of the acquisition		103,935
Group's share of net fair value of identifiable assets and liabilities	*(b)*	28,798
Call option	*(c)*	1,570
		30,368
Goodwill		73,567

Investment in an associate of HK$102,365,000 comprised the Group's share of net fair value of identifiable assets and liabilities and goodwill.

Notes:

(a) Pursuant to the Acquisition Agreement dated 21 September 2017, the aggregate consideration for the acquisition of 20% equity interest in the Target is stated to be HK$119,000,000 (subject to adjustments).

The consideration of HK$95,000,000 will be satisfied by cash and HK$24,000,000 will be settled by issuance of two promissory notes which will mature two years after the Completion Date, in the respective principal amounts of HK$8,500,000 and HK$15,500,000 by the Company to the Vendor. The two promissory notes will be released to the Vendor if the profit guarantee of the Target for years ending 31 December 2017 and 2018 are fulfilled respectively.

As at 30 September 2017, a refundable deposit of HK$47,000,000 was paid to the Vendor upon the signing of the Acquisition Agreement. The promissory notes are assumed to be issued on 30 September 2017, classified as non-current liabilities and discounted to their assumed fair values of HK$17,549,000 as at 30 September 2017 based on the assumed borrowing rate of the Company of 16.95% per annum for two years for the purpose of the Unaudited Pro Forma Financial Information.

Under the terms of the promissory notes, the Company may redeem all or part of the outstanding principal amount of the promissory notes at any time between the issue date and the day prior to the maturity date. As the early redemption price is the principal amount, which is significantly higher than the pro forma initial carrying amount, it is assumed that the early redemption option derivative has no fair value for the purpose of the Unaudited Pro Forma Financial Information.

(b) The balance represents the 20% share of net fair value of identifiable assets and liabilities of the Target Group as at 31 July 2017 after the Shareholding Restructuring.

	HK$'000
Net fair value of identifiable assets and liabilities of the Target Group as at 31 July 2017 *(Note)*	107,991
Shares allotment to South Sunrise pursuant to the Shareholding Restructuring	36,000
Net fair value of identifiable assets and liabilities of the Target Group after the Shareholding Restructuring as at 31 July 2017	143,991
Net fair value of identifiable assets and liabilities of the Target Group after the Shareholding Restructuring as at 31 July 2017 shared by the Group	28,798

Note: Net fair value of identifiable assets and liabilities of the Target Group is assumed to approximate the carrying amounts of net assets of the Target Group. The figure of the carrying amounts of net assets of the Target Group are extracted from the consolidated statement of financial position of the Target Group as at 31 July 2017 as set out in Appendix II to this circular.

(c) Upon Completion, the Purchaser and the Vendor will enter into the Option Deed, pursuant to which the Vendor will grant the Purchaser the right to acquire all but not part of the remaining 80% of the issued share capital of the Target from South Sunrise (the "Remaining Shares") within two years from the Completion Date. The exercise price of the Call Option will be determined with reference to 80% of the valuation of the entire equity interest of the Target Group to be prepared by an independent professional valuer jointly appointed by the Purchaser and the Vendor at the time of the exercise of the Call Option (the "Further Valuation"). In the event that the Further Valuation is more than 120% of the valuation of the entire equity interest of the Target Group as set out in Appendix V to this circular (the "Further Valuation Cap"), the exercise price of the Call Option will be capped to 80% of the Further Valuation Cap.

By reference to the fair value as at 30 September 2017 arrived at on the basis of valuation carried out by an independent qualified professional valuer, the fair value of the Call Option as at 30 September 2017 is assumed to be HK$1,570,000 for the purpose of the Unaudited Pro Forma Financial Information.

Upon completion of the Acquisition, the directors will engage an independent qualified professional valuer to carry out the valuation of the Call Option as at the date of completion of the Acquisition, based on facts and circumstances existing as at that date. The valuation of the Call Option may be significantly different from the assumed valuation used for the purpose of the Unaudited Pro Forma Financial Information.

(d) Pursuant to the Acquisition Agreement, the Vendor has irrevocably warranted and guaranteed to the Purchaser that:

(i) the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual course of business) for the year ending 31 December 2017 will not be less than RMB42,000,000; and

(ii) the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual course of business) for the year ending 31 December 2018 will not be less than RMB47,000,000.

In the event the actual audited net profit after tax of the PRC Subsidiary for the years ending 31 December 2017 and 2018 is less than the guaranteed profit, the Vendor will compensate the Purchaser an amount calculated based on 2.4 times of the shortfall (i.e. 12 times of the 20% share of the shortfall).

By reference to the fair value as at 30 September 2017 arrived on the basis of valuation carried out by an independent qualified professional valuer, the fair values of the profit guarantee for the years ending 31 December 2017 and 2018 are assumed to amount to HK$1,734,000 and HK$9,980,000 respectively as at 30 September 2017 for the purpose of the Unaudited Pro Forma Financial Information.

Upon completion of the Acquisition, the directors will engage an independent qualified professional valuer to carry out the valuation of the profit guarantee as at the date of completion of the Acquisition, based on facts and circumstances existing as at that date. The valuation of the profit guarantee may be significantly different from the assumed valuation used for the purpose of the Unaudited Pro Forma Financial Information.

(e) The estimates of the fair values of the profit guarantee and the Call Option as at 30 September 2017 were measured in accordance to Hong Kong Financial Reporting Standard 13 "Fair Value Measurement". The terms of the Call Option and profit guarantee were used as inputs in a model based on Monte Carlo Simulation. Other major inputs in valuing the fair values of the profit guarantee and the Call Option include market risk free rates and expected volatility of the Target Group. Changes in subjective input assumptions could materially affect their fair values.

The following parameters were used to estimate the fair value of the profit guarantee:

Valuation date	30 September 2017
Profit guarantee by the Vendor for the year ending 31 December 2017	RMB42,000,000
Profit guarantee by the Vendor for the year ending 31 December 2018	RMB47,000,000
Risk free rate	3.45%
Expected volatility of the Target Group	10.54%

The following parameters were used to estimate the fair value of the Call Option:

Valuation date	30 September 2017
Equity value of the Target Group set out in Appendix V to this circular	RMB501,110,000
Strike price of the remaining 80% of the equity value of the Target Group *(Note (i))*	RMB481,065,600
Risk free rate	3.45%
Expected volatility of the Target Group	10.54%

(i) Strike price of the remaining 80% of the equity value of the Target Group is calculated based on the terms of the Call Option, which is 120% of the equity value of the Target Group set out in Appendix V to this circular multiplied by the remaining 80% equity interest.

3 The amount represents the estimate amounts for legal and professional fee and other expenses payable by the Group related to the Acquisition.

4 For the purpose of the Unaudited Pro Forma Financial Information, the Directors have performed impairment assessment of investment in an associate in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"), which defines recoverable amount to be the higher of value in use and fair value less costs of disposal.

Based on the valuation report set out in Appendix V to this circular, the Sale Shares Valuation, being 20% of the valuation of the Target Group, amounts to RMB100,222,000 (equivalent to approximately HK$119,264,000). For the purpose of the Unaudited Pro Forma Financial Information, the recoverable amount of the investment in the associate as at 30 September 2017 is assumed approximate to such valuation amount. Based on this assumptions, the Directors concluded that there is no impairment of investment in the associate for the purpose of the Unaudited Pro Forma Financial Information.

The Directors confirmed that they will assess impairment of the investment in the associate in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36. The Company's auditor will review in accordance with Hong Kong Standards on Auditing, the appropriateness of the key assumptions used by the Directors, to estimate the recoverable amount of the investment in the associate based on the facts and circumstance at the end of each reporting period, to ensure the impairment assessment performed by the Directors is in compliance with HKAS 36 and is consistently applied.

5 No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transaction of the Group and the Target Group entered subsequent to 30 September 2017. Unless otherwise stated, the adjustments above do not have a recurring effect.

6 Deficit of HK$1,642,000 shown in the Unaudited Pro Forma Financial Information is for illustrative purpose only. Based on the loan agreement entered into between the Group and a customer, one of loan receivables of HK$5,000,000 as at 30 September 2017 will be due for repayment in January 2018. Upon the receipt of the aforesaid receivables, the Group will have sufficient cash to finance the Acquisition.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong:

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會計師事務所有限公司

The Directors
Newtree Group Holdings Limited

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Newtree Group Holdings Limited (the "Company") and its subsidiaries (collectively 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 assets and liabilities of the Enlarged Group as at 30 September 2017 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IV-1 to IV-7 of the Company's circular dated 25 January 2018 (the "Circular"), in connection with the proposed acquisition of 20% of the issued share capital of Alpha Youth Limited (the "Target") (together with its subsidiaries, the "Target Group") (the "Acquisition") by Bright World Investment Limited, a wholly-owned subsidiary of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-7.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's assets and liabilities as at 30 September 2017 as if the Acquisition had taken place as at 30 September 2017. As part of this process, information about the

Group's assets and liabilities has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2017 as set out in the interim report of the Company which was published on 13 December 2017.

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 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

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

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

Reporting 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 as 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, in all material respects, 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 purposes 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' judgement, 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 by the Directors on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419
Hong Kong

25 January 2018

The following is the text of a letter, summary of valuation and valuation certificate prepared for the purpose of incorporation in this circular received from Grant Sherman Appraisal Limited, an independent valuer, in connection with its valuation of the Target Group as at 31 August 2017.

Grant Sherman

Unit 1005, 10/F., Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

25 January 2018

Newtree Group Holdings Limited
Suites 2804-07, 28/F
Shui On Centre, 6-8 Harbour Road
Wanchai, Hong Kong

Dear Sir/Madam,

In accordance with your instructions, we have made an appraisal of the fair market value of 100% equity interest in the business enterprise of Alpha Youth Limited (the "Target") from a non-controlling perspective. The Target and its subsidiaries (the "Target Group") are principally engaged in the production and sale of commercial concrete in Hainan Province, the People's Republic of China (the "PRC").

This letter identifies the business appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our opinion of value.

Fair market value is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. *Business enterprise* is defined for this appraisal as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt.

The purpose of this appraisal is to express an independent opinion on the fair market value of 100% equity interest in the business enterprise of the Target as at 31 August 2017 (the "Appraisal Date") from a non-controlling perspective. It is our understanding that this appraisal will be used by Newtree Group Holdings Limited (the "Company") for acquisition purpose.

INTRODUCTION

The Company

The Company's ordinary shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (stock code: 1323). The Company and its subsidiaries are principally engaged in (i) wholesale and retail of household consumables; (ii) coal trading business; (iii) digital technology business; (iv) education business; and (v) provision of money lending services.

The Target

The Target is an investment holding company incorporated in the British Virgin Islands ("BVI") with limited liability. Its ultimate beneficial owner is Mr. Zhou Feng Tang (the "Vendor") as at the date of this report.

The principal asset of the Target is its 100% equity interest in Grace Wisdom Holdings Limited, a company incorporated in Hong Kong with limited liability, which in turn holds 100% equity interest in Hainan Huasheng Concrete Company Limited (the "PRC Subsidiary").

The PRC Subsidiary

The PRC Subsidiary is a wholly foreign-owned enterprise established in the PRC and is principally engaged in the production and sale of commercial concrete in Hainan Province, the PRC. Its existing production capacity of concrete is approximately 1.8 million cubic meters per year with an actual production of approximately 1.3 million cubic meters in 2016.

The table below sets forth the revenues and net profits of the PRC Subsidiary for the years ended 31 December 2015 and 31 December 2016 and for the eight months ended 31 August 2016 and 31 August 2017:

	For the year ended 31 December		**For the eight months ended 31 August**	
(RMB'000)	**2015**	**2016**	**2016**	**2017**
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	425,757	446,284	253,275	364,158
Net profit	46,946	9,430	11,750	24,383

According to the management of the Company and the PRC Subsidiary (the "Management"), the PRC Subsidiary recorded a year-on-year ("yoy") decline in net profit of 80% due to the substantial increase in the price of sand, which was one of the raw materials for concrete. The Management has expressed to us that the PRC Subsidiary has taken measures to mitigate future potential increase in raw material cost including shortening the credit periods to suppliers in exchange for more favorable purchase prices and establishing production line of sands internally.

For the eight months ended 31 August 2017, the PRC Subsidiary recorded a yoy increase in net profit of 108%, which was mainly attributable to the increase in demand for concrete production driven by the growth of property market in Haikou City.

The Acquisition

On 21 September 2017 and 6 October 2017, Bright World Investment Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, and the Vendor entered into an agreement (the "Acquisition Agreement") and a supplemental acquisition agreement (the "Supplemental Acquisition Agreement") respectively, pursuant to which, among other things, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to procure a BVI company (the "Holding Company B") to sell the shares representing 20% of the issued share capital of the Target upon completion of the acquisition (the "Completion") at the consideration of HK$119,000,000 (subject to adjustments) (the "Consideration").

Pursuant to the Supplemental Acquisition Agreement, the Vendor shall undertake a shareholding restructuring of the Target (the "Shareholding Restructuring") prior to the Completion, which involves (i) the incorporation of a BVI company (the "Holding Company A") to be wholly owned by the Vendor; (ii) the incorporation of the Holding Company B to be wholly owned by the Holding Company A; and (iii) the transfer of the 100 shares representing 100% equity interest of the Target held by the Vendor to the Holding Company B. The Holding Company B will subscribe for 100 new shares of the Target at the consideration of HK$36,000,000. Upon completion of the Shareholding Restructuring, the Holding Company B will become the sole shareholder of the Target holding 200 shares of the Target and the Vendor will remain as the ultimate beneficial owner of the Target.

Upon Completion, the Purchaser and the Vendor shall enter into an option deed, pursuant to which the Vendor shall grant the Purchaser the right to acquire all but not part of the remaining 80% of the issued share capital of the Target from the Holding Company B within two years from the date of the Completion.

Profit Guarantee

Pursuant to the Acquisition Agreement, the Vendor has warranted and guaranteed to the Company that:

— the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) for the year ending 31 December 2017, shall not be less than RMB42,000,000 (the "2017 Guaranteed Profit"); and

— the audited net profit after tax of the PRC Subsidiary (excluding items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business) for the year ending 31 December 2018, shall not be less than RMB47,000,000 (the "2018 Guaranteed Profit" and together with the 2017 Guaranteed Profit the "Profit Guarantees").

In the event the actual audited net profit after tax of the PRC Subsidiary for the year ending 31 December 2017 (the "2017 Actual Profit") is less than the 2017 Guaranteed Profit, the Vendor shall compensate the Purchaser an amount calculated based on the following formula (the "2017 Compensation Amount"):

— 2017 Compensation Amount = (2017 Guaranteed Profit – 2017 Actual Profit) x 12 x 20% x exchange rate of RMB as defined in the Acquisition Agreement

In the event the actual audited net profit after tax of the PRC Subsidiary for the year ending 31 December 2018 (the "2018 Actual Profit") is less than the 2018 Guaranteed Profit, the Vendor shall compensate the Purchaser an amount calculated based on the following formula (the "2018 Compensation Amount"):

— 2018 Compensation Amount = (2018 Guaranteed Profit – 2018 Actual Profit) x 12 x 20% x exchange rate of RMB as defined in the Acquisition Agreement

The RMB exchange rate shall be the mid rate as announced by the State Administration of Foreign Exchange on the date of issue of the relevant certificate certifying the 2017 Actual Profit or 2018 Actual Profit (as the case may be).

If the PRC Subsidiary record a loss for the year ending 31 December 2017 or for the year ending 31 December 2018, for the purpose of calculating the compensation amount, the 2017 Actual Profit or the 2018 Actual Profit (as the case may be) shall be regarded as zero. In any case, the sum of the 2017 Compensation Amount and the 2018 Compensation Amount shall not exceed the Consideration.

INDUSTRY OVERVIEW

Introduction to Commercial Concrete

Commercial concrete is also known as ready-mixed concrete. It is composed of cement, water, gravel, sands and chemical admixture according to a given proportion. The ingredients get measured and mixed in mixing stations with final products being sold and transported to the construction sites within designated time. Differed from traditional concrete, commercial concrete is produced in much larger scale and transported in mixing tanks. Commercial concrete manufacturers synchronize their batching plants' production with their customers' construction work at building sites. A variety of commercial concrete products are produced based on formulae tailored for specific needs of customers.

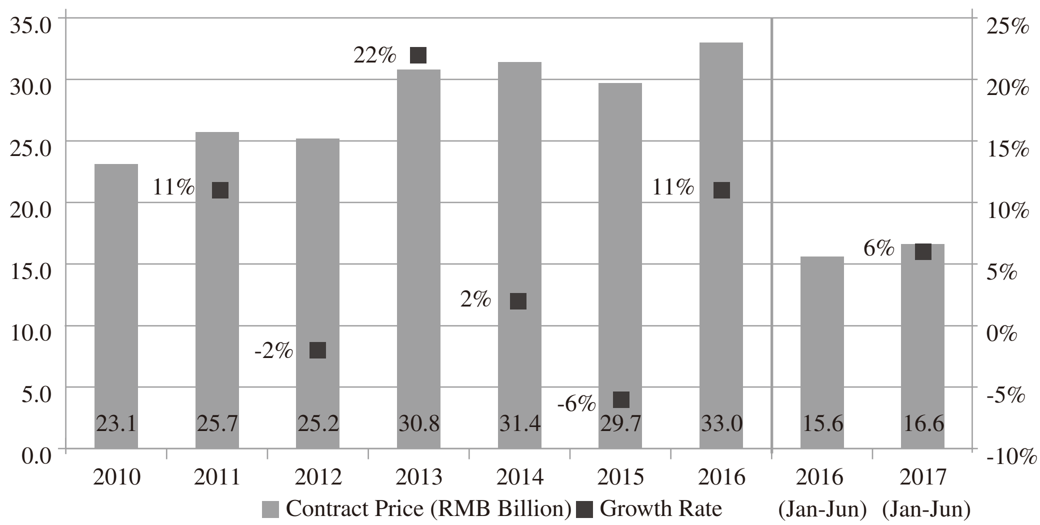
The industry of commercial concrete is highly location oriented. After being produced, concrete would need to be transported to construction sites within its initial jelling time. Transportation capacity, or in other word the size of fleet vehicles, is one of the critical factors affecting the profitability of a concrete manufacturer. The performance of commercial concrete market is also highly subject to the prospect of local construction market.

Hainan Province's Construction Sector

According to the National Bureau of Statistics of the People's Republic of China (the "NBS"), Hainan Province's value from new contracts signed by construction enterprises increased from RMB23.1 billion in 2010 to RMB33.0 billion in 2016, representing a compound annual growth rate of 6%. After a yearly decline of 6% in 2015, the value from new contracts recovered and increased by 11% yoy in 2016. For the first half of 2017, the value from new contracts was RMB16.6 billion, representing a 6% increase yoy.

In 2017, the government of Hainan Province is pushing ahead with 501 key construction projects with a total planned investment of RMB228.8 billion, representing an increase of 25% as compared to the planned investment in 2016. The key projects include Wanda Cultural Tourism City, Meian New Medicine Valley, Hainan Eco-Smart New Town, Haihua Island Tourism Complex, etc.

2010–2017 Hainan's New Contracts Signed by Construction Enterprises



Source: NBS

The Real Estate Market in Hainan Province

In February 2016, the government of Hainan Province proposed the "dual-suspension" measure. For those municipalities with inventory clearing periods for commercial housing exceeding that of the provincial average, land application for new commercial housing units and property right hotel is suspended. The province is on the track of clearance of inventory so far. According to the NBS, in 2016, the province-wide commercial building sales area was 15.09 million square meters with an annual increase of 43.4%. The sales value was RMB149 billion, with an increase of 51.6% yoy. The total area of building under construction, on the other hand, declined by 2% yoy to 20.9 million square meters in 2016 and 7% period on period to 15.8 million square meters in the first half of 2017.

Commercial Concrete Market in Hainan Province

According to reports published by Hainan RuiZe New Building Material Company Limited and Pengyuan Credit Rating Company Limited, commercial concrete output in Hainan Province was 8.5 million cubic meters in 2016, increased by 23% yoy after a mild decline in 2015.

According to the Standard Construction Price Information Network of Hainan Province, the average concrete price (after-tax) in Haikou City remained steady from 2015 to 2017. It dropped from RMB352.2 per cubic meter in July 2015 to RMB342.3 per cubic meter in July 2016 and bounced back to RMB347.9 per cubic meter in July 2017. On the other hand, the concrete price (after-tax) in Chengmai County from July 2015 to July 2017 increased from RMB333.8 per cubic meter in July 2015 to RMB367.9 per cubic meter in July 2017, observing an increase of 10%.

2015–2017 Commercial Concrete Average Price in Haikou City and Chengmai County

After-Tax Reference Price by Type of Commercial Concrete (RMB/Cubic Meter)

Haikou City	Jul-15	Jul-16	Jul-17
C10	305.0	296.0	301.0
C15	315.0	306.0	310.7
C20	325.0	316.0	320.4
C25	335.0	325.0	330.1
C30	345.0	335.0	339.8
C35	360.0	350.0	354.4
C40	375.0	365.0	368.9
C45	390.0	380.0	388.4
C50	420.0	408.0	417.5
Average	352.2	342.3	347.9
Chengmai County	Jul-15	Jul-16	Jul-17
C10	295.0	300.0	320.4
C15	305.0	310.0	330.1
C20	315.0	320.0	339.8
C25	325.0	330.0	349.5
C30	335.0	340.0	359.2
C35	350.0	355.0	373.8
C40	365.0	370.0	393.2
C45	380.0	385.0	412.6
C50	—	400.0	432.0
Average	333.8	345.6	367.9

Source: Standard Construction Price Information Network of Hainan Province

Environmental Inspection

In July 2015, the Central Leading Group for Comprehensively Deepening Reforms of the Communist Party of China approved Environmental Inspection Scheme (Trial Version)《環境保護督察方案(試行)》, setting out a scheme of periodic nationwide inspection to ensure local authorities' implementation of nationwide environmental protection policies, tackling of serious environmental issues and assigning of responsibilities of environmental protection to key persons. On 10 August

2017, with the approval of the Central Committee of the Communist Party of China and the State Council of the People's Republic of China, the Central Government's Fourth Environmental Protection Inspectorate recently held its mobilization meeting and subsequently started stationing in Hainan (the "Inspection").

During the Inspection, many gravel plants in Hainan Province have been ordered to shut down for their inability to comply with environment protection requirements. This is especially the case for those enterprises faking sea sand as river sand in their production. With the PRC government reinforcing environmental protection and the suspension of illegal production, gravel production is not going to resume to its previous output level in a short period of time, leading to shortage of supply and rise in price for the raw material in concrete production, affecting the production and profit margin of concrete manufacturers of smaller scale who are unable to secure gravel supply through bulk ordering or to produce gravel internally.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the fair market value of the business enterprise of the Target in conformity with the Uniform Standard of Professional Appraisal Practice. *Fair market value* is defined as the estimated amount at which the business enterprise might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns. *Business enterprise* is defined for this appraisal as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt.

Hypothetical Condition

As at the Appraisal Date, the Purchaser and the Vendor had not entered into the Supplemental Acquisition Agreement and the Shareholding Restructuring was yet to be completed. For the purpose of this appraisal, the Shareholding Restructuring is assumed to have taken effect as of the Appraisal Date.

Investigation, Assumptions and Basis

Our investigation included a review of the Target Group's statutory documents and historical financial information, as well as other relevant documents. We have assumed that the public data, information we obtained in the course of the valuation are true and accurate. In addition, a study of market conditions and an analysis of published information concerning the industry are used to evaluate the Target Group's past performance and to assess its ability and capacity to generate future investment returns.

Before arriving at our opinion of value, we have considered some principal factors that include, but are not limited to, the following:

— Nature of the business of the Target Group from its inception;

— Economic outlook in general and the condition and outlook of the specific industry in particular;

— The specific economic and competitive elements affecting the Target Group's business, its industry and its market;

— Business risks of the Target Group and inherent uncertainties involved in its operation;

— Financial risks of the Target Group;

— Potential of the markets served;

— The current stage of development of the Target Group;

— Investment market's attitude toward securities with similar characteristics, as measured by market performance, and alternative investment opportunities available to an investor; and

— Appropriate rates of return as indicated by alternative investment opportunities of comparable magnitude, character and risk.

Due to the changing environment in which the Target Group is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

— There will be no major changes in the existing political, legal, fiscal and economic conditions in the PRC in which the Target Group carries on its businesses;

— There will be no major changes in the current taxation law in the PRC, that the rates of tax payable will remain unchanged and that all applicable laws and regulations will be complied with;

— Exchange rates, inflation rates and interest rates will not differ materially from those presently prevailing;

— The availability of finance will not be a constraint on the forecast growth of the Target Group's operations and the repayment of its debts when they fall due;

— The Target Group will successfully maintain its competitiveness and market share through optimizing the utilization of its production capacity and expanding its customer base;

— The Target Group can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained;

— The Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operations;

— The Target Group has obtained and will obtain all necessary permits, license, certificates and approvals to carry out its business and utilize its production capacity;

— Any management changes or changes in ownership of the Target Group in the future will not have adverse effects on the long term profitability of its operations;

— Industry trends and market conditions for related industries will not deviate materially from economic forecasts;

— Impact from sharp increase in price of sand on the PRC Subsidiary's profitability in 2016 was occasional and the PRC Subsidiary's measures can mitigate future potential impact from the fluctuation in sand price;

— Receivables and payables, if any, of counterparties under the same ultimate beneficial owner can offset each other and corresponding default risk is minimal;

— The Profit Guarantees have been arrived at after due and careful consideration by the Vendor, reflecting a sustainable profit level of the PRC Subsidiary; and

— The labor market conditions will not differ materially from those presently prevailing.

For the purpose of this valuation, we were furnished with historical and projected financial information, as well as records and documents by the Management. We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair market value of the appraised business enterprise.

VALUATION METHODOLOGY

The Target was an investment holding company as at the Appraisal Date. Its principal long term investment was its equity interest in the PRC Subsidiary and it did not have any other principal asset or operation. Accordingly, the fair market value of the 100% equity interest in the business enterprise of the Target comprised the fair market value of its equity interest in the PRC Subsidiary (the "PRC Subsidiary Value") and its net asset value, net of the carrying amount of its investment in the PRC Subsidiary, as at the Appraisal Date.

To develop our opinion of value for the PRC Subsidiary, we considered the three generally accepted approaches to value: the Cost Approach, the Market Approach and the Income Approach.

As discussed in the section "Industry Overview", concrete manufacturing is a highly location oriented business. As such, the return on the manufacturing facilities is highly dependent on the asset owner's ability to market the products within the local area, which has been demonstrated by the PRC Subsidiary in its operation track record. In addition, given its position as one of the key concrete manufacturers in Haikou City, we believe the PRC Subsidiary is in a more favorable position as compared to smaller-scale competitors in securing stable supply of raw materials. As such value drivers are not reflected in the investment cost of the PRC Subsidiary's assets, we consider the Cost Approach to be inappropriate in appraising the business enterprise of the PRC Subsidiary.

Market Approach is commonly accepted for valuations where pricing measures of assets comparable to the subject asset are readily available. In this valuation, we have identified listed companies comparable to the PRC Subsidiary. Despite that some of them are subject to differentials in operation, the availability of public information of these listed companies allows the derivation of price measures to arrive at our opinion of value, thus making market approach applicable in this valuation. The identification of comparable companies and the justification of their comparability are to be discussed in later section "Selection of Comparable Companies".

We also considered the adoption of Income Approach in this valuation. The Income Approach is the conversion of expected periodic benefits of ownership into an indication of value, thus a detailed profit forecast will be the key reference for valuation under this approach. Although as discussed in later sections, we will also rely on profit forecast and forward multiples to derive our valuation opinion under the Market Approach, we consider the Market Approach to be the more appropriate method in this valuation since it only relies on the PRC Subsidiary's current year profit forecast which is considered to be a reliable input to our valuation as to be discussed in the section "Selection of Multiples". Income Approach on the other hand requires detailed projection of the PRC Subsidiary's financial performance beyond current year into a distant future and the use of relevant techniques such as discounted cashflow analysis and terminal value multiple, all requiring precise estimates or judgmental inputs by the Management, makes it a less reliable method than the Market Approach in this valuation.

Guideline Publicly Traded Company Method

The fair market value of the PRC Subsidiary has been developed through the application of the market approach and we rely on the Guideline Publicly Traded Company (the "GPTC") method to estimate its value. In the GPTC method, the fair market value is based on prices at which stocks of similar companies are trading in a public market. A "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as at the valuation date by some relevant economic variable observed or calculated from the guideline company's financial statements.

Selection of Comparable Companies

A major requirement in applying the GPTC method is to identify companies that are comparable to the subject company in terms of business nature and associated risks. Accordingly, we have selected commercial concrete manufacturers as comparable companies of the PRC Subsidiary based on the following relevant criteria: (1) principally operating in the PRC market, (2) products offered and business nature comparable to that of the PRC Subsidiary, (3) profitable, (4) listed on a well-recognized exchange, and (5) earnings estimations by equity research analysts or other equity market participants ("Earnings Estimations") are publicly accessible. While criteria (1) to (4) examines the comparability or representativeness of a comparable company, criterion (5) is particularly essential as we rely on the market's consensus on comparable companies' forward earning performance to derive the PRC Subsidiary's fair market value, as to be discussed in later section.

Based on the above screening criteria, seven companies engaging in the manufacturing of commercial concrete are identified as the comparable companies of the PRC Subsidiary. Below is the summary of these comparable companies and their segmental revenues:

Comparable Company *(Note 1)*	**Stock Code**	**Company Description on Bloomberg**	**Notable Revenue Sources** *(Note 2)* **(Revenue Contribution in Financial Year 2016)**
China National Building Material Company Ltd.	3323 HK	China National Building Material Company Ltd. manufactures building materials. It produces cement, dry wall, ceiling systems, and fiberglass.	Cement (59.6%), Commercial Concrete (20.8%)
China West Construction Group Company Ltd.	002302 CH	China West Construction Group Company Ltd. is an infrastructure development company. It manufactures and sells pre-mixed concretes.	Commercial Concrete (98.6%)
Xinjiang Tianshan Cement Company Ltd.	000877 CH	Xinjiang Tianshan Cement Company Ltd. manufactures and markets a variety of cement and its related products. Its products include normal cement, composite cement, portland cement, concrete, clinker, and other related products.	Cement (84.2%), Commercial Concrete (14.6%)
China Resources Cement Holdings Ltd.	1313 HK	China Resources Cement Holdings Ltd., through its subsidiaries, produces, distributes and sells cement, clinker and concrete.	Cement (82.3%), Commercial Concrete (17.7%)
Ningxia Building Materials Group Company Ltd.	600449 CH	Ningxia Building Materials Group Company Ltd. manufactures and retails cement, clinker, and unplasticised polyvinyl chloride pipes.	Cement (83.1%), Commercial Concrete (14.9%)

Comparable Company (Note 1)	Stock Code	Company Description on Bloomberg	Notable Revenue Sources (Note 2) (Revenue Contribution in Financial Year 2016)
Jinyuan Cement Company Ltd.	000546 CH	Jinyuan Cement Company Ltd. is an investment holding company. Through its subsidiaries, the company produces and sells cement products, develops and manages real estate.	Cement (54.8%), Commercial Concrete (40.0%)
Jiangxi Wannianqing Cement Company Ltd.	000789 CH	Jiangxi Wannianqing Cement Company Ltd. manufactures and markets cement and clinker products. It also manufactures quartz chips and leases properties.	Cement (74.6%), Commercial Concrete (20.1%)

Notes:

1. Two concrete manufactures (Shenzhen Universe (Group) Company Ltd. (000023 CH) and Chongqing Sansheng Industrial Company Ltd. (002742 CH)) were identified based on criteria (1) to (4) but not included as comparable companies in above to derive the Forward Multiplies (as defined below) as their Earnings Estimations are not available. However, these two companies are included as comparable companies to derive the Business Factor Adjustment (as defined below) as their Trailing Multiplies (as defined below) are available. Forward Multiplies are not used in deriving the Business Factor Adjustment.

2. Revenue sources whose contributions are less than 10% of total revenue are not included.

While the number of listed pure concrete manufacturers in Hong Kong and the PRC is very limited, cement manufacturing is considered to be closely comparable with concrete manufacturing as they are construction materials with principally identical end-user markets and that cement constitutes one of the major components of raw materials in the manufacturing of commercial concrete. This could also be evidenced by the prevalence of manufacturers engaging in both concrete and cement production. As presented in the summary above, the seven comparable companies have the manufacturing of commercial concrete and cement attributing the vast majority of their revenue in financial year 2016, indicating their close comparability with the PRC Subsidiary in terms of business nature.

It is rare, if not impossible, to find two identical companies perfectly matching each other to serve as valuation reference. In applying the Market Approach, it is common that appraisers have to identify the material difference between the subject company and the comparable companies used to derive the valuation multiples, and apply necessary adjustments to control for the differences between the subject company and the comparable companies. We have analyzed the business and financial information of the comparable companies and notice that six of the comparable companies (3323 HK, 000877 CH, 1313 HK, 600449 CH, 000546 CH, 000789 CH) (the "Cement Manufacturers") have their majority of revenue generating from manufacturing and sale of cement. Despite the similarity between concrete and cement in terms of product nature and end-user market, the two products are different in the other aspects. Due to difference in manufacturing process, cement production requires a higher level of capital investment than concrete production. In addition, the price movement of cement may not be at the same pace as that of concrete, as the production cost of concrete is also affected by the price of other raw materials such as sand, gravel, etc. Nevertheless, such differences should not overshadow the similarity of the business nature of concrete manufacturing and cement manufacturing. Thus, we consider these six companies are appropriate comparables to the PRC Subsidiary.

In light of the above difference, adjustment has been applied so that pricing data of the Cement Manufacturers can be adopted for the PRC Subsidiary. The corresponding adjustment will be discussed in later section "Business Factor Adjustment".

Although there are other concrete manufacturers in the PRC, they are not considered as comparable companies of the PRC Subsidiary due to loss making, lack of accessible Earnings Estimations or having other key revenue sources not comparable to that of the PRC Subsidiary.

Selection of Multiples

In applying the GPTC method, different value measures or market multiples of the comparable companies are calculated and analyzed to induce a series of multiples that are considered representative of the industry average. Then, we apply the relevant industry multiples to the subject company to determine a value for the subject company that is on a freely-traded basis.

In this appraisal, we have considered two types of multiples: 1) multiples derived from the comparable companies' earnings record for the past twelve months ("Trailing Multiples"), and 2) multiples derived from the comparable companies' Earning Estimations for the current financial year ("Forward Multiples"). We have observed that the 2017 Guaranteed Profit, which indicates the Management's best estimation on the future profit level of the PRC Subsidiary, presents a significant improvement against its last earnings:

	2017 Guaranteed Profit
Guaranteed net profit	42,000,000
Change vs net profit for the year ended 31 December 2016	345%
Change vs net profit for the year ended 31 December 2015	-11%

As a comparison, the PRC Subsidiary's net profit for the eight months ended 31 August 2017 was approximately RMB24,383,000, representing a 108% increase from the net profit for the eight months ended 31 August 2016 and an 9% increase from the net profit for the eight months ended 31 August 2015. Such trend concurs with the Management's view that the PRC Subsidiary will recover from the substantial decrease in net profit in 2016, with an improvement in profitability as indicated by the 2017 Guaranteed Profit. In addition, the PRC Subsidiary's concrete sales volume for the eight months ended 31 August 2017 amounted to approximately 1.04 million cubic meters, representing approximately 65% of its full year target. Comparing with the PRC Subsidiary's sales volumes for the first eight months in 2014, 2015 and 2016, which on average account for approximately 59% of its full year sales volume, we consider the current targeted sales volume of 1.6 million cubic meters for 2017 to be achievable, given that the PRC Subsidiary's concrete manufacturing business is subject to seasonal factor, according to the Management. Considering the recovery of net profit, the achievability of sales target, and the endorsement by Vendor through the 2017 Compensation Amount, we are of the opinion that the PRC Subsidiary's current year profit forecast, as represented by the 2017 Guaranteed Profit, to be a reliable indicator of the PRC Subsidiary's profitability.

To reflect the normal profit level of the PRC Subsidiary in determining its fair market value, we consider Forward Multiples to be the appropriate value measures in appraising the business enterprise of the PRC Subsidiary under the GPTC method.

Specifically, we applied the forward price-to-net income ("P/E"), forward market value of invested capital-to-earnings before interest, tax, depreciation and amortization ("MVIC/EBITDA") and the forward market value of invested capital-to-earnings before interest and tax ("MVIC/EBIT") multiples of comparable companies for this appraisal. The reason that MVIC/EBITDA and MVIC/EBIT multiples are applied is that these multiples provide fair measures of business enterprise values among companies with different capital structures. For P/E multiple, it is a widely adopted multiple to measure equity interest in business enterprise.

Trailing Multiples of the Comparable Companies

Comparable Company	3323 HK	002302 CH	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA (x)	11.8	33.3	14.2	7.2	9.0	16.4	7.7
MVIC/EBIT (x)	18.5	59.9	40.5	10.5	17.5	23.0	12.1
P/E (x)	12.2	101.3	49.7	10.0	28.3	28.3	19.9

Source: company financial information from Bloomberg

Forward Multiples of the Comparable Companies

Comparable Company	3323 HK	002302 CH	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA (x)	11.9	33.1	15.2	7.1	7.3	10.8	7.6
MVIC/EBIT (x)	16.8	59.3	50.4	9.9	12.1	13.3	11.8
P/E (x)	8.7	58.8	28.1	8.6	13.6	16.6	11.8

Source: company financial information from Bloomberg

Adjustment for Different Capital Market

A single company's share prices may be different in two separate capital markets due to differentiation in factors including investor profiles, market sentiment, risk aptitude, etc. This could be evidenced by the persistent differential between the stock prices of A-shares and H-shares for companies dual-listing in the PRC and Hong Kong.

Of the seven comparable companies, five are listed in the PRC and two are listed in Hong Kong. Considering that the PRC should be the primary market in which the PRC Subsidiary being accessible by potential investors, we have adjusted the multiples for the two Hong Kong-listed comparable companies, i.e. 3323 HK and 1313 HK, with the difference between price and enterprise value (EV) multiples of major stock indexes in Hong Kong and in the PRC:

Stock Index	Relevant Multiple as at the Appraisal Date		
	P/E(X)	EV/EBITDA(X)	EV/EBIT(X)
Hang Seng Index (A)	14.1	11.0	15.0
CSI 300 Index (B)	16.3	16.0	18.1

Source: Bloomberg

	P/E(X)	MVIC/EBITDA(X)	MVIC/EBIT(X)
Adjustment factor for multiples of 3323 HK and 1313 HK (B/A)	1.2	1.5	1.2

The forward multiples, after adjustment of differentiation of capital markets, are presented as follows:

Forward Multiples of Comparable Companies
(After Capital Market Adjustment)

Comparable Company	3323 HK	002302 CH	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA(X)	17.2	33.1	15.2	10.3	7.3	10.8	7.6
MVIC/EBIT(X)	20.4	59.3	50.4	12.0	12.1	13.3	11.8
P/E(X)	10.1	58.8	28.1	10.0	13.6	16.6	11.8

After the computation of forward multiples, further adjustments have to be applied to address the difference among the comparable companies and the PRC Subsidiary in terms of 1) size, and 2) business factors.

Size Adjustment

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted. An investor would demand more in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. Thus, in this appraisal, the comparable company multiples are size-adjusted with reference to "*Adjusting Guideline Multiples for Size*" by Mattson, Shannon and Drysdale published in September/October 2001 Valuation Strategies, with the following formula adopted in deriving the size adjustment:

$$\textbf{Adjusted Multiple} = \frac{1}{\dfrac{1}{\textbf{Multiple}} + \alpha\varepsilon\theta}$$

Where:

θ is the size differential with reference to *2016 Valuation Handbook Guide to Cost of Capital* by Duff & Phelps.

α is an adjustment made to θ when using a multiple other than one based on net income or net operating profit after tax, being the ratio of the measure to net income or net operating profit after tax.

ε is an adjustment made to θ when there is debt in capital structure and a pricing multiple based on market value of invested capital is being used, being the ratio of market value to market capitalization of invested capital.

Forward Multiples of Comparable Companies
(After Capital Market and Size Adjustments)

Comparable Company	Median of premium (discount) for size difference	3323 HK	002302 CH	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA(X)	-26%	14.6	10.0	4.2	6.5	5.6	8.0	6.3
MVIC/EBIT(X)	-26%	17.8	18.0	14.0	8.2	9.3	9.9	9.8
P/E(X)	-30%	7.1	17.0	14.4	7.0	10.1	11.0	9.2

Business Factor Adjustment

As discussed in previous section "Selection of Comparable Companies", there exist differences between concrete manufacturing and cement manufacturing, such as different level of capital investment requirement and the involvement of other raw materials in concrete production which lead to differentiation in price movements. While such differences should not be critical enough to deny the comparability of the two products from product nature and end-user market perspectives, they will affect the cost structures and profitability of the two businesses. As such, we consider it necessary to adjust for the above business factor differentials (the "Business Factor Adjustment") so that the resulting forward multiples of the Cement Manufacturers, whose majority of revenue is attributable to cement manufacturing, can be adopted in appraising the business enterprise of the PRC Subsidiary.

In this appraisal, reference has been made to the difference in Trailing Multiples between listed concrete manufacturers (the "Concrete Manufacturers") and the Cement Manufacturers to derive the Business Factor Adjustment. Trailing Multiples, instead of Forward Multiples, is used because it allows us to include China West Construction Group Company Ltd. (002302 CH), which is one of the comparable companies, and two Concrete Manufacturers without accessible Earnings Estimations, i.e. Shenzhen Universe (Group) Company Ltd. (000023 CH) and Chongqing Sansheng Industrial Company Ltd. (002742 CH), to form a representative pool of Concrete Manufacturers.

The Trailing Multiples of the two group of companies and the corresponding Business Factor Adjustment is presented below:

Trialing Multiples of Concrete Manufacturers

Before Adjustment:

Comparable Company	**002302 CH**	**000023 CH**	**002742 CH**
MVIC/EBITDA (x)	33.3	82.9	31.3
MVIC/EBIT (x)	59.9	155.0	47.9
P/E (x)	101.3	162.0	39.7

Source: company financial information from Bloomberg

After Size Adjustment*:

Comparable Company	**002302 CH**	**000023 CH**	**002742 CH**
MVIC/EBITDA (x)	10.1	21.9	14.9
MVIC/EBIT (x)	18.2	40.9	22.9
P/E (x)	19.4	38.9	18.7

* *Reasons and approach for size adjustment to multiples are discussed in section "Size Adjustment"*

Trialing Multiples of Cement Manufacturers

Before Adjustment:

Comparable Company	**3323 HK**	**000877 CH**	**1313 HK**	**600449 CH**	**000546 CH**	**000789 CH**
MVIC/EBITDA (x)	11.8	14.2	7.2	9.0	16.4	7.7
MVIC/EBIT (x)	18.5	40.5	10.5	17.5	23.0	12.1
P/E (x)	12.2	49.7	10.0	28.3	28.3	19.9

Source: company financial information from Bloomberg

After Capital Market and Size Adjustments*:

Comparable Company	3323 HK	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA (x)	14.7	7.3	6.9	6.5	10.5	6.4
MVIC/EBIT (x)	19.6	20.8	8.9	12.6	14.7	10.1
P/E (x)	8.9	18.6	7.8	16.3	15.2	13.5

* *Reasons and approaches for capital market adjustment and size adjustment to multiples are discussed in sections "Adjustment for Different Capital Market" and "Size Adjustment"*

Derivation of Business Factor Adjustment

Size Adjusted Trailing Multiples (Median)	Concrete Manufacturers	Cement Manufacturers	Difference (Y)	Business Factor Adjustment (1/(1+Y))
MVIC/EBITDA(X)	14.9	7.1	-52%	2.1
MVIC/EBIT(X)	22.9	13.7	-40%	1.7
P/E(X)	19.4	14.4	-26%	1.4

The resulting multiples, after adjusted for the Business Factor Adjustment for the Concrete Manufacturers, are presented as follows:

Forward Multiples of Comparable Companies
(After Capital Market, Size and Business Factor Adjustments)

Comparable Company	3323 HK	002302 CH	000877 CH	1313 HK	600449 CH	000546 CH	000789 CH
MVIC/EBITDA (x)	30.8	10.0	8.9	13.8	11.8	16.8	13.3
MVIC/EBIT (x)	29.8	18.0	23.4	13.6	15.6	16.5	16.5
P/E (x)	9.6	17.0	19.5	9.5	13.6	14.9	12.4

Derivation of Fair Market Value (before Marketability Discount)

The fair market value of the PRC Subsidiary depends on the medians of the forward MVIC/EBITDA, forward MVIC/EBIT and forward P/E of comparable companies generated from the available market figures as at the Appraisal Date, the 2017 Profit Guarantee of RMB42,000,000 and the corresponding EBIT of RMB56,000,000 and EBITDA of RMB68,946,000 of the PRC Subsidiary. Details of the value ratios applied, after adjustments for difference in capital markets, size and business factors, are summarized as below:

Valuation Measure	Adjusted Multiple	Weighting Factor
Adjusted MVIC/EBITDA(X)	13.3	25%
Adjusted MVIC/EBIT(X)	16.5	25%
Adjusted P/E(X)	13.6	50%

The fair market value derived from the above is then subject to a discount to reflect a lack of marketability of the business enterprise of the PRC Subsidiary.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discount for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted (“letter”) stock studies.

- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

Since the PRC Subsidiary is a private company and there is no active market for its shares, while the forward multiples in this valuation are derived from multiples of listed comparable companies whose shares are traded in active markets. Thus, a lack of marketability discount has to be applied in the value derived from the forward multiples to reflect the difference in marketability between the PRC Subsidiary and the comparable companies. With reference to statistics published in the Mergerstat® Review by FactSet Mergerstat, LLC., the 5-year median of lack of marketability discount as derived form the difference in P/E multiples offered to public companies and private companies in the United States was 25% during the period of 2012 to 2016. Based on our investigation, we find no grounds to doubt that the PRC Subsidiary shall subject to a marketability discount materially different from that of the 5-year median discount derived from market data. Thus, a lack of marketability discount of 25% is considered as reasonable for the valuation of the business enterprise of the PRC Subsidiary. We believe that such a discount is reasonable for potential investors who are looking for similar kind of investments like the business enterprise of the PRC Subsidiary.

Since the stocks of the comparable companies are traded in the market on the basis that no control of such companies is obtained, the fair market value of the PRC Subsidiary is appraised from a non-controlling perspective in this appraisal. No control premium is applied as the purpose of this appraisal is to appraise the fair market value of 100% equity interest in the business enterprise of the Target from a non-controlling perspective.

Under the GPTC method, the PRC Subsidiary Value from a non-controlling perspective as at the Appraisal Date is RMB500,815,000. We have summed the PRC Subsidiary Value with the net asset value of the Target, net of the carrying amount of its investment in the PRC Subsidiary and assuming the Shareholding Restructuring has completed, of RMB295,000 to arrive at the fair market value of 100% equity interest in the business enterprise of the Target from a non-controlling perspective as at the Appraisal Date.

OPINION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair market value of 100% equity interest in the business enterprise of the Target from a non-controlling perspective as at **31 August 2017** is reasonably stated by the amount of **RENMINBI FIVE HUNDRED ONE MILLION ONE HUNDRED AND TEN THOUSAND (RMB501,110,000)** only.

This opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company, the Target, their subsidiaries and associates, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA	**Derek T.Y. Wong, CFA, FRM**
Managing Director	*Director*
	Business and Derivative Valuation

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation/Intangible Assets) and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988. Mr. Derek T.Y. Wong is a CFA Charterholder and a Certified FRM. He has been working in the financial industry since 2003, with experiences covering the areas of corporate banking, corporate finance, equity analysis and business and derivatives valuation.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive in the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company and 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 in which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares and underlying shares

Name of Directors	Nature of interests	Total number of Shares or underlying shares held	Approximate percentage of issued shares of the Company as at the Latest Practicable Date
Mr. Wong Wai Sing *(Note)*	Beneficial owner and interest of a controlled corporation	472,500,000	19.86%
Mr. Chan Kin Lung	Beneficial owner	10,000,000	0.42%

Name of Directors	Nature of interests	Total number of Shares or underlying shares held	Approximate percentage of issued shares of the Company as at the Latest Practicable Date
Mr. Wong Jeffrey	Beneficial owner	10,000,000	0.42%
Mr. Lee Chi Shing, Caesar	Beneficial owner	5,000,000	0.21%
Mr. Kwok Kam Tim	Beneficial owner	800,000	0.03%
Dr. Hui Chik Kwan	Beneficial owner	800,000	0.03%
Mr. Tso Ping Cheong, Brian	Beneficial owner	800,000	0.03%

Note:

Mr. Wong Wai Sing held 41,894,000 Shares in personal capacity, he also beneficially owned the entire issued share capital of Twin Star Global Limited, which was interested in 430,606,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or 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 the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

Long positions in the Shares and underlying shares

Name of substantial shareholders	Nature of interests	Total number of Shares or underlying shares held	Approximate percentage of shareholding in the Company as at the Latest Practicable Date
Twin Star Global Limited *(Note 1)*	Beneficial owner	430,606,000	18.10%
Lead Thrive Investments Limited *(Note 2)*	Beneficial owner	434,782,608	18.27%
Mr. Fu Sze Shing *(Note 2)*	Beneficial owner and interest of a controlled corporation	452,782,608	19.03%

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the Chairman and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the Shares held by Twin Star Global Limited.

2. These underlying shares of the Company represent a maximum of 434,782,608 new Shares that may be issued upon full conversion of the convertible bonds in the principal amount of HK$200,000,000 issued by the Company on 11 August 2017 which are beneficially owned by Lead Thrive Investments Limited whose entire issued share capital is beneficially owned by Mr. Fu Sze Shing. By virtue of the SFO, Mr. Fu Sze Shing is deemed to be interested in the underlying Shares held by Lead Thrive Investments Limited. Mr. Fu Sze Shing held 18,000,000 Shares in personal capacity.

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

3. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2017 (the date to which the latest published audited financial statements of the Group were made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any businesses which compete, or are likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into any service contract with any member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of any compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by members of the Enlarged Group within the two years immediately preceding date of this circular and including the Latest Practicable Date which are or may be material:

(i) the deed of amendments dated 17 May 2016 entered into between the Company, Fulledge Limited and Mr. Lee Fan Shing for amending certain terms and conditions of the convertible bonds of the Company in the principal amount of HK$100,000,000 due 2016, details of which are disclosed in the announcements of the Company dated 11 June 2014, 19 June 2014, 17 May 2016 and 15 August 2016;

(ii) the underwriting agreement dated 17 May 2016 entered into between the Company and Cheong Lee Securities Limited in relation to the issue of 1,405,519,920 new Shares ("**Offer Shares**") at HK$0.164 per Share on the basis of three (3) Offer Shares for every two (2) existing Shares, details of which are disclosed in the announcements of the Company dated 17 May 2016, 15 July 2016, 15 August 2016 and the circular and prospectus of the Company dated 24 June 2016 and 25 July 2016 respectively;

(iii) the subscription agreement dated 24 November 2016 entered into between Starry Zone Global Limited (a direct wholly-owned subsidiary of the Company), as subscriber, and a Hong Kong listed company, as issuer, in relation to the subscription of HK$10,000,000 unlisted straight bonds which bear interest at the rate of 2% per month, details of which are disclosed in the announcement of the Company dated 24 November 2016;

(iv) the sale and purchase agreement dated 15 December 2016 entered into between Bright World Group Holdings Limited (a direct wholly-owned subsidiary of the Company), as purchaser, and Mr. Tang Hon Kwong, as vendor, in relation to the acquisition of the entire equity interest in Chengxin Finance Limited at a total consideration of HK$50,000,000, details of which are disclosed in the announcements of the Company dated 15 December 2016 and 29 December 2016;

(v) the sale and purchase agreement dated 28 March 2017 entered into between Star Guardian Holdings Limited (a direct wholly-owned subsidiary of the Company), as vendor, and Yuchi International Limited, as purchaser, in relation to the disposal of the entire equity interest in Tiger Global Group Limited at a total consideration of HK$30,000,000, details of which are disclosed in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017;

(vi) the sale and purchase agreement dated 5 May 2017 entered into between Tary Limited (a direct wholly-owned subsidiary of the Company) and Ramber Industrial Limited (a direct wholly-owned subsidiary of the Company), as vendors, the Company, as vendors' guarantor, and Mr. Lin Damin and Mr. Chang Yikui, as purchasers, in relation to the disposal of the entire equity interest and the shareholders' loan in Brighten Tree Limited at a total consideration of HK$85,000,000, details of which are disclosed in the announcements of the Company dated 5 May 2017 and 25 May 2017;

(vii) the subscription agreement dated 4 August 2017 entered into between the Company, as issuer and Mr. Wong Wai Sing, as guarantor, and Lead Thrive Investments Limited, as subscriber, in relation to the issuance of HK$200,000,000 8% guaranteed convertible bonds with conversion price of HK$0.46 per Share (subject to adjustments) (the "**2017 Convertible Bonds**"), details of which are disclosed in the announcements of the Company dated 4 August 2017 and 11 August 2017;

(viii) a bond instrument dated 11 August 2017 in relation to the 2017 Convertible Bonds;

(ix) the deed of installment dated 17 January 2018 entered into between Golden Star Group Holdings Limited (a direct wholly-owned subsidiary of the Company), Sinochoze Investments Limited, Jin Ding Investment Limited, Mr. Lo Man Piu and Mr. Jiang Zhiyong in relation to the repayment of the consideration of HK$159,000,000 together with the interest accrued thereon for the disposal of approximately 10% of the issued share capital of Goldbell Holdings Limited, details of which are disclosed in the announcement of the Company dated 17 January 2018; and

(x) the Acquisition Agreement.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Moore Stephens CPA Limited	Certified Public Accountants
Grant Sherman Appraisal Limited	Independent professional valuer

Each of the above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its report and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, each of the above expert did not have any shareholding, directly or indirectly, in any member of the Enlarged Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above expert did not have any direct or indirect interest in any assets which had been, since 31 March 2017, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, by any members of the Enlarged Group.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at Suites 2804–07, 28/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the annual reports of the Company for each of the two years ended 31 March 2016 and 31 March 2017;

(iii) the accountants' report of the Target Group as set out in Appendix II to this circular;

(iv) the accountants' report of the PRC Group as set out in Appendix III to this circular;

(v) the accountants' report on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular;

(vi) the valuation report of the Target Group as set out in Appendix V to this circular;

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

(viii) the written consents referred to in the paragraph headed "Experts and consents" in this appendix; and

(ix) this circular.

9. GENERAL

(i) The company secretary of the Company is Ms. Kwok Ka Huen. She holds a bachelor's degree in Accounting and Finance from Leeds Metropolitan University. She is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants. She possesses over 13 years of experience in the fields of accounting, auditing and tax consultancy.

(ii) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(iii) The principal place of business of the Company in Hong Kong is situated at Suites 2804–07, 28/F, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

(iv) The headquarter of the Company is situated at Flat L, 12th Floor, Macau Finance Centre, Rua de Pequim, Macau.

(v) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(vi) The principal share registrar and transfer office of the Company is SMP Partners (Cayman) Limited at Royal Bank House, 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands.

(vii) In the event of inconsistency, the English text of this circular and accompanying form of proxy shall prevail over the Chinese text.

Newtree Group Holdings Limited
友川集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1323)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Newtree Group Holdings Limited (the "**Company**") will be held at 11:00 a.m. on Wednesday, 14 February 2018 at Unit 1103, China Building, 29 Queen's Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the agreement dated 21 September 2017 (as amended and supplemented by the supplemental agreement dated 6 October 2017 and the extension letter dated 7 December 2017) (the "**Sale and Purchase Agreement**") entered into between Mr. Zhou Feng Tang as vendor (the "**Vendor**") and Bright World Investment Limited, a wholly-owned subsidiary of the Company, as purchaser (the "**Purchaser**") in relation to the sale and purchase of 40 ordinary shares of US$1.00 each in the issued share capital of Alpha Youth Limited (the "**Target**") (the "**Sale Shares**"), representing 20% of the issued share capital of the Target as at the date of completion of the Sale and Purchase Agreement, for a total consideration of HK$119,000,000 (subject to adjustments according to the terms of the Sale and Purchase Agreement) (copies of the Sale and Purchase Agreement are marked "A" and produced to the EGM and signed by the chairman of the EGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the issue of the promissory notes (the "**Promissory Notes**") in the aggregate principal amount of HK$24,000,000 by the Company to the Vendor (or its nominee(s)) as part of the consideration for the Sale Shares pursuant to the terms and conditions of the Sale and Purchase Agreement be and are hereby approved;

(c) the entering into of an option deed (the "**Option Deed**") by the Vendor and the Purchaser in respect of the grant of the right by the Vendor to the Purchaser to acquire all but not part of the remaining 80% of the issued share capital of the Target by the Purhaser pursuant to the terms and conditions of the Sale and Purchase Agreement be and is hereby approved; and

(d) any one or more of the director(s) of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents (including under seal) which he/she/they considers necessary or expedient to give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder including but not limited to the issue of the Promissory Notes and the entering into of the Option Deed."

By Order of the Board
Newtree Group Holdings Limited
Mr. Wong Wai Sing
Chairman and Executive Director

Hong Kong, 25 January 2018

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Headquarter:
Flat L, 12th Floor
Macau Finance Centre
Rua de Pequim
Macau

Principal place of business in Hong Kong:
Suites 2804–07, 28/F,
Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in on its/his/her behalf. A proxy need not be a member of the Company but must be present in person at the 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. In order to be valid, the proxy form 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, must be deposited at the offices of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude a shareholder of the Company from attending in person and voting at the meeting or any adjournment thereof, should he/she so wish.

3. Whether or not you intend to attend the meeting in person, all members are urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting if they so wish.

4. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution set out in this notice will be decided by poll at the EGM.

5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. on the date of the EGM, the EGM will be postponed or adjourned. Members may visit the website of the Company at www.newtreegroupholdings.com for details of the rescheduled meeting.

6. The Chinese translation of this notice and the proxy form are for reference only, and in case of any inconsistency, the English Version shall prevail.

7. The register of members of the Company will be closed from Friday, 9 February 2018 to Wednesday, 14 February 2018 (both dates inclusive) for determining the identity of the shareholders who are entitled to attend and vote at the EGM. No transfer of shares of the Company and/or the conversion of the outstanding convertible bonds will be registered during this period. Shareholders whose name appear on the register of members of the Company on Wednesday, 14 February 2018 shall be entitled to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, unregistered holders of the shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 8 February 2018.