THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in GT Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

高富集團控股有限公司

GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 49% OF THE ENTIRE ISSUED SHARE CAPITAL OF MULTI-FAME GROUP LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to GT Group Holdings Limited

Lego Corporate Finance Limited
力高企業融資有限公司

A notice convening an extraordinary general meeting ("**EGM**") of the Company to be held at Churchill Room, Level 26, The Park Lane Hong Kong, A Pullman Hotel, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 11 July 2018 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later 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 should you so wish.

25 June 2018

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Baiyu (Beijing)"	Baiyu (Beijing) Technology Company Limited* (佰譽(北京)科技有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Multi-Fame (Hong Kong)
"Beijing Baiyu Logistics"	Beijing Baiyu Logistics Company Limited* (北京佰譽物流有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Baiyu (Beijing)
"Beijing Guodian Tongyuan"	Beijing Guodian Tongyuan Technology Company Limited* (北京國電通源科技有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Baiyu (Beijing)
"Board"	the board of Directors
"business day(s)"	any day(s) (other than a Saturday, Sunday, public holiday or a day on which a tropical cyclone warning no. 8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for business in Hong Kong
"Company"	GT Group Holdings Limited (高富集團控股有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange (stock code: 263)
"Completion"	completion of the Sale and Purchase Agreement pursuant to terms and conditions thereof
"Completion Date"	within five (5) business days after the conditions set out in the paragraph headed "Conditions precedent" having been fulfilled (or waived, as the case may be) (or such other date as the parties to the Sale and Purchase Agreement may agree in writing)
"Consideration"	the consideration of HK$196,000,000 for the Acquisition

"Directors"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Acquisition
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"JD.com"	an online direct sales platform operated by JD.com, Inc., a company listed on NASDAQ Global Select Market, being a member of the NASDAQ100 and a Fortune Global 500 company
"Khorgos Baiyu"	Khorgos Baiyu Supply Chain Management Company Limited* (霍爾果斯佰譽供應鏈管理有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Baiyu (Beijing)
"Latest Practicable Date"	19 June 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Peng"	Mr. Peng Cheng (彭程), a third party independent of the Company and its connected persons
"Multi-Fame (Hong Kong)"	Multi-Fame (Hong Kong) Limited (佰譽(香港)有限公司), a limited liability company incorporated in Hong Kong and is wholly-owned by the Target Company
"PRC"	the People's Republic of China
"Project Group"	Baiyu (Beijing) and its subsidiaries
"Promissory Note"	the promissory note in the principal amount of HK$196,000,000, to be issued by the Company in favour of the Vendor to satisfy the Consideration

"Purchaser"	Art Ring Limited (藝穎有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 1 September 2017 (as amended by the supplemental agreement dated 1 March 2018) entered into between the Purchaser and the Vendor in relation to the Acquisition
"Sale Shares"	490 shares of the Target Company, representing 49% of the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise from time to time
"Shanghai Dongdi"	Shanghai Dongdi Supply Chain Management Company Limited* (上海東迪供應鏈管理有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Baiyu (Beijing)
"Share(s)"	ordinary share(s) of the Company
"Share Charge"	the share charge to be executed by the Vendor in favour of the Purchaser upon Completion in respect of the remaining 51% of the entire issued share capital of the Target Company beneficially owned by the Vendor
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Yisiyuan"	Shenzhen Yisiyuan Technology Development Company Limited* (深圳市伊思源科技發展有限公司), a company incorporated in the PRC with limited liability and is wholly-owned by Baiyu (Beijing)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Multi-Fame Group Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned by the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Valuer"	Roma Appraisals Limited, an independent qualified valuer

"Vendor"	Mega Ample Capital Limited (太裕資本有限公司), a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Peng
"Zhongke Yanqihu"	Zhongke Yanqihu Innovation (Beijing) Technology Services Company Limited* (中科雁棲湖創新(北京)科技服務有限責任公司), a company incorporated in the PRC with limited liability and is owned as to 19% by Baiyu (Beijing)
"%"	per cent

For the purpose of this circular, the translation of RMB into HK$ is based on the approximate exchange rate of RMB1.00 = HK$1.18. Such translation should not be construed as a representation that the amount in question have been, could have been or could be converted at any particular rate or at all.

English names marked with "" are translations of their Chinese names and are included in this circular for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

高富集團控股有限公司
GT GROUP HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 263)

Executive Directors:
Mr. Li Dong *(Chairman)*
Ms. Ng Shin Kwan, Christine
Mr. Chan Ah Fei
Mr. Liang Shan

Independent non-executive Directors:
Dr. Wong Yun Kuen
Mr. Wong Shun Loy
Mr. Hu Chao

Registered office and principal place of business:
Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

25 June 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 49% OF THE ENTIRE ISSUED SHARE CAPITAL OF MULTI-FAME GROUP LIMITED AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 1 September 2017 and 1 March 2018 in relation to the Acquisition.

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

THE ACQUISITION

On 1 September 2017 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement (as amended by the supplemental agreement dated 1 March 2018), pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares for the Consideration of HK$196,000,000, which shall be settled by the issuance of the Promissory Note by the Company to the Vendor upon Completion.

THE SALE AND PURCHASE AGREEMENT

The principal terms and conditions of the Sale and Purchase Agreement (as amended by the supplemental agreement dated 1 March 2018) are as follows:

Date: 1 September 2017

Parties:
(1) the Vendor
(2) the Purchaser

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, and Mr. Shi Mingdong and Ms. Min Dong (both of whom are directors of Baiyu (Beijing)), are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 49% of the entire issued share capital of the Target Company.

Consideration

The Consideration for the Sale Shares is HK$196,000,000, which is subject to adjustment as set out under the paragraph headed "Profit Guarantee" below. The Consideration will be satisfied by the issuance of the Promissory Note by the Company to the Vendor upon Completion.

Basis of Consideration

The Consideration of HK$196,000,000 was determined after arm's length negotiations between the Company and the Vendor after taking into account the following factors:

i. the draft valuation report on the Target Group prepared by the Valuer, with market approach as adopted in such valuation report, the appraised value of the entire issued share capital of the Target Group as at 31 July 2017 was approximately RMB361,000,000;

ii. the latest financial position of the Target Group as shown in the consolidated management accounts of the Target Group as at 31 May 2017; and

iii. the profit guarantee provided by the Vendor under the Sale and Purchase Agreement as set out under the paragraph headed ''Profit Guarantee'' below.

Conditions precedent

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

a. due diligence on the Target Group, including without limitation, its state of affairs, assets and liabilities, financial position and business operation having been completed to the full satisfaction of the Purchaser;

b. having obtained valuation report of the Target Group prepared by a professional independent valuer acceptable to the Purchaser and the appraised value of the Target Group shall not be less than RMB360,000,000;

c. the Shareholders having approved the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM as required by the Listing Rules;

d. if required, all necessary governmental and other consents and approvals required to be obtained on the part of the Vendor, the Target Group and the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder having been obtained, including but not limited to the approval from the necessary PRC authorities; and

e. the warranties and representations made by the Vendor under the Sale and Purchase Agreement remaining true and accurate and not misleading in material respect at Completion.

Save for condition (c) above which cannot be waived, the Purchaser may waive all or any of the condition(s) at any time by notice in writing to the Vendor.

The parties to the Sale and Purchase Agreement will use their respective best endeavors to procure the fulfillment of all the above conditions as soon as possible or before 1 September 2018 (or such other date as the parties may agree in writing). In the event that any of the conditions above have not been fulfilled (or waived) prior to 1 September 2018, each of the parties shall not be bound to proceed with the sale or purchase of the Sale Shares and the Sale and Purchase Agreement will cease to be of any effect save for claims arising out of any antecedent breach of the Sale and Purchase Agreement.

As at the Latest Practicable Date, only condition b above has been fulfilled.

Profit Guarantee

The Vendor irrevocably and unconditionally warrants and guarantees to the Purchaser that the audited consolidated net profit after tax (the "**Audited Profit**") of the Target Group for the year ended 31 December 2017 (the "**Relevant Period**") on the audited consolidated financial statements of the Target Group (the "**Audited Accounts**") to be prepared by the auditors (to be nominated by the Company) under the Hong Kong Financial Reporting Standards shall not be less than RMB40,000,000 (the "**Guaranteed Amount**") (the "**Profit Guarantee**"). The Vendor shall procure that the Audited Accounts will be issued within two months from the end of the Relevant Period.

To secure the due performance of the Vendor's obligations under the Profit Guarantee, the Vendor shall execute the Share Charge to charge the remaining 51% of the entire issued share capital of the Target Company (the "**Charged Interests**") owned by the Vendor in favour of the Purchaser upon Completion.

In the event that the Audited Profit meets with or is more than the Guaranteed Amount, the Purchaser shall release the Share Charge within one month from the date of issuance of the Audited Accounts.

In the event that the Audited Profit is less than the Guaranteed Amount, the Vendor shall pay to the Purchaser in the amount of 11.1 times, being the price-to-earnings ratio adopted by the independent valuer in the valuation report, of the shortfall between the Audited Profit and the Guaranteed Amount (the "**Compensation**") by way of returning the original Promissory Note to the Purchaser within five Business Days from the date of issuance of the Audited Accounts, in which case the Purchaser shall deduct the amount of Compensation from the principal amount of the Promissory Note and procure the Company to issue a new promissory note in the balance amount to the Vendor. For the avoidance of doubt, if the Target Group recorded a loss in the Audited Accounts, the amount of Audited Profit shall be deemed as zero.

In the event that the principal amount of the Promissory Note is less than the amount of the Compensation, the Purchaser shall be entitled to demand for the payment of the difference from the Vendor, failing which or if the Vendor fails to perform its obligation under the Profit Guarantee, the Purchaser shall have the right to enforce the Share Charge immediately in any manner as it deems appropriate. In such circumstances, the Company intends to liquidate the Charged Interests by engaging an independent agent to invite parties for bidding or auction for the sale of the Charged Interests and the Company has no intention to acquire the Charged Interests as at the Latest Practicable Date.

If the net proceeds recovered from the enforcement of the Share Charge are not sufficient to cover the Compensation, the Vendor shall pay to the Purchaser the shortfall in cash within five business days upon the written request of the Purchaser. If the net proceeds recovered from the enforcement of the Share Charge exceeds the amount of the Compensation, the remaining balance of the proceeds from the enforcement of the Share Charge (if any) shall be returned to the Vendor.

As disclosed in Appendix IIA, the Audited Profit of the Target Group for the year ended 31 December 2017 was approximately HK$65.1 million (approximately RMB55.17 million), which exceeded the Guaranteed Amount. As such, the Vendor is not required to provide any Compensation and the Share Charge is not required.

Completion

Completion will take place during business hours on Completion Date after the fulfillment (or waiver, as the case may be) of all the conditions precedents as stated in the paragraph headed "Conditions precedent" above.

THE PROMISSORY NOTE

The terms of the Promissory Note were determined between the parties to the Sale and Purchase Agreement after arm's length negotiation. The principal terms are summarised in the below:

Issuer

The Company

Principal amount

HK$196,000,000 (or its equivalent amount in another currency)

Maturity

The maturity date of the Promissory Note shall fall on the third anniversary date from the date of issue of the Promissory Note, being the Completion Date (the "**Maturity Date**").

Interest

8% per annum on the outstanding principal amount of the Promissory Note, payable on the Maturity Date.

Early redemption

At the sole discretion of the Company, the Promissory Note may at any time prior to the Maturity Date be redeemed by the Company in full or in part with interest on the redeemed amount accrued up to the date of redemption calculated pro rata on a 365-day basis at 8% per annum, by serving three days prior written notice to the holder(s) of the Promissory Note.

Transferability

The Promissory Note cannot be transferred save and except with the prior written consent of the Company.

Status of Promissory Note

The Promissory Note will constitute direct, unconditional, unsubordinated and unsecured contractual obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

Listing

No application will be made for the listing of, or permission to deal in, the Promissory Note on the Stock Exchange or any other stock exchange.

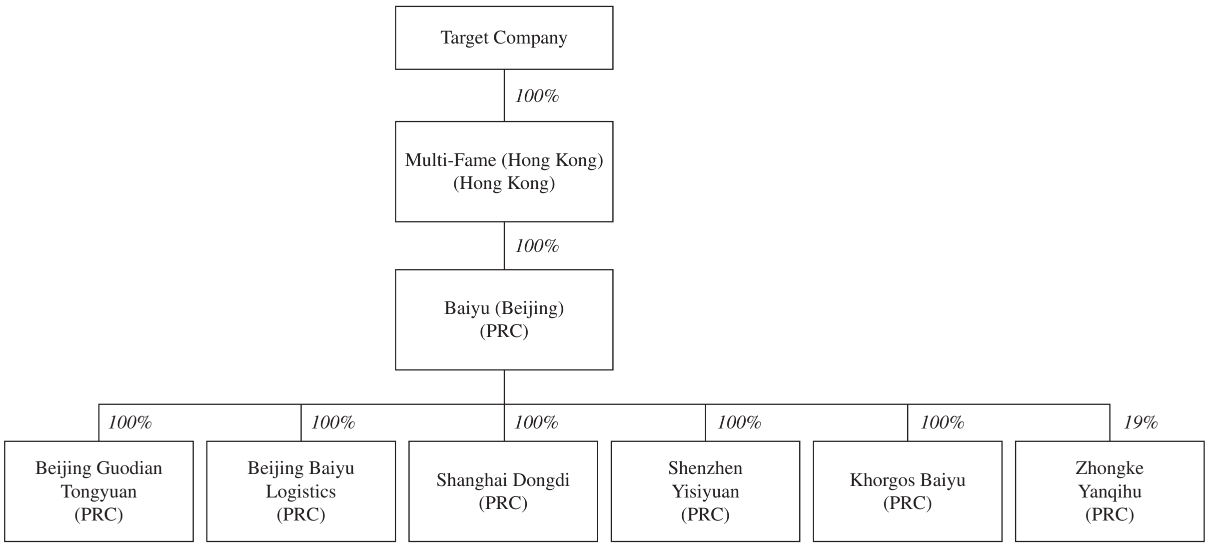
INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings as at the Latest Practicable Date. The Target Company is wholly-owned by the Vendor, which is wholly-owned by Mr. Peng. Both the Vendor and Mr. Peng are third parties independent of the Company and its connected persons.

Multi-Fame (Hong Kong) is a company incorporated in Hong Kong with limited liability and is the direct wholly-owned subsidiary of the Target Company. Multi-Fame (Hong Kong) is principally engaged in overseas trading of electronic products and mainly distributes bluetooth earphones, speakers and computer products. Baiyu (Beijing) is a company incorporated in the PRC with limited liability and is wholly-owned by Multi-Fame (Hong Kong). Baiyu (Beijing) is principally engaged in trading of computers and its peripherals, with its revenue mainly generated from being an authorised distributor of computer products and peripherals for Lenovo and through its subsidiaries, generated an insignificant amount of revenue from being a retailer of baby care products with a majority of its revenue generated on JD.com. As advised by the Vendor, only authorised distributors of Lenovo could distribute computers and its peripherals. On 16 March 2016, Baiyu (Beijing) entered into the Lenovo business partner agreement with Lenovo, pursuant to which Lenovo granted Baiyu (Beijing) the non-exclusive right to distribute Lenovo's computers and its peripherals products online and offline in the PRC under the terms and conditions therein and Baiyu (Beijing) may, among others, (i) source products directly from Lenovo; (ii) use the trademark(s) of Lenovo when Baiyu (Beijing) sells the products and services of Lenovo; and (iii) organise promotions, marketing and multimedia activities, design and broadcasting. The term of the partnership agreement is from 27 March 2016 to 31 March 2017 and is automatically renewed annually up to 31 March 2019. Baiyu (Beijing) is also a distributor of computer products of Founder in the PRC.

Since 2004, Baiyu (Beijing) commenced the trading of computers and its peripherals for Lenovo. As at the Latest Practicable Date, the Directors did not foresee any obstacles which may impede Baiyu (Beijing) from continuing such partnership upon the expiry of the existing partnership agreement. In addition to Lenovo and Founder, the Target Group will continue to source other brands of computer products for distribution.

As at the Latest Practicable Date, Baiyu (Beijing) is the authorized distributor of Lenovo and has five wholly-owned subsidiaries and owned 19% interest in a company in the PRC. The following chart shows the shareholding structure of Target Group as at the Latest Practicable Date:



As at the Latest Practicable Date, the principal business activities of the wholly-owned subsidiaries of Baiyu (Beijing) are set out as follows:

Subsidiaries	**Principal business activities**
Beijing Guodian Tongyuan	Trading of Founder computers and its peripherals as a distributor
Beijing Baiyu Logistics	Provision of logistics service
Shanghai Dongdi	Trading of goods including baby care products
Shenzhen Yisiyuan	Inactive
Khorgos Baiyu	Provision of information technology consulting, and sales and marketing services

Upon Completion, the Target Group will become associated companies of the Company, and their financial results will not be consolidated into the accounts of the Group. The remaining 51% of the entire issued share capital of the Target Company will be held by the Vendor.

Set out below are the audited consolidated financial information of the Target Group since 5 September 2016, being the date of incorporation of the Target Company, up to 31 December 2016 and the year ended 31 December 2017:

	For the period from 5 September 2016 (date of incorporation) to 31 December 2016	For the year ended 31 December 2017
	HK$'000	*HK$'000*
Revenue	—	1,891,987
(Loss)/profit before tax	(46)	70,768
(Loss)/profit for the period	(46)	65,077

The summary of the audited consolidated financial information of Baiyu (Beijing) and its subsidiaries for the years ended 31 December 2015, 2016 and 2017 as extracted from Appendix IIB to this circular are set out as follows:

	For the year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	748,133	925,349	1,445,578
Gross profit	22,444	20,360	49,792
Profit before taxation	4,665	11,239	28,104
Profit after taxation	1,449	9,114	26,574

As at 31 December 2017, the audited consolidated net asset value of the Target Group was approximately HK$71,237,000.

Please refer to Appendices IIA and IIB of this circular for further financial information of the Target Group and Baiyu (Beijing), respectively.

INFORMATION OF THE VENDOR

Based on the information provided by the Vendor, the Vendor is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Peng. The Vendor is principally engaged in investment holding and currently holds the entire issued share capital of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading of goods, provision of finance, property development, brokerage and securities investment. As stated in the annual report of the Company for the year ended 31 December 2017, the Group will continue to explore suitable and/or attractive investment opportunities for further expansion of its existing businesses. As at the Latest Practicable Date, the Directors have no plan for debt or equity financing for the Acquisition.

The Company had been reviewing its businesses, with an aim to improve its financials through restructuring of its existing business and acquiring prospective businesses. In order to strengthen its trading business, the Group entered into the Sale and Purchase Agreement to acquire the Target Group to improve the prospects of the Group.

Being the authorised distributor of computer products for Lenovo online and offline in the PRC and a distributor of computer products of Founder in the PRC, the Target Group had established a stable business network with both suppliers and customers of computer products. In light of the established business network and the profitable financial performance of the Target Group, the Board considers that the prospect of the Target Group is positive and the Acquisition is in line with the Group's business plan to continue exploring new strategic development opportunities and optimising its business portfolio. Leveraged on the business network of the Target Group, the Board considers that the Acquisition will provide strategic support to the continual development of the Group in the PRC.

The Company intends to repay the outstanding amount of the Promissory Note by its internal resources, and if necessary and appropriate, equity or debt financing.

After taking into consideration of the above, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Based on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix IV to this circular, it is expected that upon completion of the Acquisition, there will be (a) an increase in total assets of approximately HK$166,391,000, comprising increase in interests in associates of approximately HK$170,691,000 resulting from the recognition of 49% equity interest in the Target Group, less transaction costs of approximately HK$4,300,000; and (b) a slight decrease in total equity, comprising the fair value of the promissory notes issued as the consideration to the Acquisition, being offset by the transaction costs. Save for the aforesaid effects from the Acquisition, the Company considers that there will not be any material effect on the earnings of the Group immediately upon the Acquisition. In view of the established business network and the profitable financial performance of the Target Group, it is anticipated that the Acquisition will improve the Group's financial and trading prospects in the future.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio of the Acquisition calculated in accordance with Rule 14.07 of the Listing Rules exceeds 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, no Shareholders have any material interest in the Acquisition. Accordingly, no Shareholder is required to abstain from voting on the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A notice convening the EGM to be held at Churchill Room, Level 26, The Park Lane Hong Kong, A Pullman Hotel, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 11 July 2018 at 3:00 pm is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later 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 should you so wish.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the Acquisition is fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the financial information of the Group and other general information set out in the appendices to this circular.

For and on behalf of
GT Group Holdings Limited
Li Dong
Chairman

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2015, 2016 and 2017 have been published in the annual reports of the Company per below:

(i) the financial information of the Group for the year ended 31 December 2015 is disclosed in the annual report of the Company for the year ended 31 December 2015 published on 21 April 2016, from pages 30 to 99 (http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0421/LTN20160421841.pdf);

(ii) the financial information of the Group for the year ended 31 December 2016 is disclosed in the annual report of the Company for the year ended 31 December 2016 published on 27 April 2017, from pages 33 to 109 (http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427448.pdf); and

(iii) the financial information of the Group for the year ended 31 December 2017 is disclosed in the interim report of the Company for the year ended 31 December 2017 published on 13 April 2018, from pages 34 to 111 (http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0413/LTN20180413492.pdf).

II. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2018, the Group had borrowings as follows:

(a) Loan from a financial institution with principal amount of US$25,000,000 (equivalent to approximately HK$196,200,000) which is interest-bearing at 8.5% per annum, guaranteed, secured by the equity interest of a subsidiary of the Company and an associate of the Group, and repayable in March 2019.

(b) Loan from a financial institution with principal amount of US$50,000,000 (equivalent to approximately HK$392,400,000) which is interest-bearing at 17.13% per annum, guaranteed, secured by equity interest of a subsidiary of the Company and an associate of the Group, and repayable in March 2019.

(c) Loan from an individual who is an independent third party of the Group, with principal amount of HK$18,000,000 which is interest-bearing at 12% per annum, unsecured and repayable in June 2018.

(d) Notes to a noteholder with principal amount of US$40,000,000 (equivalent to approximately HK$313,920,000), which are interest-bearing at 8% per annum, guaranteed, secured by the security interest provided by a chargor, and repayable in September 2019 (extendable to 2020).

Contingent liabilities

As at the close of business on 30 April 2018, the Group had contingent liabilities as follows:

A subsidiary of the Company, which is principally engaged in securities brokerage business, may be subject to a maximum penalty of HK$10,000,000 payable to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matter is currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

In addition, the subsidiary of the Company may also be found liable to certain third parties for an aggregate amount of approximately HK$8,000,000. In 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are timebarred and the time limitation had lapsed by 31 December 2016. In the opinion of the Directors, it is not probable that the individuals will issue claims against the Group.

As explained above, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of the allegedly irregular transactions conducted by the former employee in prior years.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding as at the close of business on 30 April 2018.

III. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up.

IV. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, taking into account the expected completion of the Acquisition, the internal financial resources available and the existing available facilities of the Group, the Group will have sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the trading of goods, provision of finance, property development, brokerage and securities investment. The Group has been taking a prudent approach to expand its businesses and diversify its income stream.

In order to strengthen its trading business, the Group entered into the Sale and Purchase Agreement to acquire the Target Group to improve the prospects of the Group. Being an authorised distributor of computer products for Lenovo online and offline in the PRC and a distributor of computer products of Founder in the PRC, the Target Group had established a stable business network with both suppliers and customers of computer products. In light of the established business network and the profitable financial performance of the Target Group, the Board considers that the prospect of the Target Group is positive and the Acquisition is in line with the Group' s business plan to continue exploring new strategic development opportunities and optimising its business portfolio. Leveraged on the business network of the Target Group, the Board considers that the Acquisition will provide strategic support to the continual development of the Group in the PRC.

The following is the text of a report set out on pages IIA-1 to IIA-41, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

25 June 2018

The Board of Directors
GT Group Holdings Limited

Dear Sirs,

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

Introduction

We report on the historical financial information of Multi-Fame Group Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") set out on pages IIA-4 to IIA-41, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2016 and 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-41 forms an integral part of this report, which has been prepared for inclusion in the investment circular of GT Group Holdings Limited (the "**Company**") dated 25 June 2018 (the "**Investment Circular**") in connection with the proposed acquisition of 49% of the entire equity interest in the Target 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 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 (the "**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 Historical Financial Information that give 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, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's and the Target Group's financial position as at 31 December 2016 and 2017 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

RSM Hong Kong
Certified Public Accountants

Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period from 5 September 2016 (date of incorporation) to 31 December 2016 HK$'000	Year ended 31 December 2017 HK$'000
Revenue	8	—	1,891,987
Cost of sales		—	(1,810,577)
Gross profit		—	81,410
Other income	9	—	2,509
Selling expenses		—	(295)
Impairment loss on investment in an associate	17	—	(1,691)
Administrative expenses		(46)	(17,017)
(Loss)/profit from operations		(46)	64,916
Finance costs	10	—	(8,475)
Share of loss of an associate	17	—	(231)
Gain on partial disposal of an associate	17	—	10
Gain on bargain purchase	33(a)	—	14,548
(Loss)/profit before tax		(46)	70,768
Income tax expense	11	—	(5,691)
(Loss)/profit for the period/year	12	(46)	65,077
Other comprehensive income after tax:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		—	6,198
Other comprehensive income for the period/year, net of tax		—	6,198
Total comprehensive income for the period/year		(46)	71,275

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 HK$'000	As at 31 December 2017 HK$'000
Non-current assets			
Plant and equipment	15	—	337
Investment in an associate	17	—	—
Total non-current assets		—	337
Current assets			
Inventories	18	—	53,093
Trade receivables	19	—	67,719
Prepayments, deposits and other receivables	20	—	199,327
Amount due from ultimate holding company	21	—	12
Time deposit	22	—	6,594
Bank and cash balances	22	4,365	872
Total current assets		4,365	327,617
Current liabilities			
Trade payables	23	—	8,730
Accruals, receipts in advance and other payables	24	45	46,780
Amount due to an associate	17	—	3,597
Amounts due to directors	25	4,358	61,187
Amount due to a related company	26	—	333
Borrowings	27	—	126,730
Current tax liabilities		—	9,360
Total current liabilities		4,403	256,717
Net current (liabilities)/assets		(38)	70,900
Total assets less current liabilities		(38)	71,237
NET (LIABILITIES)/ASSETS		(38)	71,237
Capital and reserves			
Equity attributable to owners of the Target Company			
Share capital	29	8	8
Other reserves	30	(46)	71,229
(DEFICIENCY OF EQUITY)/EQUITY		(38)	71,237

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company				
	Share capital *HK$'000*	**Foreign currency translation reserve** *HK$'000* *(note 30(b)(i))*	**Statutory reserve** *HK$'000* *(note 30(b)(ii))*	**(Accumulated losses)/ retained profits** *HK$'000*	**Total** *HK$'000*
At 5 September 2016	8	—	—	—	8
Total comprehensive income for the period	—	—	—	(46)	(46)
At 31 December 2016 and 1 January 2017	8	—	—	(46)	(38)
Total comprehensive income for the year	—	6,198	—	65,077	71,275
Appropriation to PRC statutory reserve	—	—	3,197	(3,197)	—
At 31 December 2017	8	6,198	3,197	61,834	71,237

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(46)	70,768
Adjustments for:		
Depreciation	—	144
Gain on bargain purchase	—	(14,548)
Gain on partial disposal of an associate	—	(10)
Share of loss of an associate	—	231
Impairment loss on investment in an associate	—	1,691
Interest income	—	(2,436)
Interest expense	—	8,475
Operating (loss)/profit before working capital changes	(46)	64,315
Decrease in inventories	—	1,395
Decrease in trade receivables	—	79,099
Increase in prepayments, deposits and other receivables	—	(42,396)
Increase in amount due from ultimate holding company	—	(12)
Decrease in trade payables	—	(8,860)
Increase/(decrease) in accruals, receipts in advance and other payables	45	(2,612)
Cash (used in)/generated from operations	(1)	90,929
Income taxes paid	—	(2,341)
Interest paid	—	(8,475)
Net cash (used in)/generated from operating activities	(1)	80,113
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in time deposit	—	(6,351)
Acquisition of a subsidiary *(note 33(a))*	—	(40,036)
Increase in amount due to an associate	—	1,270
Increase in other receivables	—	(90,223)
Purchases of property, plant and equipment	—	(53)
Proceeds from partial disposal of an associate	—	350
Interest received	—	2,436
Net cash used in investing activities	—	(132,607)

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES *(note 33(c))*		
Borrowings raised	—	1,062,301
Repayment of borrowings	—	(1,066,643)
Proceeds from issue of shares	8	—
Decrease in other payables	—	(9,970)
Decrease in amount due from a related company	—	6,668
Increase in amounts due to directors	4,358	57,444
Decrease in amount due to a related company	—	(1,143)
Net cash generated from financing activities	4,366	48,657
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,365	(3,837)
Effect of foreign exchange rates changes	—	344
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	—	4,365
CASH AND CASH EQUIVALENTS AT END OF PERIOD/ YEAR	4,365	872
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	4,365	872

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 HK$'000	As at 31 December 2017 HK$'000
Non-current asset			
Investment in a subsidiary	*16*	10	10
Current asset			
Amount due from a subsidiary		4,356	53,571
Current liabilities			
Accruals and other payables		18	—
Amount due to a director		4,358	53,605
Total current liabilities		4,376	53,605
Net current liabilities		(20)	(34)
Total assets less current liabilities		(10)	(24)
NET LIABILITIES		(10)	(24)
Capital and reserve			
Share capital	*29*	8	8
Accumulated losses	*30*	(18)	(32)
DEFICIENCY OF EQUITY		(10)	(24)

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") with limited liability. The address of its registered office is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The Target Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the Historical Financial Information.

In the opinion of the directors of the Target Company, as at 31 December 2017, Mega Ample Capital Limited is the ultimate holding company and Mr. Peng Cheng is the ultimate controlling party of the Target Company.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Target Group are disclosed in note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Target Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Target Group for the Relevant Periods reflected in these financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Target Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Target Group's Historical Financial Information has been the inclusion of additional disclosures in note 33(c).

(b) New and revised HKFRSs in issue but not yet effective

The Target Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Target Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Target Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Target Group, and further impacts may be identified before the standards are initially applied in the Target Group's interim financial report for the six months ended 30 June 2018. The Target Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual years beginning on or after 1 January 2018 on a retrospective basis. The Target Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Target Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Target Group have assessed the impact of HKFRS 9 to the Target Group's Historical Financial Information as follows:

Impairment

HKFRS 9 requires the Target Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Target Group does not expect the application of HKFRS 9 have significant impact on the recognition of impairment loss.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Target Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Target Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of consulting services is recognised over time, whereas revenue from the sale of manufactured goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Target Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of consulting services.

For contracts with customers in which the sale of manufactured goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Target Group's revenue or profit or loss. The Target Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Sales with a right of return

Currently when the customers are allowed to return the Target Group's products, the Target Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Target Group has assessed that the adoption of HKFRS 15 will not materially affect how the Target Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Target Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

(c) Warranty obligations

The Target Group generally provides for warranties for repairs to any defective electrical products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Target Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Target Group's operating leases. The Target Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Target Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Target Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 31, the Target Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$1,155,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Target Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Target Group has control. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when the Target Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Target Company.

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

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

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

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Target Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Target Group.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination 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. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Target Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Target Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Target Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Target Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Target Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Target Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Target Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in HK$, which is the Target Company's functional and presentation currency.

The functional currency of the principal operating subsidiaries in the People's Republic of China (the "**PRC**") of the Target Group is Renminbi ("**RMB**"). The directors consider that choosing HK$ as the presentation currency best suits the needs of shareholders and investors.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Target Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Motor vehicles	10 years
Furniture and fixtures	3–5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Operating leases

The Target Group as lessee

Leases that do not substantially transfer to the Target Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Target Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Group transfers substantially all the risks and rewards of ownership of the assets; or the Target Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(i) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, time deposit and bank and cash balances are classified in this category.

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(k) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(m) Revenue recognition

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

Revenue from the sales of manufactured goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Service fee income is recognised when the services are rendered.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits, and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(p) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and 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 differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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 arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

(q) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(r) Impairment of financial assets

At the end of each reporting period, the Target Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Target Group assesses them collectively for impairment, based on the Target Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(s) Provisions and contingent liabilities

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

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

(t) Events after the reporting period

Events after the reporting period that provide additional information about the Target Group's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

Equity pick up of entity of less than 20% equity interest

Although the Target Group holds less than 20% of the voting power of Zhongke Yanqihu Innovation (Beijing) Technology Services Company Limited ("**Zhongke**"), the directors considered that the Target Group has significant influence over Zhongke because the Target Group is entitled to appoint one director out of the five directors of Zhongke.

Key sources of estimation uncertainty

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

(a) Plant and equipment and depreciation

The Target Group determines the estimated useful lives, residual values and related depreciation charges for the Target Group's plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of plant and equipment of similar nature and functions. The Target Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 December 2016 and 2017, the carrying amounts of plant and equipment were approximately HK$Nil and HK$337,000 respectively.

(b) Income taxes

The Target Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

During the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017, HK$Nil and HK$5,691,000 of income tax were charged to profit or loss respectively.

(c) Allowance for trade and other receivables

The Target Group makes allowance for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

During the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017, there were no allowance for trade and other receivables.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. During the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017, there were no allowance for slow-moving inventories.

(e) Impairment of investment in an associate

At the end of each Relevant Period, the Target Group reviews internal and external sources of information to identify indicators that the Target Group's investment in an associate may be impaired.

The recoverable amount of the investment in an associate is the higher of value-in-use and fair value less costs of disposal. In determining value-in-use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investment in an associate.

Impairment losses of HK$Nil and HK$1,691,000 for investment in an associate were made for the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017.

6. FINANCIAL RISK MANAGEMENT

The Target Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

(a) Foreign currency risk

The Target Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Target Group's credit risk is primarily attributable to its trade and other receivables, amount due from ultimate holding company, time deposit and bank and cash balances. In order to minimise credit risk, the directors and management are responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Target Group's credit risk is significantly reduced.

The Target Group has significant concentration of credit risk as follows:

	As at 31 December	
	2016	**2017**
Due from the Target Group's largest customer	—	32%
Due from the Target Group's five largest customers	—	70%

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a related company is closely monitored by the directors.

The credit risk on time deposit and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target Group's financial liabilities is as follows:

	Less than 1 year
	HK$'000
At 31 December 2016	
Accruals and other payables	45
Amounts due to directors	4,358
At 31 December 2017	
Trade payables	8,730
Accruals and other payables	4,230
Amount due to an associate	3,597
Amounts due to directors	61,187
Amount due to a related company	333
Borrowings	135,300

(d) Interest rate risk

As at 31 December 2016 and 2017, the Target Group had borrowings of HK$Nil and HK$126,730,000 respectively, which were interest bearing with fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Target Group has no significant interest bearing assets and liabilities, the Target Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments of the Target Group at the end of each reporting period

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Financial assets:		
Loans and receivables (including cash and cash equivalents)	4,365	189,182
Financial liabilities:		
Financial liabilities at amortised cost	4,403	204,807

(f) Fair value

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the consolidated statements of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Target Group has carried on a single business, which is trading of electronic products, computers and its peripherals, and all the assets are principally located in the PRC. Accordingly, there is only one single reportable segment which is regularly reviewed by the chief operating decision maker.

(a) Revenue by location of goods delivery

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	**Year ended 31 December 2017**
	HK$'000	*HK$'000*
Hong Kong	—	222,778
Mainland China	—	1,649,477
	—	1,872,255

(b) Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Target Group is as follows:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	**Year ended 31 December 2017**
	HK$'000	*HK$'000*
Customer A	—	559,892
Customer B	—	206,213
Customer C	—	205,873
	—	971,978

For the period from 5 September 2016 (date of incorporation) to 31 December 2016 and the year ended 31 December 2017, the five largest customers accounted for approximately Nil% and 63.4% of revenue respectively.

8. REVENUE

The Target Group is principally engaged in the trading of electronic products and computers and its peripherals and provision of consulting service.

An analysis of the Target Group's revenue for the period/year is as follows:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	**Year ended 31 December 2017**
	HK$'000	*HK$'000*
Trading of goods	—	1,872,255
Consulting service income	—	19,732
	—	1,891,987

Revenue represents the net amounts received and receivable for goods sold, net of value added tax, returns and allowances to customers during the Relevant Periods.

9. OTHER INCOME

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
Bank interest income	—	14
Interest income on other receivables	—	2,422
Net foreign exchange gains	—	66
Sundry income	—	7
	—	2,509

10. FINANCE COSTS

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	—	221
Interest expenses on other loans	—	8,254
	—	8,475

11. INCOME TAX EXPENSE

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
Current tax		
Provision for the period/year	—	5,691

PRC enterprise income tax has been provided at a rate of 25% on the estimated assessable profit.

A subsidiary of the Target Company in PRC was recognised as a new and high technology enterprise (高新技術企業) and entitled to enjoy an income tax concession at preferential rate of 15% for the years ended 31 December 2017, 2018 and 2019.

A subsidiary of the Target Company in the PRC was entitled to a tax holiday of a full exemption from 1 January 2017 to 31 December 2020 commencing from the respective years when operating income is generated for the first time, primarily due to their status as entities engaging in development projects supported by the government in Kashgar and Horgos of the PRC.

No provision for Hong Kong Profits Tax is required since the Target Group has no assessable profit for the period from 5 September 2016 to 31 December 2016. The amount provided for the year ended 31 December 2017 was calculated at 16.5% based on the assessable profit for that year.

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	**Year ended 31 December 2017**
	HK$'000	*HK$'000*
(Loss)/profit before tax	(46)	70,768
Tax at the Hong Kong Profits Tax rate of 16.5%	(8)	11,677
Tax effect of income that is not taxable	—	(2,400)
Tax effect of expenses that are not deductible	3	328
Tax effect of share of loss of an associate	—	35
Tax effect of tax losses not recognised	5	25
Tax effect of utilisation of tax losses not previously recognised	—	(1)
Tax effect of tax concession	—	(266)
Effect of tax holiday on assessable profit of a subsidiary incorporated in the PRC	—	(6,465)
Effect of different tax rates of subsidiaries	—	2,758
Income tax expense	—	5,691

12. (LOSS)/PROFIT FOR THE PERIOD/YEAR

The Target Group's (loss)/profit for the period/year is stated after charging the following:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	**Year ended 31 December 2017**
	HK$'000	*HK$'000*
Auditors' remuneration	—	31
Cost of inventories sold	—	1,810,577
Depreciation	—	144
Operating lease charges	—	2,196

13. EMPLOYEE BENEFITS EXPENSE

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments):		
— Salaries, bonus and allowance	—	3,786
— Retirement benefit scheme contributions	—	300
	—	4,086

Five highest paid individuals

During the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017, the five highest paid individuals in the Target Group during the period did not include directors. The directors did not receive any fee or directors' emoluments during the Relevant Periods. The emoluments of the five highest paid individuals are set out below:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
	HK$'000	*HK$'000*
Basic salaries and allowances	—	647
Retirement benefit scheme contributions	—	40
	—	687

The emoluments fell within the following band:

	Number of individuals	
	Period from 5 September 2016 (date of incorporation) to 31 December 2016	Year ended 31 December 2017
Nil to HK$1,000,000	—	5

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Period from 5 September 2016 (date of incorporation) to 31 December 2016		
	Salaries and allowances	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Name of directors			
Ms. Min Dong *(note (i))*	—	—	—
Mr. Peng Cheng *(note (ii))*	—	—	—
Mr. Shi Mingdong *(note (i))*	—	—	—
	—	—	—

	For the year ended 31 December 2017		
	Salaries and allowances	**Retirement benefit scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Name of directors			
Ms. Min Dong *(note (i))*	—	—	—
Mr. Peng Cheng *(note (ii))*	—	—	—
Mr. Shi Mingdong *(note (i))*	—	—	—
	—	—	—

Note:

(i) Appointed on 7 September 2016

(ii) Appointed on 8 November 2016

(b) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in note 33(a) and note 34 to the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Target Group's business to which the Target Company was a party and in which a director of the Target Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Relevant Periods.

15. PLANT AND EQUIPMENT

	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost			
At 5 September 2016, 31 December 2016 and 1 January 2017	—	—	—
Acquisition of a subsidiary *(note 33(a))*	233	168	401
Additions	53	—	53
Exchange realignment	20	13	33
At 31 December 2017	306	181	487
Accumulated depreciation			
At 5 September 2016, 31 December 2016 and 1 January 2017	—	—	—
Charge for the year	126	18	144
Exchange realignment	5	1	6
At 31 December 2017	131	19	150
Carrying amount			
At 31 December 2016	—	—	—
At 31 December 2017	175	162	337

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of establishment and operation	Particular of issued shares capital	Percentage of ownership interest held by the Target Company As at 31 December 2016	As at 31 December 2017	Principal activities
Directly held					
Multi-Fame (Hong Kong) Limited ("**Multi-Fame HK**")	Hong Kong	10,000 ordinary shares	100%	100%	Trading of electronic products
Indirectly held					
Baiyu (Beijing) Technology Co., Ltd ("**Baiyu BJ**")* (佰譽(北京)科技有限公司) ^	The PRC	Registered capital of United States dollar ("US$") 8,600,000	—	100%	Trading of computers and its peripherals
Beijing Baiyu Logistics Company Limited* (北京佰譽物流有限公司)	The PRC	Registered capital of RMB5,000,000	—	100%	Provision of logistics service
Shenzhen Yisiyuan Technology Development Company Limited * (深圳市伊思源科技發展有限公司)	The PRC	Registered capital of RMB1,000,000	—	100%	Inactive
Beijing Guodian Tongyuan Technology Company Limited* (北京國電通源科技有限公司)	The PRC	Registered capital of RMB10,000,000	—	100%	Trading of computers and its peripherals
Khorgos Baiyu Supply Chain Management Company Limited * (霍爾果斯佰譽供應鏈管理有限公司)	The PRC	Registered capital of RMB5,000,000	—	100%	Provision of consulting service
Shanghai Dongdi Supply Chain Management Company Limited* (上海東迪供應鏈管理有限公司)	The PRC	Registered capital of RMB30,000,000	—	100%	Trading of computers and its peripherals

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

^ Baiyu BJ is registered as wholly-foreign-owned enterprises under the PRC law.

As at 31 December 2016 and 2017, the time deposit and bank and cash balances of the Target Group's subsidiaries in the PRC denominated in RMB amounted to HK$Nil and HK$7,154,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

17. INVESTMENT IN AN ASSOCIATE

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Unlisted investment:		
Shares of net assets	—	1,691
Impairment loss	—	(1,691)
	—	—

The amount due to an associate is unsecured, interest free and repayable on demand.

Details of the Target Group's associate are as follows:

			Percentage of ownership interest/voting power As at 31 December	
Name	**Place of establishment and operation**	**Issued and paid up capital**	**2016**	**2017**
Zhongke	The PRC	Registered capital of RMB10,000,000	—	19%

As at 31 December 2017, although the Target Group holds less than 20% of the voting power of Zhongke, the Target Group exercises significant influence over Zhongke because the Target Group is entitled to appoint one director out of the five directors of Zhongke.

The following table shows the Target Group's share of the amount of individually immaterial associate that is accounted for using the equity method.

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Carrying amounts of interests	—	—
Period/year ended		
Loss from operations/total comprehensive income	—	(231)

In January 2017, the Target Group disposed of 3.5% interest in Zhongke to a third party for proceeds of HK$350,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	HK$'000
Proceeds of disposal	350
Less: Carrying amount of 3.5% interest in Zhongke	(340)
Gain on partial disposal of an associate	10

18. INVENTORIES

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Finished goods	—	53,093

19. TRADE RECEIVABLES

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
Trade receivables	—	67,719

The Target Group's trading terms with other customers are mainly on credit. The credit terms are generally 90 days. The Target Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the invoice date, is as follows:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
0 to 90 days	—	40,880
91 to 180 days	—	933
181 to 365 days	—	3,798
Over 365 days	—	22,108
	—	67,719

As of 31 December 2016 and 2017, trade receivables of HK$Nil and HK$26,839,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
Up to 3 months	—	933
Over 3 months but less than 6 months	—	855
Over 6 months but less than 1 year	—	3,219
Over 1 year	—	21,832
	—	26,839

The carrying amounts of the Target Group's trade receivables are denominated in RMB.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables comprise the following:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
Prepayments	—	85,342
Deposits	—	916
Other receivables *(note)*	—	113,069
	—	199,327

Note: The balances included HK$11,989,000 which represent an amount due from an independent company in the PRC. It was unsecured and interest bearing at 20% per annum. The balances will be repaid in August 2018. Others were interest-free, unsecured and repayable on demand.

The carrying amounts of the Target Group's prepayments, deposits and other receivables are denominated in RMB.

21. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

The amount due from ultimate holding company is unsecured, interest-free and repayable on demand. Amount due from ultimate holding company as at 31 December 2016 and 2017 is as follows:

Name	The Target Group			Maximum amounts outstanding	
	At 5 September 2016	At 31 December 2016	At 31 December 2017	during the period from 5 September 2016 to 31 December 2016	during the year ended 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mega Ample Capital Limited	—	—	12	—	12

22. TIME DEPOSIT AND BANK AND CASH BALANCES

Time deposit and bank and cash balances comprise the following:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
Time deposit	—	6,594
Bank and cash balances	4,365	872
	4,365	7,466

The carrying amounts of the Target Group's time deposit and bank and cash balances are denominated in the following currencies:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
HK$	—	76
RMB	—	7,154
US$	4,365	236
	4,365	7,466

As at 31 December 2016 and 2017, the bank and cash balances of the Target Group denominated in RMB amounted to HK$Nil and HK$7,154,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date is as follows:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
0 to 90 days	—	4,913
91 to 180 days	—	990
181 to 365 days	—	2,686
Over 365 days	—	141
	—	8,730

The carrying amounts of the Target Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
HK$	—	270
RMB	—	8,460
	—	8,730

24. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

Accruals, receipts in advance and other payables comprise the following:

	As at 31 December	
	2016	2017
	HK$'000	*HK$'000*
Accruals	45	1,254
Receipts in advance	—	42,550
Other payables *(note)*	—	2,976
	45	46,780

Note: The amounts are unsecured, interest-free and repayable on demand.

The carrying amounts of the Target Group's accruals, receipts in advance and other payables are denominated in the following currencies:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
HK$	45	9,452
RMB	—	37,328
	45	46,780

25. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company as at 31 December 2016 and 2017 is as follows:

Name	**Name of director having beneficial interest**	**As at 31 December**	
		2016	**2017**
		HK$'000	*HK$'000*
北京智聯宏達科技有限公司	Mr. Shi Mingdong	—	333

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

27. BORROWINGS

	Notes	**Maturity**	**As at 31 December**	
			2016	**2017**
			HK$'000	*HK$'000*
Current				
Other loan — secured	*(i)*	March 2018	—	7,474
Other loans — unsecured	*(ii)*	December 2018	—	119,256
			—	126,730

The Target Group's borrowings are repayable as follows:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Within 1 year or on demand	—	126,730

Note:

(i) The amount was interest bearing at 7% per annum and secured by the personal guarantee of two directors, Mr. Shi Mingdong and Ms. Min Dong. The loan was repaid in March 2018.

(ii) The amount was interest bearing at 9%–10.25% per annum and unsecured. The loans were repaid in March 2018 before the maturity in December 2018.

The carrying amounts of the Target Group's borrowings are denominated in RMB.

28. DEFERRED TAX

At 31 December 2016 and 2017, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary in the PRC for which deferred tax liabilities have not been recognised are approximately HK$Nil and HK$51,431,000. No liability has been recognised in respect of these differences because the Target Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

29. SHARE CAPITAL

	The Target Company		
	Number of shares	**Nominal value of shares**	**Nominal value of shares**
		US$'000	*HK$'000*
Authorised:			
Ordinary shares of US$1 each			
At 5 September 2016 (date of incorporation), 31 December 2016 and 31 December 2017	50,000	50	388

	Number of shares	**Nominal value of shares**	**Nominal value of shares**
		US$'000	*HK$'000*
Issued and fully paid:			
At 5 September 2016 (date of incorporation), 31 December 2016 and 31 December 2017	1,000	1	8

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target Group currently does not have any specific policies and processes for managing capital.

The Target Group is not subject to any externally imposed capital requirements.

30. RESERVES

(a) Target Group

The amounts of the Target Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the Historical Financial Information.

(ii) Statutory reserve

Each PRC subsidiary of the Target Group is required to appropriate 10% of its after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Reserve movement of the Target Company

	Accumulated losses
	HK$'000
At 5 September 2016 (date of incorporation)	—
Total comprehensive income for the period	(18)
At 31 December 2016 and 1 January 2017	(18)
Total comprehensive income for the year	(14)
At 31 December 2017	(32)

31. LEASE COMMITMENTS

The Target Group as lessee

As at 31 December 2016 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2016	**2017**
	HK$'000	*HK$'000*
Within one year	—	1,138
In the second to fifth years inclusive	—	11
After five years	—	6
	—	1,155

Operating lease payments represent rentals payable by the Target Group for its offices and warehouses. Leases are negotiated for an average term of 3 to 4 years and rentals are fixed over the lease terms and do not include contingent rentals.

32. CONTINGENT LIABILITIES

As at 31 December 2016 and 2017, the Target Group did not have any material contingent liabilities.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Baiyu BJ

On 1 January 2017, Multi-Fame HK, the subsidiary of the Target Company, acquired 100% of the equity interest in Baiyu BJ from Mr. Shi Mingdong and Ms. Min Dong, the directors of the Target Company, for a total consideration of HK$49,140,000. Baiyu BJ and its subsidiaries (collectively referred to as the "**Project Group**") was principally engaged in trading of computers and its peripherals. The acquisition is for the development and expansion of the business scope of the Target Group to the market in the PRC.

The fair value of the identifiable assets and liabilities of the Project Group acquired as at the date of acquisition are as follows:

	Total
	HK$'000
Net assets acquired:	
Plant and equipment *(note 15)*	401
Investment in an associate	2,190
Other receivables	11,113
Inventories	50,553
Trade receivables	138,891
Prepayments, deposits and other receivables	47,571
Amount due from a director	592
Amount due from a related company	6,418
Bank and cash balances	9,104
Trade payables	(16,628)
Accruals, receipts in advance and other payables	(55,762)
Amount due to an associate	(2,111)
Amount due to a related company	(1,409)
Borrowings	(121,644)
Current tax liabilities	(5,591)
	63,688
Gain on bargain purchase	(14,548)
	49,140
Satisfied by:	
Cash consideration	49,140
Net cash outflow arising on acquisition:	
Cash consideration	49,140
Cash and cash equivalents acquired	(9,104)
	40,036

The Target Group recognised a gain on bargain purchase of HK$14,548,000 in the business combination. The business combination results in a gain on bargain purchase because of (i) fierce competition in the computers and information technology products trading industry but limited resources of the vendors; and (ii) the intention of vendors to exit from the industry and therefore willing to accept less than its fair value.

The Project Group contributed approximately HK$1,669,209,000 to the Target Group's revenue for the period between the date of acquisition and the end of the reporting period. The Project Group contributed approximately HK$30,685,000 to the Target Group's profit for the period between the date of acquisition and the end of the reporting period.

(b) Major non-cash transaction

During the period from 5 September 2016 to 31 December 2016 and the year ended 31 December 2017, borrowings of HK$Nil and HK$462,486,000 were settled by trade receivables through agreements between the lender, a customer and a PRC subsidiary of the Target Group.

(c) Reconciliation of liabilities arising from financing activities

	Borrowings	Other payables arising from financing activities	Amount due from a related company	Amounts due to directors	Amount due to a related company	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 5 September 2016	—	—	—	—	—	—
Cash flows	—	—	—	4,358	—	4,358
Balance as at 31 December 2016 and 1 January 2017	—	—	—	4,358	—	4,358
Cash flows	(4,342)	(9,970)	6,668	57,444	(1,143)	48,657
Non-cash changes:						
— Acquisition of a subsidiary	121,644	11,200	(6,418)	(592)	1,409	127,243
— Foreign exchange movement	9,428	502	(250)	(23)	67	9,724
Balance as at 31 December 2017	126,730	1,732	—	61,187	333	189,982

34. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, there were no material related party transactions during the Relevant Periods.

(b) The remuneration of the directors of the Target Group during the Relevant Periods is set out in note 14.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2017.

The following is the text of a report set out on pages IIB-1 to IIB-41, received from the Company's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

25 June 2018

The Board of Directors
GT Group Holdings Limited

Dear Sirs,

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

Introduction

We report on the historical financial information of Baiyu (Beijing) Technology Co., Ltd.* (佰譽(北京)科技有限公司) (the "**Project Company**") and its subsidiaries (hereinafter collectively referred to as the "**Project Group**") set out on pages IIB-4 to IIB-41, which comprises the consolidated statements of financial position of the Project Group and the statements of financial position of the Project Company as at 31 December 2015, 2016 and 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-41 forms an integral part of this report, which has been prepared for inclusion in the investment circular of GT Group Holdings Limited (the "**Company**") dated 25 June 2018 (the "**Investment Circular**") in connection with the proposed acquisition of 49% of the entire equity interest in Multi-Fame Group Limited.

* *The English translation name is for identification purpose only. The official name of the entity is in Chinese.*

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 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 (the "**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 Historical Financial Information that give 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, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Project Company's and the Project Group's financial position as at 31 December 2015, 2016 and 2017 and of the Project Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

RSM Hong Kong
Certified Public Accountants

Hong Kong

HISTORICAL FINANCIAL INFORMATION OF THE PROJECT COMPANY

Preparation of Historical Financial Information

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

The financial statements of the Project Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2015	**2016**	**2017**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*8*	748,133	925,349	1,445,578
Cost of sales		(725,689)	(904,989)	(1,395,786)
Gross profit		22,444	20,360	49,792
Other income	*9*	21	2,084	2,115
Selling expenses		(6,619)	(22)	(256)
Impairment loss on investment in an associate	*17*	—	—	(1,464)
Administrative expenses		(10,574)	(9,415)	(14,551)
Profit from operations		5,272	13,007	35,636
Finance costs	*10*	(591)	(1,505)	(7,340)
Share of loss of an associate	*17*	(16)	(263)	(200)
Gain on partial disposal of an associate	*17*	—	—	8
Profit before tax		4,665	11,239	28,104
Income tax expense	*11*	(3,216)	(2,125)	(1,530)
Profit and total comprehensive income for the year	*12*	1,449	9,114	26,574

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Plant and equipment	*15*	387	361	281
Investment in an associate	*17*	2,234	1,971	—
Other receivables	*20*	10,000	10,000	—
Total non-current assets		12,621	12,332	281
Current assets				
Inventories	*18*	27,214	45,493	44,285
Trade receivables	*19*	93,097	124,986	56,484
Prepayments, deposits and other receivables	*20*	37,667	42,808	129,598
Amount due from a director	*21*	—	533	—
Amounts due from related companies	*22*	50	5,775	—
Amount due from a related party	*23*	646	—	—
Time deposit	*24*	—	—	5,500
Bank and cash balances	*24*	3,940	8,192	461
Total current assets		162,614	227,787	236,328
Current liabilities				
Trade payables	*25*	15,661	14,963	7,056
Accruals, receipts in advance and other payables	*26*	81,592	50,179	31,135
Amount due to an associate	*17*	2,183	1,900	3,000
Amount due to a director	*21*	16,021	—	189
Amount due to a related company	*27*	—	1,268	278
Amount due to a related party	*23*	—	—	826
Borrowings	*28*	40,192	109,466	105,705
Current tax liabilities		4,088	5,031	4,534
Total current liabilities		159,737	182,807	152,723
Net current assets		2,877	44,980	83,605
Total assets less current liabilities		15,498	57,312	83,886
NET ASSETS		15,498	57,312	83,886
Capital and reserves				
Equity attributable to owners of the Project Company				
Share capital	*29*	11,000	43,700	43,700
Other reserves	*30*	4,498	13,612	40,186
TOTAL EQUITY		15,498	57,312	83,886

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Project Company			
	Share capital	**Statutory reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000* *(note 30 (b))*	*RMB'000*	*RMB'000*
At 1 January 2015	11,000	397	2,652	14,049
Total comprehensive income for the year	—	—	1,449	1,449
Appropriation to PRC statutory reserve	—	151	(151)	—
At 31 December 2015 and 1 January 2016	11,000	548	3,950	15,498
Capital injection *(note 29)*	32,700	—	—	32,700
Total comprehensive income for the year	—	—	9,114	9,114
Appropriation to PRC statutory reserve	—	911	(911)	—
At 31 December 2016 and 1 January 2017	43,700	1,459	12,153	57,312
Total comprehensive income for the year	—	—	26,574	26,574
Appropriation to PRC statutory reserve	—	2,666	(2,666)	—
At 31 December 2017	43,700	4,125	36,061	83,886

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	4,665	11,239	28,104
Adjustments for:			
Depreciation	107	139	126
Impairment loss on investment in an associate	—	—	1,464
Share of loss of an associate	16	263	200
Gain on partial disposal of an associate	—	—	(8)
Interest income	(19)	(2,076)	(2,112)
Interest expenses	591	1,505	7,340
Operating profit before working capital changes	5,360	11,070	35,114
(Increase)/decrease in trade receivables	(52,482)	(31,889)	68,502
(Increase)/decrease in inventories	(11,191)	(18,279)	1,208
Decrease in prepayments, deposits and other receivables	3,402	3,900	1,346
Decrease in trade payables	(2,106)	(698)	(7,907)
Increase/(decrease) in accruals, receipts in advance and other payables	51,580	(38,074)	(10,409)
Cash (used in)/generated from operations	(5,437)	(73,970)	87,854
Income tax paid	(360)	(1,182)	(2,027)
Interest paid	(591)	(1,505)	(7,340)
Net cash (used in)/generated from operating activities	(6,388)	(76,657)	78,487
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in time deposit	—	—	(5,500)
(Decrease)/increase in amount due to an associate	(67)	(283)	1,100
Increase in other receivables	(35,191)	(9,041)	(78,136)
Purchase of plant and equipment	(145)	(113)	(46)
Proceeds from partial disposal of an associate	—	—	315
Interest received	19	2,076	2,112
Net cash used in investing activities	(35,384)	(7,361)	(80,155)

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES *(note (31b))*			
Borrowings raised	40,192	100,875	919,979
Repayment of borrowings	(9,000)	(31,601)	(923,740)
Proceeds from capital injection	—	32,700	—
(Decrease)/increase in other payables	(2,804)	6,661	(8,635)
(Increase)/decrease in amount due from a director	—	(533)	533
Decrease/(increase) in amounts due from related companies	1,450	(5,725)	5,775
(Increase)/decrease in amount due from a related party	(628)	646	—
Increase/(decrease) in amount due to a director	15,521	(16,021)	189
Increase/(decrease) in amount due to a related company	—	1,268	(990)
Increase in amount due to a related party	—	—	826
Net cash generated from/(used in) financing activities	44,731	88,270	(6,063)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,959	4,252	(7,731)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	981	3,940	8,192
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,940	8,192	461
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	3,940	8,192	461

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Plant and equipment		302	310	253
Investments in subsidiaries	*16*	1,500	27,100	32,100
Investment in an associate		2,234	1,971	—
		4,036	29,381	32,353
Current assets				
Inventories		27,214	45,493	44,284
Trade receivables		30,493	55,912	14,485
Prepayments, deposits and other receivables		9,847	26,768	113,375
Amounts due from subsidiaries		2,631	19,652	628
Amount due from a director		—	10,215	—
Amounts due from related companies		—	4,779	912
Amount due from a related party		511	—	—
Bank and cash balances		260	861	219
		70,956	163,680	173,903
Current liabilities				
Trade payables		8,994	5,247	2,130
Accruals, receipts in advance and other payables		17,213	19,361	8,134
Amounts due to subsidiaries		18,476	29,229	34,741
Amount due to an associate		2,183	1,900	1,200
Amount due to a director		500	—	—
Amount due to a related company		—	28	—
Amount due to a related party		—	761	739
Borrowings		10,000	79,274	101,353
Current tax liabilities		3,810	4,355	3,356
Total current liabilities		61,176	140,155	151,653
Net current assets		9,780	23,525	22,250
Total assets less current liabilities		13,816	52,906	54,603
NET ASSETS		13,816	52,906	54,603
Capital and reserves				
Share capital	*29*	11,000	43,700	43,700
Other reserves	*30*	2,816	9,206	10,903
TOTAL EQUITY		13,816	52,906	54,603

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Project Company was established in the People's Republic of China (the "**PRC**") with limited liability. The address of its registered office is Room A-4751, Building 3, No. 20 Yong An Road, Shilong Economic Development Area, Mentougou District, Beijing, the PRC (中國北京市門頭溝區石龍經濟開發區永安路20號3號樓A-4751室). The address of its principal place of business is No. 8, Nan San Street, Zhongguancun, Haidian District, Beijing, the PRC (中國北京市海澱區中關村南三街8號).

The Project Company is principally engaged in the trading of computers and its peripherals. The principal activities of its subsidiaries are set out in note 16 to the Historical Financial Information.

During the years ended 31 December 2015 and 2016, Mr. Shi Mingdong is the ultimate controlling party. On 1 January 2017, Multi-Fame (Hong Kong) Limited, a company established in Hong Kong, acquired 100% equity interest in the Project Company and became the immediate holding company. Multi-Fame Group Limited, a company incorporated in the British Virgin Islands, is the ultimate parent. As at 31 December 2017, the ultimate controlling party is Mr. Peng Cheng.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Project Group are disclosed in note 4.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Project Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Project Group for the Relevant Periods reflected in these financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2017. None of these impact on the accounting policies of the Project Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Project Group's Historical Financial Information has been the inclusion of additional disclosures in note 31(b).

(b) New and revised HKFRSs in issue but not yet effective

The Project Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2017. These new and revised HKFRSs include the following which may be relevant to the Project Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019

The Project Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Project Group has identified some aspects of the new standards which may have a significant impact on the Historical Financial Information. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Project Group, and further impacts may be identified before the standards are initially applied in the Project Group's interim financial report for the six months ended 30 June 2018. The Project Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual years beginning on or after 1 January 2018 on a retrospective basis. The Project Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Project Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Project Group have assessed the impact of HKFRS 9 to the Project Group's Historical Financial Information as follows:

Impairment

HKFRS 9 requires the Project Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Project Group does not expect the application of HKFRS 9 have significant impact on the recognition of impairment loss.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Project Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Project Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of consulting services is recognised over time, whereas revenue from the sale of manufactured goods is generally recognized when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Project Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from the provision of consulting services.

For contracts with customers in which the sale of manufactured goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Project Group's revenue or profit or loss. The Project Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Sales with a right of return

Currently when the customers are allowed to return the Project Group's products, the Project Group estimates the level of expected returns and makes an adjustment against revenue and cost of sales.

The Project Group has assessed that the adoption of HKFRS 15 will not materially affect how the Project Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Project Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

(c) Warranty obligations

The Project Group generally provides for warranties for repairs to any defective electrical products and does not provide extended warranties in its contracts with customers. As such, most existing warranties will be assurance-type warranties under HKFRS 15, which will continue to be accounted for under HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its current practice.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Project Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Project Group's operating leases. The Project Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Project Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Project Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 32, the Project Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB964,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Project Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Project Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in note 5.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Consolidation

The Historical Financial Information includes the financial statements of the Project Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Project Group has control. The Project Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Project Group has power over an entity when the Project Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Project Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Project Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Project Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Project Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Project Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Project Company.

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

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

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

(b) Associates

Associates are entities over which the Project Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Project Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Project Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Project Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Project Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Project Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Project Group's net investment in the associate), the Project Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Project Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Project Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Project Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Project Group and its associates are eliminated to the extent of the Project Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Project Group.

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in RMB, which is the Project Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Project Group entities that have a functional currency different from the Project Company's presentation currency are translated into the Project Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Project Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Motor vehicles	10 years
Furniture and fixtures	3–5 years

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Operating leases

The Project Group as lessee

Leases that do not substantially transfer to the Project Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Project Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Project Group transfers substantially all the risks and rewards of ownership of the assets; or the Project Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(h) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Project Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, time deposit and bank and cash balances are classified in this category.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(k) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Project Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Project Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Project Company are recorded at the proceeds received, net of direct issue costs.

(l) Revenue recognition

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

Revenue from the sales of manufactured goods and trading of raw materials is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Service fee income is recognised when the services are rendered.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Project Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Project Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Project Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Project Group can no longer withdraw the offer of those benefits, and when the Project Group recognises restructuring costs and involves the payment of termination benefits.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Project Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(o) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Project 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 differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Project Group intends to settle its current tax assets and liabilities on a net basis.

(p) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Impairment of financial assets

At the end of each reporting period, the Project Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade receivables that are assessed not to be impaired individually, the Project Group assesses them collectively for impairment, based on the Project Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(r) Provisions and contingent liabilities

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

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

(s) Events after the reporting period

Events after the reporting period that provide additional information about the Project Group's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

Equity pick up of entity of less than 20% equity interest

Although the Project Group holds less than 20% of the voting power of Zhongke Yanqihu Innovation (Beijing) Technology Services Company Limited ("**Zhongke**"), the directors considered that the Project Group has significant influence over Zhongke because the Project Group is entitled to appoint one director out of the five directors of Zhongke.

Key sources of estimation uncertainty

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

(a) Plant and equipment and depreciation

The Project Group determines the estimated useful lives, residual values and related depreciation charges for the Project Group's plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of plant and equipment of similar nature and functions. The Project Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 December 2015, 2016 and 2017, the carrying amounts of plant and equipment were approximately RMB387,000, RMB361,000 and RMB281,000 respectively.

(b) Income taxes

The Project Group is subject to income taxes mainly in statutory jurisdictions of the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

During the years ended 31 December 2015, 2016 and 2017, RMB3,216,000, RMB2,125,000 and RMB1,530,000 of income tax were charged to profit or loss respectively.

(c) Allowance for trade and other receivables

The Project Group makes allowance for trade and other receivables on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year/period in which such estimate has been changed.

During the years ended 31 December 2015, 2016 and 2017, there were no allowance for trade and other receivables.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the year/period in which such estimate has been changed. During the years ended 31 December 2015, 2016 and 2017, there were no allowance for slow-moving inventories.

(e) Impairment of investment in an associate

At the end of each Relevant Period, the Project Group reviews internal and external sources of information to identify indicators that the Project Group's investment in an associate may be impaired.

The recoverable amount of the investment in an associate is the higher of value-in-use and fair value less costs of disposal. In determining value-in-use, an entity estimates either: (a) its share of the present value of the estimated future cash flows expected to be generated by the associate and proceeds on disposal, or (b) the present value of estimated future cash flows expected to arise from dividends to be received and proceeds on disposal. Any impairment loss is recognised by writing down the investment in an associate.

Impairment losses of RMBNil, RMBNil and RMB1,464,000 for investment in an associate were made for the years ended 31 December 2015, 2016 and 2017, respectively.

6. FINANCIAL RISK MANAGEMENT

The Project Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Project Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Project Group's financial performance.

(a) Foreign currency risk

The Project Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, the functional currencies of the Project Group entities. The Project Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Project Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Project Group's credit risk is primarily attributable to its trade and other receivables, amount due from a director, amount due from a related party, amounts due from related companies, time deposit and bank and cash balances. In order to minimise credit risk, the directors and management is responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Project Group's credit risk is significantly reduced.

The Project Group has significant concentration of credit risk as follows:

	As at 31 December		
	2015	**2016**	**2017**
Due from the Project Group's largest customer	32%	25%	32%
Due from the Project Group's five largest customers	48%	60%	70%

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from a related party and related companies are closely monitored by the directors.

The credit risk on time deposit and bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Project Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Project Group's financial liabilities is as follows:

	Less than 1 year
	RMB'000
At 31 December 2015	
Trade payables	15,661
Accruals and other payables	3,766
Amount due to an associate	2,183
Amount due to a director	16,021
Borrowings	40,977
At 31 December 2016	
Trade payables	14,963
Accruals and other payables	11,129
Amount due to an associate	1,900
Amount due to a related company	1,268
Borrowings	116,368
At 31 December 2017	
Trade payables	7,056
Accruals and other payables	3,529
Amount due an associate	3,000
Amount due to a director	189
Amount due to a related company	278
Amount due to a related party	826
Borrowings	112,853

(d) Interest rate risk

As at 31 December 2015, 2016 and 2017, the Project Group had borrowings of RMB40,192,000, RMB109,466,000 and RMB105,705,000 respectively, which were interest bearing with fixed interest rates and therefore are subject to fair value interest rate risks.

Except as stated above, the Project Group has no significant interest bearing assets and liabilities, the Project Group's income and operating cash flows are substantially independent of changes in market interest rates.

(e) Categories of financial instruments of the Project Group at the end of each reporting period

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets:			
Loans and receivables (including cash and cash equivalents)	133,803	166,776	157,520
Financial liabilities:			
Financial liabilities at amortised cost	77,823	138,726	120,583

(f) Fair value

The carrying amounts of the Project Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Transfers of financial assets

The following were the Project Group's financial assets as at 31 December 2015, 2016 and 2017 that were transferred to a bank by discounting those receivables on a full recourse basis. As the Project Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the consolidated statements of financial position.

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables discounted to banks with full recourse:			
Carrying amount of transferred assets	30,192	30,192	—
Carrying amount of associated liabilities	(30,192)	(30,192)	—
Net position	—	—	—

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Project Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Project Group has carried on a single business in a single geographical location, which is trading of computers and its peripherals, and all the assets are principally located in the PRC. Accordingly, there is only one single reportable segment which is regularly reviewed by the chief operating decision maker.

Major customers

Revenue from customers individually contributing over 10% of the total revenue of the Project Group is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	150,547	313,156	484,881
Customer B	—	216,179	178,586
Customer C	—	—	178,291
Customer D	—	126,039	—
Customer E	109,752	—	—
	260,299	655,374	841,758

For the years ended 31 December 2015, 2016 and 2017, the five largest customers accounted for approximately 62.5%, 78.0% and 71.9% of revenue respectively.

8. REVENUE

The Project Group is principally engaged in the trading of computers and its peripherals and provision of consulting service.

An analysis of the Project Group's revenue for the year is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trading of goods	748,133	925,349	1,428,490
Consultancy service income	—	—	17,088
	748,133	925,349	1,445,578

Revenue represents the net amounts received and receivable for goods sold, net of value added tax, returns and allowances to customers during the Relevant Periods.

9. OTHER INCOME

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	19	23	14
Interest income from other receivables	—	2,053	2,098
Sundry income	2	8	3
	21	2,084	2,115

10. FINANCE COSTS

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank borrowings	591	952	192
Interest expenses on other loans	—	553	7,148
	591	1,505	7,340

11. INCOME TAX EXPENSES

	Year ended 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	3,117	2,125	1,530
Under-provision in prior years	99	—	—
	3,216	2,125	1,530

PRC enterprise income tax has been provided at a rate of 25% on the estimated assessable profit.

The Project Company was recognised as a new and high technology enterprise (高新技術企業) in 2014 and was entitled to enjoy an income tax concession at preferential rate of 15% effective from 12 December 2014. In order to enjoy the preferential rate of 15%, the Project Company was required to apply for renewal every three years from first year of approval. In 2017, the Project Company had renewed its status and was entitled the preferential rate of 15% for the years ended 31 December 2017, 2018 and 2019.

A subsidiary of the Project Company in the PRC was entitled to a tax holiday of a full exemption from 1 January 2017 to 31 December 2020 commencing from the respective years when operating income is generated for the first time, primarily due to their status as entities engaging in development projects supported by the government in Kashgar and Horgos of the PRC.

The applicable EIT rate applied for provision of income tax for the years ended 31 December 2015, 2016 and 2017 was 15%.

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	4,665	11,239	28,104
Tax at the PRC Enterprise Income Tax rate of 25%	1,167	2,810	7,026
Tax effect of expenses that are not deductible	2,229	75	282
Tax effect of share of loss of an associate	2	40	30
Tax effect of tax losses not recognised	14	—	22
Tax effect of utilisation of tax losses not previously recognised	—	(2)	—
Tax concession	(295)	(798)	(231)
Effect on tax holiday on assessable profit of a subsidiary incorporated in the PRC	—	—	(5,599)
Under-provision in prior years	99	—	—
Income tax expenses	3,216	2,125	1,530

12. PROFIT FOR THE YEAR

The Project Group's profit for the year is stated after charging the following:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Auditors' remuneration	12	11	26
Cost of inventories sold	725,689	904,989	1,395,786
Depreciation	107	139	126
Impairment loss on investment in an associate	—	—	1,464
Operating lease charges	1,416	1,505	1,901

13. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Employee benefits expense:			
(including directors' emoluments)			
— Salaries, bonus and allowance	1,941	3,194	3,279
— Retirement benefit scheme contributions	201	291	260
	2,142	3,485	3,539

Five highest paid individuals

During the years ended 31 December 2015, 2016 and 2017, the five highest paid individuals in the Project Group during the year did not include directors. The emoluments of the five highest paid individuals are set out below:

	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries and allowances	321	516	560
Retirement benefit scheme contributions	25	28	35
	346	544	595

The emoluments fell within the following band:

	Number of individuals Year ended 31 December		
	2015	**2016**	**2017**
Nil to HK$1,000,000	5	5	5

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	For the year ended 31 December 2015		
	Salaries and allowances	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Name of sole director			
Mr. Shi Mingdong	—	—	—

	For the year ended 31 December 2016		
	Salaries and allowances	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Name of sole director			
Mr. Shi Mingdong	—	—	—

	For the six months ended 31 December 2017		
	Salaries and allowances	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Name of sole director			
Mr. Shi Mingdong	—	—	—

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Project Group's business to which the Project Company was a party and in which a director of the Project Company and the directors' connected party had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Relevant Periods.

15. PLANT AND EQUIPMENT

	Furniture and fixtures *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
Cost			
At 1 January 2015	428	—	428
Additions	60	85	145
At 31 December 2015 and 1 January 2016	488	85	573
Additions	33	80	113
At 31 December 2016 and 1 January 2017	521	165	686
Additions	46	—	46
At 31 December 2017	567	165	732
Accumulated depreciation			
At 1 January 2015	79	—	79
Charge for the year	106	1	107
At 31 December 2015 and 1 January 2016	185	1	186
Charge for the year	126	13	139
At 31 December 2016 and 1 January 2017	311	14	325
Charge for the year	110	16	126
At 31 December 2017	421	30	451
Carrying amount			
At 31 December 2015	303	84	387
At 31 December 2016	210	151	361
At 31 December 2017	146	135	281

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of subsidiaries	Place of establishment and operation	Particular of issued share capital	Percentage of ownership interest held by the Project Company As at 31 December 2015	2016	2017	Principal activities
Directly held						
Beijing Baiyu Logistics Company Limited* (北京佰譽物流有限公司)	The PRC	Registered capital of RMB5,000,000	100%	100%	100%	Provision of logistics service
Shenzhen Yisiyuan Technology Development Company Limited* (深圳市伊思源科技發展有限公司)	The PRC	Registered capital of RMB1,000,000	100%	100%	100%	Inactive
Beijing Guodian Tongyuan Technology Company Limited* ("**Beijing Guodian Tongyuan**")# (北京國電通源科技有限公司)	The PRC	Registered capital of RMB10,000,000	100%	100%	100%	Trading of computers and its peripherals
Khorgos Baiyu Supply Chain Management Company Limited* (霍爾果斯佰譽供應鏈管理有限公司)	The PRC	Registered capital of RMB5,000,000	—	100%	100%	Provision of IT consulting service
Shanghai Dongdi Supply Chain Management Company Limited* ("**Shanghai Dongdi**")## (上海東迪供應鏈管理有限公司)	The PRC	Registered capital of RMB30,000,000	100%	100%	100%	Trading of computers and its peripherals

* The English translation name is for identification purpose only. The official name of the entity is in Chinese.

\# Beijing Guodian Tongyuan was established in the PRC as a limited liability company on 29 December 1998 by two independent third parties, namely Mr. Xu Fuhua and Mr. Wang Xiaoxu. In August 2008, Mr. Si Jun, and Ms. Min Dong, an employee and a director of the Project Company respectively, on behalf of the Project Company, signed equity transfer agreements with Mr. Wang Xiaoxu and Mr. Xu Fuhua to acquire 100% equity interest in Beijing Guodian Tongyuan ("**Guodian Trust Interest**"). The Guodian Trust Interest was held by Mr. Si Jun and Ms. Min Dong on behalf of the Project Company pursuant to a trust agreement signed by Mr. Si Jun, Ms. Min Dong and the Project Company respectively in August 2008 ("**Trust Arrangement**"). On 27 January 2015, all the interest was transferred to the Project Company pursuant to equity transfer agreements signed between Mr. Si Jun, Ms. Min Dong and the Project Company. As opined by PRC Legal Adviser, the Trust Arrangement was legal, valid and the legal procedure of the above transfer has been properly and legally completed.

\## Shanghai Dongdi was established in the PRC as a limited liability company on 9 December 2014 by the director, Mr. Shi Mingdong and his spouse, Ms. Min Dong, on behalf of the Project Company ("**Dongdi Trust Interest**"). The Dongdi Trust Interest was held by Mr. Shi Mingdong and Ms. Min Dong on behalf of the Project Company pursuant to a trust agreement signed by Mr. Shi Mingdong, Ms. Min Dong and the Project Company respectively in December 2014 ("**Trust Arrangement**"). On 20 April 2015, 51% interest of Shanghai Dongdi was transferred to the Project Company pursuant to an equity transfer agreement signed between Mr. Shi Mingdong and the Project Company. As opined by PRC Legal Adviser, the Trust Arrangement was legal, valid and the legal procedure of the above transfer has been properly and legally completed.

As at 31 December 2015, 2016 and 2017, the bank and cash balances of the Project Group's subsidiaries in the PRC denominated in RMB amounted to RMB3,680,000, RMB7,331,000 and RMB243,000 respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

17. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investment:			
Share of net assets	2,234	1,971	1,464
Impairment loss	—	—	(1,464)
	2,234	1,971	—

The amount due to an associate is unsecured, interest free and repayable on demand.

Details of the Project Group's associate are as follows:

Name	Place of establishment and operation	Issued and paid up capital	Percentage of ownership interest/voting power As at 31 December 2015	2016	2017
Zhongke	The PRC	Registered capital of RMB10,000,000	22.5%	22.5%	19%

As at 31 December 2017, although the Project Group holds less than 20% of the voting power of Zhongke, the Project Group exercises significant influence over Zhongke because the Project Group is entitled to appoint one director out of the five directors of Zhongke.

The following table shows the Project Group's share of the amount of individually immaterial associate that is accounted for using the equity method.

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amounts of interests	2,234	1,971	—
Year ended			
Loss from operations/total comprehensive income	(16)	(263)	(200)

In January 2017, the Project Group disposed of 3.5% interest in Zhongke to a third party for proceeds of RMB315,000. This transaction has resulted in the recognition of a gain in profit or loss, calculated as follows:

	RMB'000
Proceed of disposal	315
Less: Carrying amount of 3.5% interest in Zhongke	(307)
Gain on partial disposal of an associate	8

18. INVENTORIES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	27,214	45,493	44,285

19. TRADE RECEIVABLES

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	93,097	124,986	56,484

The Project Group's trading terms with other customers are mainly on credit. The credit terms are generally 90 days. The Project Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables based on the invoice date is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	64,780	48,888	34,098
91 to 180 days	3,874	17,012	778
181 to 365 days	3,597	36,314	3,168
Over 365 days	20,846	22,772	18,440
	93,097	124,986	56,484

As of 31 December 2015, 2016 and 2017, trade receivables of RMB28,317,000, RMB76,098,000 and RMB22,386,000 respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Up to 3 months	3,874	17,012	778
Over 3 months but less than 6 months	2,683	4,605	713
Over 6 months but less than 1 year	4,002	34,575	2,685
Over 1 year	17,758	19,906	18,210
	28,317	76,098	22,386

The carrying amounts of the Project Group's trade receivables are denominated in RMB.

Trade receivables of RMB30,192,000, RMB30,192,000 and RMBNil at 31 December 2015, 2016 and 2017 respectively were transferred to a bank by discounting those receivables on a full recourse basis, as set out in note 28(ii).

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables comprise the following:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	11,597	25,518	34,523
Deposits	854	1,115	764
Other receivables	35,216	26,175	94,311
	47,667	52,808	129,598
Less: current portion *(note 2)*	(37,667)	(42,808)	(129,598)
Non-current portion *(note 1)*	10,000	10,000	—

Note:

1. The balances represent an amount due from an independent company in the PRC, which were unsecured and interest bearing at 20% per annum. The balances will be repaid in August 2018.

2. The amounts were unsecured, interest-free and repayable on demand.

The carrying amounts of the Project Group's prepayment, deposits and other receivables are denominated in RMB.

21. AMOUNT DUE FROM/(TO) A DIRECTOR

The amount due from/(to) a director is unsecured, interest-free and has no fixed repayment terms.

Amount due from a director of the Project Group disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of information about Benefits of Directors) Regulation (Cap. 622G) is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Name of director: Mr. Shi Mingdong			
Outstanding amount at 1 January	—	—	533
Outstanding amount at 31 December	—	533	—
Maximum outstanding amount during the year	—	533	533

22. AMOUNTS DUE FROM RELATED COMPANIES

Amounts due from related companies as at 31 December 2015, 2016 and 2017 are as follows:

Name	**Name of directors having beneficial interest**	**As at 1 January**	**As at 31 December**			**Maximum amount outstanding during the year**		
		2015	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
北京亞奧觀典商業管理有限公司 ("亞奧觀典")	Mr. Shi Mingdong	—	—	5,775	—	—	7,755	5,775
北京智聯宏達科技有限公司 ("智聯宏達")	Mr. Shi Mingdong	—	50	—	—	1,500	50	—
		—	50	5,775	—	1,500	7,805	5,775

All the above amounts due from related companies are unsecured, interest-free and repayable on demand.

23. AMOUNT DUE FROM/(TO) A RELATED PARTY

The amount due from/(to) a related party is unsecured, interest-free and repayable on demand.

Amount due from a related party as at 31 December 2015, 2016 and 2017 is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Name of related party: Ms. Min Dong (spouse of Mr. Shi Mingdong)			
Outstanding amount at 1 January	18	646	—
Outstanding amount at 31 December	646	—	—
Maximum outstanding amount during the year	646	646	—

24. TIME DEPOSIT AND BANK AND CASH BALANCES

Time deposit and bank and cash balances comprise the following:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Time deposit	—	—	5,500
Bank and cash balances	3,940	8,192	461
	3,940	8,192	5,961

The carrying amounts of the Project Group's time deposit and bank and cash balances are denominated in RMB.

25. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date is as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	6,878	3,098	4,098
91 to 180 days	—	3,312	600
181 to 365 days	—	1,001	2,241
Over 365 days	8,783	7,552	117
	15,661	14,963	7,056

The carrying amounts of the Project Group's trade payables are mainly denominated in RMB.

26. ACCRUALS, RECEIPTS IN ADVANCE AND OTHER PAYABLES

Accruals, receipts in advance and other payables comprise the following:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Accruals	2	722	1,046
Receipts in advance	77,826	39,050	27,606
Other payables *(note)*	3,764	10,407	2,483
	81,592	50,179	31,135

Note: The amounts were unsecured, interest-free and repayable on demand.

The carrying amounts of the Project Group's accruals, receipts in advance and other payables are mainly denominated in RMB.

27. AMOUNT DUE TO A RELATED COMPANY

Amount due to a related company as at 31 December 2015 and 2016 and 2017 is as follows:

Name	Name of directors having beneficial interest	As at 31 December 2015	2016	2017
		RMB'000	*RMB'000*	*RMB'000*
智聯宏達	Mr. Shi Mingdong	—	1,268	278

28. BORROWINGS

	Note	Maturity	As at 31 December 2015	2016	2017
			RMB'000	*RMB'000*	*RMB'000*
Current					
Bank borrowing — secured	*(i)*	April 2016	10,000	—	—
Bank borrowing — secured	*(ii)*	June 2016	30,192	—	—
Bank borrowing — secured	*(ii)*	June 2017	—	30,192	—
Bank borrowing — secured	*(iii)*	March 2017	—	3,000	—
Other loan — secured	*(iv)*	March 2017	—	5,225	—
Other loans — unsecured	*(v)*	December 2017	—	71,049	—
Other loan — secured	*(iv)*	March 2018	—	—	6,234
Other loans — unsecured	*(v)*	December 2018	—	—	99,471
			40,192	109,466	105,705

The Project Group's borrowings are repayable as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	40,192	109,466	105,705

Note:

(i) The amount was interest bearing at 6.15% per annum, secured by properties owned by Ms. Min Dong, spouse of a director, and an independent third party respectively, and secured by personal guarantees of Ms. Min Dong, spouse of a director, and an independent third party. The loan was repaid in April 2016.

(ii) The amount was interest bearing at 4.35% per annum and secured by a charge over the trade receivables of a subsidiary of the Project Group (note 19). The loan was repaid in June 2017.

(iii) The amount was interest bearing at 12% per annum and secured by the personal guarantees of Mr. Shi Mingdong, the director, and Ms. Min Dong, spouse of a director, and secured by a corporate guarantee of a subsidiary of the Project Group. The loan was repaid in March 2017.

(iv) The amounts were interest bearing at 7% per annum and secured by the personal guarantees of Mr. Shi Mingdong, the director, and Ms. Min Dong, spouse of a director. The loans were repaid in March 2017 and March 2018 respectively.

(v) The amounts were interest bearing at 9%–10.25% per annum and unsecured. The loans were repaid in January 2017 and March 2018 before the maturity in December 2017 and December 2018 respectively.

29. SHARE CAPITAL

	The Project Company	
	Registered capital	**Fully paid registered capital**
	RMB'000	*RMB'000*
As at 1 January 2015	11,000	11,000
Additions	49,000	—
As at 31 December 2015 and 1 January 2016	60,000	11,000
Capital injection	—	32,700
As at 31 December 2016 and 31 December 2017	60,000	43,700

The Project Group's objectives when managing capital are to safeguard the Project Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Project Group currently does not have any specific policies and processes for managing capital.

The Project Group is not subject to any externally imposed capital requirements.

30. RESERVES

(a) Project Group

The amounts of the Project Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) Nature and purpose of reserves

Statutory reserve

Each PRC subsidiary of the Project Group is required to appropriate 10% of its after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(c) Reserve movement of the Project Company

	Statutory reserve *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 2015	364	2,185	2,549
Total comprehensive income for the year	—	267	267
Appropriation to PRC statutory reserve	27	(27)	—
At 31 December 2015 and 1 January 2016	391	2,425	2,816
Total comprehensive income for the year	—	6,390	6,390
Appropriation to PRC statutory reserve	639	(639)	—
At 31 December 2016 and 1 January 2017	1,030	8,176	9,206
Total comprehensive income for the year	—	1,697	1,697
Appropriation to PRC statutory reserve	170	(170)	—
At 31 December 2017	1,200	9,703	10,903

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the years ended 31 December 2015, 2016 and 2017, borrowings of RMBNil, RMB18,601,000 and RMB400,525,000 were settled by trade receivables through agreements between the lender, a customer and the Project Company.

(b) Reconciliation of liabilities arising from financing activities

	Borrowings	Other payables arising from financing activities	Amount due from a director	Amount due from related companies	Amount due from a related party	Amount due to a director	Amount due to a related company	Amount due to a related party	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2015	9,000	6,222	—	(1,500)	(18)	500	—	—	14,204
Cash flows	31,192	(2,804)	—	1,450	(628)	15,521	—	—	44,731
Balance as at 31 December 2015 and 1 January 2016	40,192	3,418	—	(50)	(646)	16,021	—	—	58,935
Cash flows	69,274	6,661	(533)	(5,725)	646	(16,021)	1,268	—	55,570
Balance as at 31 December 2016 and 1 January 2017	109,466	10,079	(533)	(5,775)	—	—	1,268	—	114,505
Cash flows	(3,761)	(8,635)	533	5,775	—	189	(990)	826	(6,063)
Balance at 31 December 2017	105,705	1,444	—	—	—	189	278	826	108,442

32. LEASE COMMITMENTS

The Project Group as lessee

As at 31 December 2015, 2016 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,884	1,892	949
In the second to fifth years inclusive	4,068	953	10
After five years	9	7	5
	6,961	2,852	964

Operating lease payments represent rentals payable by the Project Group for its office and warehouses. Leases are negotiated for an average term of 4.5 years and rentals are fixed over the lease terms and do not include contingent rentals.

33. CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017, the Project Group did not have any significant contingent liabilities.

34. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the Historical Financial Information, the Project Group had the following transactions with its related parties during the Relevant Periods:

Nature of transaction	Year ended 31 December		
	2015	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
Service income received from a related company	200	220	—
Services fee paid to a related company	—	250	—

A director, Mr. Shi Mingdong, has significant influence over the related companies.

(b) The remuneration of the directors of the Project Group during the Relevant Periods is set out in note 14.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Project Group in respect of any period subsequent to 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for the three years ended 31 December 2015, 2016 and 2017.

Business review

The Target Company is principally engaged in investment holding. During the years ended 31 December 2014, 2015 and 2016, Mr. Shi Mingdong is the ultimate controlling party of Baiyu (Beijing) Technology Co., Ltd.* (佰譽(北京)科技有限公司) ("Baiyu (Beijing)") and its subsidiaries (collectively referred to as the "Project Group"). On 1 January 2017, Multi-Fame (Hong Kong) Limited ("Multi-Fame (Hong Kong)"), a company established in Hong Kong, acquired 100% equity interest in Baiyu (Beijing) and became its immediate holding company. The Target Company is the ultimate parent of Multi-Fame (Hong Kong). As at 31 December 2017, the ultimate controlling party is Mr. Peng. Multi-Fame (Hong Kong) is principally engaged in overseas trading of electronic products and mainly distributes bluetooth earphones, speakers and computer products. The Target Group is principally engaged in trading of computers and its peripherals, and is also engaged in provision of logistics services and provision of IT consulting services in the PRC. There was no transaction between Multi-Fame (Hong Kong) and Baiyu (Beijing).

Financial performance

For the two years ended 31 December 2015 and 2016, the Project Group generated revenue of approximately RMB748,133,000 and RMB925,349,000, gross profits were approximately RMB22,444,000 and RMB20,360,000 and for the year ended 31 December 2017, the Target Group generated revenue and gross profit of approximately HK$1,891,987,000 and HK$81,410,000, respectively. Revenue and gross profit generated by the Target Group and the Project Group is principally attributable to the trading of electronic products, computers and its peripherals. The increase in revenue and gross profit for the year ended 31 December 2017 is attributable to (i) the expansion of trading business through the acquisition of Multi-Fame (Hong Kong); and (ii) the increase in revenue of Baiyu (Beijing) resulted from the increase in sales in JD.com and number of new customers.

For the two years ended 31 December 2015 and 2016, the Project Group recorded selling expenses of approximately RMB6,619,000 and RMB22,000, mainly being the logistics expenses and advertisement expenses, and administrative expenses of approximately RMB10,574,000 and RMB9,415,000, mainly being the staff salary, office expense, IT system consultation expenses and other general administration expenses. For the year ended 31 December 2017, the selling expenses and administrative expenses of the Target Group were approximately HK$46,000 and HK$17,312,000, arising from the same reasons for Project Group during the two years ended 31 December 2016.

For the two years ended 31 December 2015 and 2016, the Project Group recorded finance costs of approximately RMB591,000 and RMB1,505,000 and the Target Group recorded finance costs of approximately HK$8,475,000, which were attributable to the interest expenses in relation to the Target Group's external borrowings to finance its operation.

Income tax expenses of the Project Group for the two years ended 31 December 2015 and 2016 were approximately RMB3,216,000 and RMB2,125,000 and for the year ended 31 December 2017, income tax expenses of the Target Group was approximately HK$5,691,000. The Project Group was subjected to PRC Enterprise Income Tax whereas Multi-Fame (Hong Kong) was subjected to Hong Kong Profits Tax.

For the two years ended 31 December 2015 and 2016, the Project Group recorded profit before tax of approximately RMB4,665,000 and RMB11,239,000, and for the year ended 31 December 2017, the Target Group recorded profit before tax of approximately HK$70,768,000, which were mainly attributable to the trading business of the Target Group, including (i) the expansion of trading business to Hong Kong through Multi-Fame (Hong Kong) during the year ended 31 December 2017 and (ii) the increase in revenue of Baiyu (Beijing) resulted from the increase in sales in JD.com and number of new customers.

Liquidity, financial resources and capital structure

The Target Group and the Project Group's total assets mainly includes working capital for its operation, including inventories, trade and other receivables, prepayments, bank and cash balances. As at 31 December 2015 and 2016, the Project Group recorded a total asset of RMB175,235,000 and RMB240,119,000 and the Target Group recorded total assets of approximately HK$327,954,000 as at 31 December 2017.

The Target Group and the Project Group's liabilities included trade and other payables, receipts in advances and bank and other borrowings from independent third parties. As at 31 December 2015 and 2016, the gearing ratio of the Project Group, being the total liabilities divided by the total equity, was 10.31, 3.19 and the gearing ratio of the Target Group as at 31 December 2017 was 3.60 respectively. The Target Group and the Project Group's bank and other borrowings were used to finance its trading business and general working capital of the Target Group and the Project Group. For the three years ended 31 December 2015, 2016 and 2017, the Target Group and the Project Group used debt financing as its major fund resources to finance its trading business.

Treasury policy and hedging arrangement

For the three years ended 31 December 2015, 2016 and 2017, the Target Group and the Project Group adopted a balance funding and treasury policies in cash and financial management. Cash was generally placed in short-term deposits mostly denominated in RMB. The Target Group and the Project Group's financing requirements were regularly reviewed by the management, and the Target Group and the Project Group did not have any hedging arrangement.

Significant investment

As at 31 December 2015, 2016 and 2017, except for the 19% equity interest in Zhongke Yanqihu Innovation (Beijing) Technology Services Company Limited (details set out in note 17 to Appendix IIA — Historical Financial Information of the Target Group), the Target Group and the Project Group did not have any significant investment.

Segment information

For the three years ended 31 December 2015, 2016 and 2017, the Target Group is principally engaged in trading of computers and its peripherals, and is also engaged in provision of logistics services and provision of IT consulting services in the PRC. There was no transaction between Multi-Fame (Hong Kong) and Baiyu (Beijing).

Charge of assets

As at 31 December 2015, (i) bank borrowings amounting to approximately RMB10,000,000 were secured by properties owned by Ms. Min Dong, spouse of Mr. Shi Mingdong, and an independent third party respectively, and secured by personal guarantees of Ms. Min Dong, spouse of a director, and an independent third party; and (ii) bank borrowings amounting to approximately RMB30,192,000 were secured by a charge over the trade receivables amounting to approximately RMB30,192,000 on a full recourse basis.

As at 31 December 2016, (i) bank borrowings amounting to approximately RMB30,192,000 were secured by a charge over the trade receivables amounting to approximately RMB30,192,000 on a full recourse basis; (ii) bank borrowings amounting to approximately RMB3,000,000 were secured by personal guarantees of Mr. Shi Mingdong, the director of Baiyu (Beijing), and Ms. Min Dong, spouse of a Mr. Shi Mingdong, and secured by a corporate guarantee of a subsidiary of the Project Group; and (iii) other loans amounting to approximately RMB$5,225,000 secured by the personal guarantees of Mr. Shi Mingdong, the director of Baiyu (Beijing), and Ms. Min Dong, spouse of Mr. Shi Mingdong.

As at 31 December 2017, (i) bank borrowings amounting to approximately HK$7,474,000 were secured by personal guarantees of Mr. Shi Mingdong, the director of Baiyu (Beijing), and Ms. Min Dong, spouse of a Mr. Shi Mingdong, and secured by a corporate guarantee of a subsidiary of the Project Group; and (ii) other loans amounting to approximately RMB6,234,000 secured by the personal guarantees of Mr. Shi Mingdong, the director of Baiyu (Beijing), and Ms. Min Dong, spouse of Mr. Shi Mingdong.

Material acquisitions and disposals

For the three years ended 31 December 2015, 2016 and 2017, the Target Group and the Project Group did not enter into any material transaction to acquire or dispose of its assets other than the acquisition of the Baiyu (Beijing).

Contingent liability

As at 31 December 2015, 2016 and 2017, the Target Group and the Project Group did not have any contingent liability.

Capital commitment

As at 31 December 2015, 2016 and 2017, the Target Group and the Project Group did not have any capital commitment.

Exposure on foreign currency fluctuation

For the three years ended 31 December 2015, 2016 and 2017, the Target Group and the Project Group had minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities were principally denominated in the functional currencies of the Target Group and the Project Group entities. The Target Group currently does not have a foreign currency hedging policy in respect of foreign currency

Employee

As at 31 December 2015, 2016 and 2017, the Target Group had 45, 47 and 47 employees respectively.

Future plan

The Target Group plans to expand its trading business in Hong Kong and overseas through Multi-Fame (Hong Kong) by leveraging the business network of the Project Group in the PRC.

Dividend

During the three years ended 31 December 2015, 2016 and 2017, the Target Group and the Project Group did not declare or pay any dividend.

INTRODUCTION OF THE UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the ''**Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**'') which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the impact of the proposed major acquisition in relation to the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited (the ''**Target Company**'') as at the date of completion (the ''**Acquisition**'') as if the Acquisition had been completed on 31 December 2017.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities is prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2017 which has been extracted from the Group's annual report dated 28 March 2018; and (ii) the audited consolidated statement of financial position of the Target Company and its subsidiaries (hereinafter collectively referred to as the ''**Target Group**'') as at 31 December 2017 as extracted from the accountants' report thereon set out in Appendix IIA to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed on 31 December 2017.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has been prepared by the directors of the Company based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purposes only. Because of its hypothetical nature, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities may not reflect the true picture of the assets and liabilities of the Enlarged Group as at 31 December 2017 or at any future date.

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

	The Group as at 31 December 2017	Pro forma adjustments		The Enlarged Group upon completion of the Acquisition
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
	(unaudited)			
	Note 1			
Non-current assets				
Property, plant and equipment	4,491			4,491
Interests in associates	543,294	170,691	*(3)*	713,985
Prepayment	700			700
Available-for-sale financial assets	42,943			42,943
Other assets	2,230			2,230
	593,658			764,349
Current assets				
Trade and other receivables	65,241			65,241
Short-term loans receivables	315,059			315,059
Financial assets at fair value through profit or loss	835,012			835,012
Tax recoverable	123			123
Bank balances held under segregated trust accounts	27,432			27,432
Bank balances and cash	60,733	(4,300)	*(4)*	56,433
	1,303,600			1,299,300
Current liabilities				
Trade and other payables	103,119			103,119
Short-term loans payable	18,000			18,000
	121,119			121,119
Net current assets	1,182,481			1,178,181
Total assets less current liabilities	1,776,139			1,942,530
Non-current liabilities				
Long-term loans payable	586,118			586,118
Notes payable	312,596	170,691	*(2)*	483,287
	898,714			1,069,405
Net assets	877,425			873,125

Notes:

(1) The figures are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2017, as set out in the annual report of the Company for the year ended 31 December 2017 dated 28 March 2018.

(2) The amount represents the total consideration of the Acquisition. Pursuant to the sale and purchase agreement dated 1 September 2017, the total consideration of the Acquisition should be settled by issuing promissory notes with 8% coupon interest rate per annum with face value of HK$196,000,000, which will be matured on the third anniversary date of the issue date (the "**Promissory Notes**"). The Promissory Notes shall be issued upon completion of the Acquisition.

The fair value of the Promissory Notes of approximately HK$170,691,000 at 31 December 2017 is arrived based on the valuation carried out by an independent professional valuer not connected with the Group. The fair value of the Promissory Notes is subject to change at actual completion date.

(3) Upon the completion of the Acquisition, the Group will recognise 49% equity interest in the Target Group as an interest in an associate in accordance with Hong Kong Accounting Standard 28 "Investments in Associates and Joint Ventures" ("**HKAS 28**") issued by the Hong Kong Institute of Certified Public Accountants. On acquisition of the investment, the difference between the cost of the investment and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and is included in the carrying amount of the investment.

For the purpose of preparation of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group, the Directors have assessed whether there is any impairment indicator in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment on the valuation report prepared by Rome Appraisals Limited and the audited financial statements prepared by RSM Hong Kong, the Directors consider that there is no impairment indicator on the goodwill. The Company will adopt consistent accounting policies and valuation method (as used in the Unaudited Pro Forma Financial Information of the Enlarged Group and which are consistent with relevant Hong Kong Accounting Standard) to assess the impairment of the Enlarged Group's goodwill in the future. The Company will prepare the annual consolidated financial statements (including goodwill impairment) in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The adjustment represents the recognition of the interest in an associate of HK$170,691,000 representing the adjusted net assets of the Target Group to be acquired by the Group and upon the completion of the Acquisition, as if the completion had taken place at the date reported on.

Details of goodwill arising from the Acquisition are as follows:

	Note	*HK$'000*
Net assets of the Target Group attributable to owners of the Target Company (as shown in the consolidated statement of financial position as at 31 December 2017 of the Target Group as set out in Appendix IIA to this circular)	*3(a)*	71,237
Proportion of the Group's ownership interests in the Target Group of 49%		34,906
Goodwill		135,785
Carrying amount of the Group's interest in the Target Group		170,691

(a) The carrying amounts of the identifiable assets acquired and liabilities assumed from the Target Group are not materially different from their fair values as at 31 December 2017.

Since the actual net carrying amounts of the identifiable assets and liabilities of the Target Group to be acquired would be different from their estimated adjusted net assets of the Target Group used in the preparation of the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the actual financial position of the Enlarged Group upon the completion might be materially different from financial position of the Enlarged Group as shown in the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group.

(4) The adjustment represents the estimated transaction costs of approximately HK$4,300,000, including but not limited to legal and professional fees, directly attributable to the Acquisition.

(5) No other adjustment has been made to the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2017.

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

The Board of Directors
GT Group Holdings Limited
Unit 2502–5, 25th Floor
Harbour Centre, 25 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of GT Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2017, and related notes as set out in Appendix IV to the circular issued by the Company dated 25 June 2018 (the "**Circular**"). The applicable criteria on the basis of which Directors have compiled the unaudited pro forma financial information are described in Appendix IV to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of 49% of the entire equity interest in Multi-Fame Group Limited on the Group's financial position as at 31 December 2017 as if the transaction had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2017, on which an annual report has been published.

Director's 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 ("**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.

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether Directors has compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Hong Kong, 25 June 2018

Lee Ping Kai
Practising Certificate Number: P02976

ROMA

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25 June 2018

GT Group Holdings Limited
Units 2502–5, 25th Floor,
Harbour Centre,
25 Harbour Road,
Wanchai,
Hong Kong

Case Ref: KY/BV4155/APR17

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in Multi-Fame Group Limited and its Subsidiaries

In accordance with the instructions from GT Group Holdings Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in Multi-Fame Group Limited and its subsidiaries (together referred to as the "**Target Group**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 31 July 2017 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Target Group, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock Code: 263.HK). In addition, Roma Appraisals Limited (hereinafter referred to as "**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us.

However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

3. ECONOMIC OVERVIEW

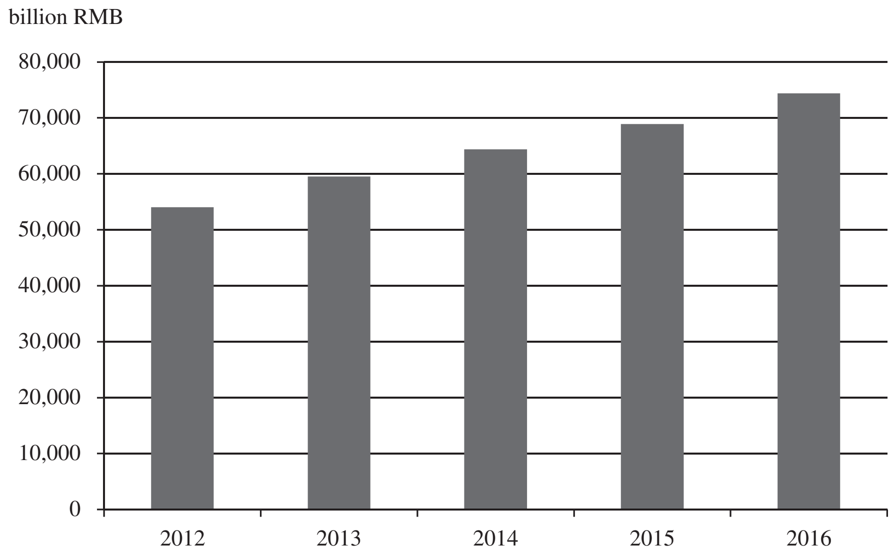
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in 2016 was RMB74,412.7 billion, a year-over-year nominal increase of 8.0% comparing to December 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2012 to 2016, compound annual growth rate of China's nominal GDP was 8.3% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2012 to 2016. Figure 1 illustrates the nominal GDP of China from 2012 to 2016.

Figure 1 — China's Nominal GDP from 2012 to 2016

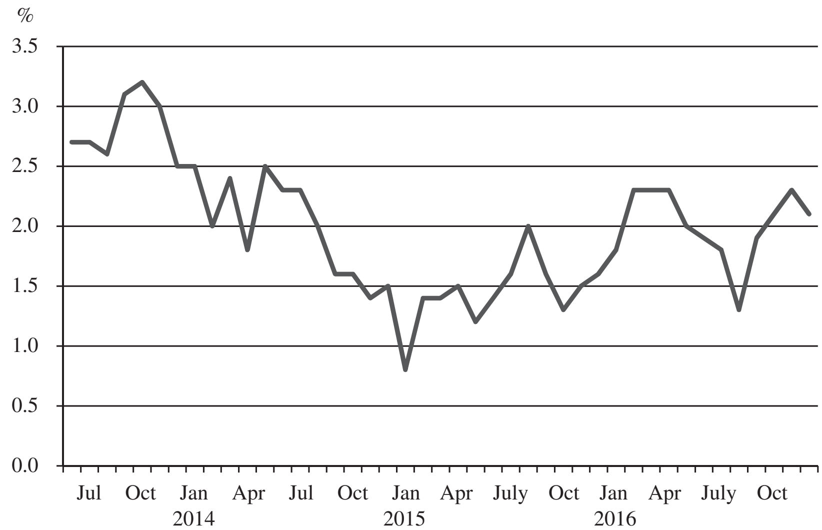


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index ("**CPI**") demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During the first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in the second half of 2015. In 2016, the CPI dropped from 2.3% in January to 1.3% in August, but rose in the later months and arrived at 2.1% in December. Figure 2 shows the year-over-year change in CPI of China from July 2013 to December 2016.

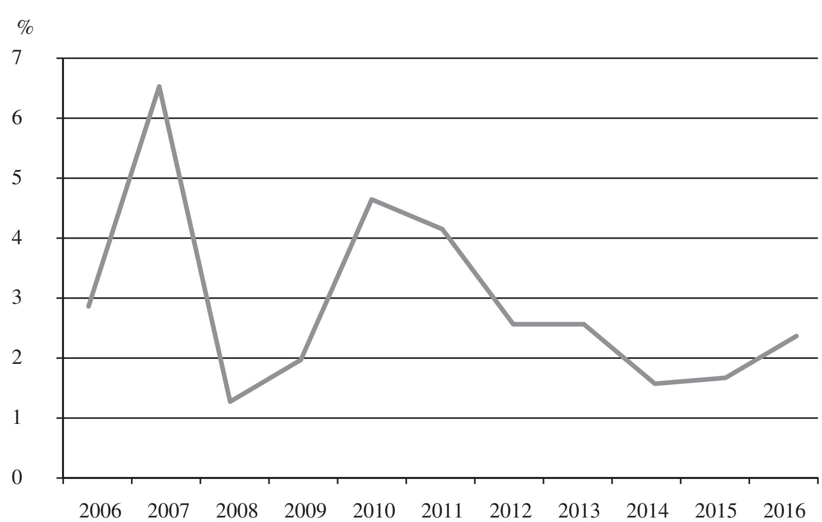
Figure 2 — Year-over-year Change in China's CPI from July 2013 to December 2016



Source: Bloomberg

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.5% in 2014. It started to climb then in the recent two years from 1.6% at 2015 to 2.1% in 2016. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2006 to 2016.

Figure 3 — China's Inflation Rate from 2006 to 2016

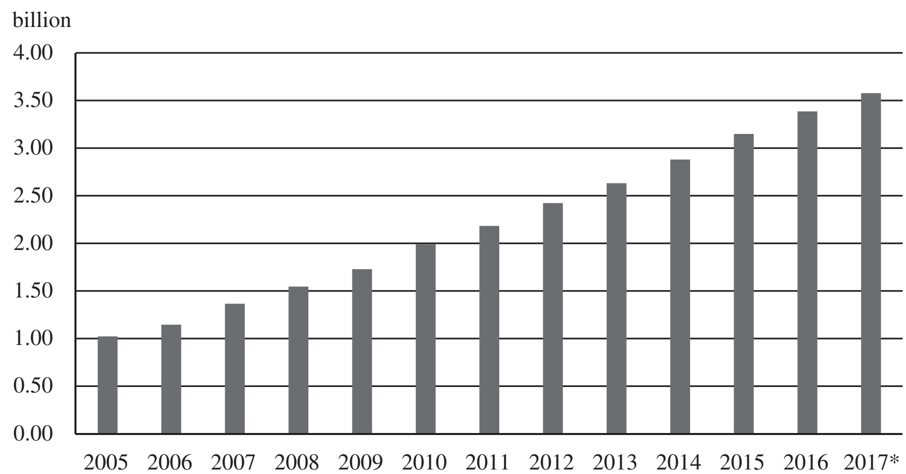


Source: International Monetary Fund

4. INDUSTRY OVERVIEW

Computers are becoming more popular in recent years with the rising popularity of the Internet. According to Statista, the number of Internet users worldwide climbed steadily from a mere 1.0 billion in 2005 to around 3.4 billion in 2016. As of March 2017, there were approximately 731 million Internet users in China, according to Statista. Figure 4 shows the number of Internet users worldwide from 2005 to 2017.

Figure 4 — Number of Internet Users Worldwide from 2005 to 2017

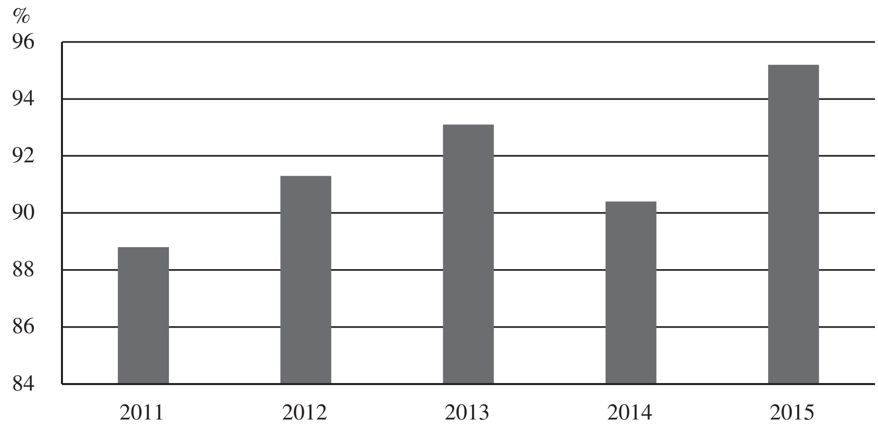


Source: Statista

* *Based on March 2017 figure*

The use of computers allows businesses to manage work in a more efficient way; therefore computers were extensively utilized in companies in modern society. According to a report published by China Internet Network Information Center in early 2016, the utilization rate of computers by companies in China grew from 88.8% in 2011 to 95.2% in 2015. Figure 5 shows the utilization rate of computers by companies in China from 2011 to 2015.

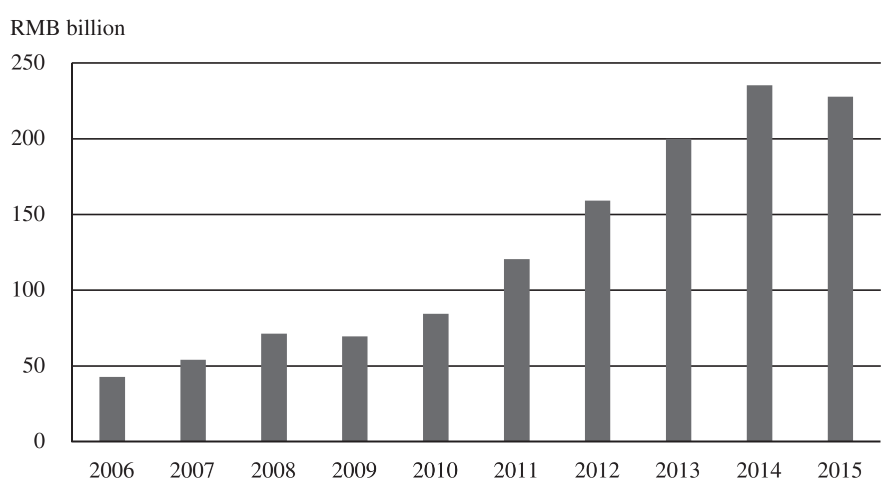
Figure 5 — The Utilization Rate of Computers by Companies in China from 2011 to 2015



Source: China Internet Network Information Center

Sales volume of computers and other related products such as software and accessories in China increased significantly in recent years. According to the National Bureau of Statistics of China, the retail sales volume of computers and other related products in China increased from below RMB43 billion in 2006 to around RMB228 billion in 2015. Figure 6 shows the retail sales volume of computers and other related products in China from 2006 to 2015.

Figure 6 — The Retail Sales Volume of Computers and Other Related Products in China from 2006 to 2015



Source: National Bureau of Statistics of China

The intention of this industry overview section is to provide the readers an overall understanding of the recent development of the computer and information technology industry, based on our independent research on publicly available information regarding the computer and information technology industry. The data shown in figure 4–6 was not directly adopted in the valuation and had no direct impact on the valuation of the Target Group.

5. OVERVIEW OF THE TARGET GROUP

Multi-Fame Group Limited ("**Target Company**") is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings as at the Date of Valuation. The Target Company is wholly-owned by Mega Ample Capital Limited ("**Mega Ample**"), which is wholly-owned by Mr. Peng Cheng. Both Mega Ample and Mr. Peng Cheng are third parties independent of the Company and its connected persons.

Multi-Fame (Hong Kong) Limited is an investment holding company incorporated in Hong Kong with limited liability and is the direct wholly-owned subsidiary of the Target Company. Baiyu (Beijing) Technology Company Limited ("**Baiyu**") is a company incorporated in the People's Republic of China (the "**PRC**") with limited liability and is wholly-owned by Multi-Fame (Hong Kong) Limited. Baiyu is principally engaged in trading of computers and its peripherals, with its revenue mainly generated from being an authorised distributor of computer products and peripherals for Lenovo and an insignificant amount of revenue generated from being a retailer of baby care products with a majority of the revenue generated on JD.com. Only authorised distributors of Lenovo could distribute computers and peripherals of Lenovo. It is also a distributor of computer products of Founder in the PRC.

6. BASIS OF VALUATION

Our valuation was conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2017, **market value** is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and the industry the Target Group is participating as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and the ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group;
- The financial condition of the Target Group;

- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;

- The business risks of the Target Group such as the ability in maintaining competent technical and professional personnel; and

- Investment returns of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

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

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present value using a discount rate appropriate for the risks associated with realizing those benefits.

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

8.3 Asset-Based Approach

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

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

8.4 Business Valuation

In the process of valuing the Target Group, we have taken into account of the operation related to the nature of the industry it is participating.

The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Target Group and therefore it could not reflect the market value of the Target Group. We have therefore considered the adoption of the Market-Based Approach in arriving at the market value of the Target Group.

8.4.1 P/E Multiple

By adopting the guideline public company method under the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales ("**P/S**"), price-to-earnings ("**P/E**") and price-to-book ("**P/B**") multiples. However, P/S multiple was not adopted since it cannot capture the differences in cost structure across companies. P/B multiple was not adopted because it cannot reflect the true value of the companies which do not possess significant fixed assets. Therefore, we have adopted P/E multiple in the valuation for the Target Group.

We adopted several listed companies with business scopes and operations similar to those of the Target Group as comparable companies. The comparable companies were selected with reference to the following selection criteria:

- The companies are principally engaged in computers and information technology hardware products trading businesses mainly in China;
- The companies with more than 3 years listing and operating histories; and
- The financial information of the companies is available to the public.

In choosing the comparable companies, we have considered their principal place of business, irrespective of their place of listing.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Related to Trading of Computer Hardware
Shanghai Jiaoda Withub Information Industrial Co Ltd	8205.HK	Hong Kong	Shanghai Jiaoda Withub Information Industrial Co Ltd researches and develops network security system and provides business application solutions. The company also distributes notebook computers and computer-related products as well as other products such as closed-circuit television system products.	58.44%*
Changhong Jiahua Holdings Ltd	8016.HK	Hong Kong	Changhong Jiahua Holdings Ltd, through its subsidiaries, trades consumer electronic products and related parts and components. The company also manufactures and sells the data broadcasting hardware and software and provides data broadcasting and related services.	77.51%*
SIS International Holdings Ltd	529.HK	Hong Kong	SIS International Holdings Ltd engages, via its subsidiaries, in distributing computers, softwares and related hardwares. The company also invests in properties.	80.76%*

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Related to Trading of Computer Hardware
VSTECS Holdings Ltd	856.HK	Hong Kong	VSTECS Holdings Ltd wholesales and distributes computer peripheral products. The company produces data storage devices, central processing units, computer motherboards, server motherboards, and other products. The company offers its services to customers in government, finance, communication, transportation, manufacturing, education, medical care, and other fields.	48.19%
Welltend Technology Corp	3021.TT	Taiwan	Welltend Technology Corp distributes computer hardware and software, and develops integrated network systems and solutions. The company's products and services include servers and workstations, integrated client-server systems, consumer personal computers, network computing equipment and storage products, computer peripherals, and computer applications.	76.82%
Edom Technology Co Ltd	3048.TT	Taiwan	Edom Technology Co Ltd distributes ICs (''**Integrated Circuits**''), electronic components, memory, and discrete device products. The company's products are applied to multimedia, like DVD decoder software, portable products, such as notebook computer graphic chips, and communication products used for cellular phones and wireless web access.	96.11%

Company Name	Stock Code	Listing Location	Business Description	Percentage of Revenue Related to Trading of Computer Hardware
Professional Computer Technology Ltd	6270.TT	Taiwan	Professional Computer Technology Ltd distributes flash memories, TV (television) encoders, and passive components. The company acts as an agent for SST, Insyde, Apacer, ART, DiBcom, Emuzed, Ethertronics, Fidelica, J-Tek, Music, PARA, RadarSync, and Zytronic.	98.26%

Source: Bloomberg and annual reports

Note: Breakdown of revenue related to trading of computer hardware was not available from Bloomberg and latest annual reports of 8205.HK, 8016.HK and 529.HK as at the Date of Valuation. The percentages for 8205.HK, 8016.HK and 529.HK are representing revenue segments as follows:

Stock Code	Segment
8205.HK	Computer hardware and software products
8016.HK	IT consumer products and IT corporate products
529.HK	Distribution of mobile and IT products

The P/E multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/E Multiple
Changhong Jiahua Holdings Ltd	8016.HK	10.07
SIS International Holdings Ltd	529.HK	4.48
VSTECS Holdings Ltd	856.HK	5.36
Welltend Technology Corp	3021.TT	12.19
Edom Technology Co Ltd	3048.TT	12.46
Professional Computer Technology Ltd	6270.TT	34.28
Median		**11.13**

Source: Bloomberg

Note: The multiple of Shanghai Jiaoda Withub Information Industrial Co Ltd was unavailable due to its negative trailing 12-month net profit.

The P/E multiple adopted was the median of the P/E multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. The forward 12-month net profit of the Target Group ending 31 December 2017 (hereinafter referred to as the "**Forward 12-Month Net Profit**") is based on the profit guarantee ("**Profit Guarantee**") of RMB40,000,000, discounted to the Date of Valuation using an appropriate discount rate. Then, we obtained the market value of the Target Group on a non-controlling basis by applying the median P/E multiple to the Forward 12-Month Net Profit and adjusted further in relation to marketability.

8.4.2 Discount Rate

Below is the summary of the key parameters of the discount rate adopted as at the Date of Valuation:

Key Parameters		**31 July 2017**
(a)	Risk-free Rate	3.63%
(b)	Market Risk Premium	11.91%
(c)	Beta Coefficient	0.77
(d)	Other Risk Premium	3.00%
(e)	Size Premium	3.58%
(f)	Cost of Equity	19.32%
(g)	Cost of Debt	7.90%
(h)	Weight of Equity Value to Enterprise Value	48.42%
(i)	Weight of Debt Value to Enterprise Value	51.58%
(j)	Corporate Tax Rate	25.00%
	Discount Rate	**12.40%**

Notes:

(a) The risk-free rate adopted was the yield rate of the China 10-year government bonds as at the Date of Valuation as extracted from Bloomberg.

(b) The market risk premium adopted was the market risk premium of China as at the Date of Valuation as extracted from Bloomberg.

(c) The beta coefficient adopted was the average adjusted beta coefficient of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(d) The other risk premium was to reflect the uncertainty of meeting the Profit Guarantee by the Target Group.

(e) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study published by Duff & Phelps.

(f) The cost of equity was determined based on Capital Asset Pricing Model ("**CAPM**") plus other risk premium.

(g) The cost of debt adopted was the China above 5-year benchmark lending rate as at the Date of Valuation as extracted from Bloomberg plus other risk premium.

(h) The weight of equity value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(i) The weight of debt value to enterprise value adopted was derived from the average debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

(j) The corporate tax rate adopted was the corporate tax rate in China.

Accounting for the above items, we arrived at the discount rate of 12.40% as at the Date of Valuation.

8.4.3 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the Stout Restricted Stock Study (formerly the FMV Restricted Stock Study), a marketability discount of 14.80% was adopted in arriving at the market value of the Target Group on a non-controlling basis as at the Date of Valuation.

8.4.4 Calculation Details

The calculation details of the Target Group using the P/E multiple were illustrated as follows:

Forward 12-Month Net Profit (RMB)	40,000,000
Adjusted Forward 12-Month Net Profit by Discount Rate (RMB)	38,087,272
Multiplied by: Median P/E Multiple	11.13
Market Value before Applying Marketability Discount	423,932,160
Adjusted for Marketability Discount	(1–14.80%)
Market Value Obtained from P/E Multiple (RMB)	361,190,200
Market Value on a Non-Controlling Basis (Rounded) (RMB)	**361,000,000**

Note: The total may not sum up due to rounding.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The latest unaudited management accounts of the Target Group as at 31 May 2017 can reasonably represent its financial position as at 31 July 2017 since an audited financial account was not available;
- The Target Group will be operated and developed as planned by the Management;
- The Target Group could meet its guaranteed net profit of RMB40,000,000 for the year ending 31 December 2017 as estimated by the Management;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Target Group. The factors considered included, but were not necessarily limited to, the following:

- The business nature of the Target Group;

- Unaudited management accounts of the Target Group;

- Historical information of the Target Group;

- Market trends of the computers and information technology products trading industry;

- Economic outlook in China; and

- General descriptions in relation to the Target Group.

We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

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

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of value. The information has not been audited or compiled by us. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Target Group provided to us.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownerships of the Target Group were in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the businesses as well as the market value of the Target Group.

We have not investigated the title to or any legal liabilities of the Target Group, and have assumed no responsibility for the title to the Target Group appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group and their associated companies, or the values reported herein.

13. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of the Target Group on a non-controlling basis as at the Date of Valuation, in our opinion, was reasonably stated as **RMB361,000,000 (RENMINBI THREE HUNDRED AND SIXTY ONE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Interests of Director and chief executives

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

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Total interests	Approximate percentage of the issued share capital of the Company
Wong Yun Kuen	Beneficial owner	1,800	—	1,800	0.00%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be recorded in the register referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the paragraph headed ''Directors' and Chief Executives' Interests'' above, the following shareholders had notified the Company of its relevant interests in the issued share capital of the Company.

Name of Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of issued Shares
Wealth Success Limited *(Notes 1, 2)*	Beneficial owner	406,681,579	29%
Lai Leong	Interest in controlled corporation	406,681,579	29%

Notes:

(1) By virtue of the SFO, Mr. Lai Leong is deemed to be interested in 406,681,579 Shares being held by Wealth Success Limited as Wealth Success Limited is wholly owned by Mr. Lai Leong.

(2) Wealth Success Limited has provided an interest in the Shares as security to a person other than a qualified lender.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING BUSINESS INTEREST OF DIRECTORS

To the best knowledge of the Directors, none of the Directors or their respective close associates (within the meaning of the Listing Rules) had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

5. INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Enlarged Group.

6. LITIGATION

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

7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(i) the underwriting agreement dated 10 June 2016 entered into between the Company and Freeman Securities Limited in relation to the underwriting arrangement for the rights issue of the Company on the basis of two right shares for every one share held on the record date at the subscription price of HK$0.25 per right share, which subsequently lapsed on 28 July 2016;

(ii) the placing agreement dated 4 August 2016 entered into between the Company and Enhanced Securities Limited in relation to the placing of new shares at a price of HK$0.25 per placing share;

(iii) the underwriting agreement dated 5 August 2016 entered into between the Company and Win Wind Securities Limited in relation to the underwriting arrangement for the rights issue of the Company on the basis of one right share for every two shares held on the record date at the subscription price of HK$0.25 per right share;

(iv) the subscription agreement and the shareholders' agreement dated 27 January 2017 entered into by an indirect wholly owned subsidiary of the Company to subscribe one additional share in Singularity Advisory (Cayman) Ltd to finance the acquisition of the convertible bond issued by XinRen Aluminum Holdings Limited in the principle amount of US$30,000,000;

(v) the deed of indemnity dated 23 March 2017 entered into by the Company in favour of the guarantors who provided guarantees to Singularity Advisory (Cayman) Ltd to facilitate the financing for the acquisition as mentioned in (v) above;

(vi) the sale and purchase agreement dated 7 August 2017 (as amended on 17 October 2017, 1 March 2018 and 29 March 2018) entered into between an indirect wholly owned subsidiary of the Company with Mr. Chen Jianjun in relation to the acquisition of the entire issued share capital of Well City Enterprises Limited and the attached indebtedness at a consideration of HK$130,000,000;

(vii) the Sale and Purchase Agreement;

(viii) the supplemental agreement dated 17 October 2017 entered into between an indirectly wholly owned subsidiary of the Company with Mr. Chen Jianjun to amend the terms of the sale and purchase agreement stated in (vi);

(ix) the second supplemental agreement dated 1 March 2018 entered into between an indirectly wholly owned subsidiary of the Company with Mr. Chen Jianjun to extend the long stop date;

(x) the supplement agreement dated 1 March 2018 entered into between the Purchaser and Vendor in relation to extend the long stop date to 1 September 2018; and

(xi) the third supplemental agreement dated 29 March 2018 entered into between an indirectly wholly owned subsidiary of the Company with Mr. Chen Jianjun to amend the manner to satisfy the consideration.

8. EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice which are contained in this circular:

Name	Qualification
Roma Appraisals Limited	Independent qualified valuer
Pan-China (H.K.) CPA Limited	Certified Public Accountants
RSM Hong Kong	Certified Public Accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter and/or reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not, directly or indirectly, have any interest in any assets which had since 31 December 2017 (being the date to which the latest published audited consolidated results of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Leung Ka Wai, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office and the principal place of business of the Company is situated at Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(iii) The Company's share registrar and transfer office is Tricor Secretaries Limited, whose address is at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(iv) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Units 2502–05, 25/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the articles of association of the Company;

(b) the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017;

(c) the accountants' report of the Target Group prepared by RSM Hong Kong, the text of which is set out in Appendix IIA to this circular;

(d) the accountants' report of Baiyu (Beijing) and its subsidiaries prepared by RSM Hong Kong, the text of which is set out in Appendix IIB to this circular;

(e) the report from Pan-China (H.K.) CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(f) the valuation report prepared by Roma Appraisals Limited, the text of which is set out in Appendix V to this circular;

(g) the written consent from the experts referred to in the section headed "Experts and consents" in this appendix;

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

(i) a copy of each circular of the Company issued pursuant to Chapter 14 and/or Chapter 14A of the Listing Rules since the latest published audited accounts of the Company; and

(j) this circular.

高富集團控股有限公司

GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of GT Group Holdings Limited (the "**Company**") will be held at Churchill Room, Level 26, The Park Lane Hong Kong, A Pullman Hotel, 310 Gloucester Road, Causeway Bay, Hong Kong on Wednesday, 11 July 2018 at 3:00 p.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolution which will be proposed as ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**

   (a) the sale and purchase agreement dated 1 September 2017 (as amended on 1 March 2018) (the "**Sale and Purchase Agreement**") entered into between Art Ring Limited (as the purchaser and an indirect wholly-owned subsidiary of the Company) and Mega Ample Capital Limited in relation to the acquisition of 490 shares of Multi-Fame Group Limited, representing 49% of the entire issued share capital of Multi-Fame Group Limited (a copy of which has been produced to the Meeting and marked "A" and initialed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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

By order of the Board of
GT GROUP HOLDINGS LIMITED
Li Dong
Chairman

Hong Kong, 25 June 2018

Notes:

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.

2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).

3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she were solely entitled hereto; but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.

5. A form of proxy for use at the extraordinary general meeting is attached herewith.

6. Any voting at the extraordinary general meeting shall be taken by poll.

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

As at the date of this notice, the Board comprises four executive Directors, namely Mr. Li Dong (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Chan Ah Fei and Mr. Liang Shan and three Independent Non-executive Directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao.