THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Dingyi Group Investment Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

DINGYI GROUP INVESTMENT LIMITED
鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial adviser to the Company

Gram Capital Limited
嘉林資本有限公司

Independent Financial adviser to the Independent Board Committee and the Independent Shareholders

BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

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

A letter from the Board of the Company is set out from pages 6 to 34 of this circular. A letter from the Independent Board Committee is set out on page 35 of this circular. A letter from the Independent Financial Adviser, is set out on pages 36 to 70 of this circular.

A notice convening the SGM to be held at Unit 2708, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 15 March 2018 at 3:00 p.m. or any adjournment is set out from pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

28 February 2018

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

"Acquisition"	the acquisition of 100% equity interest of the Target Company pursuant to the Acquisition Agreement
"Acquisition Agreement"	the agreement dated 21 June 2017 entered into between the Company (as the purchaser) and the Vendor in relation to the Acquisition
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which the licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Certificate of Good Standing"	the Certificate of Good Standing issued by the Registrar of Companies in respect of the company as at the certificate date of the fact that the company is on the Register of Companies and has paid all fees, annual fees and penalties due and payable
"Certificate of Incumbency"	the Certificate of Incumbency issued by the company's registered agent, declaring information of the company including but not limited to the company's registered office, directors and shareholders of the company
"Company"	DINGYI GROUP INVESTMENT LIMITED, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange

"Completion"	completion of the Acquisition
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition in the amount of HK$1,000 million
"Conversion Period"	any time on and after the date of issue of the Convertible Bonds and up to the date being 5 Business Days before the Maturity Date
"Conversion Price"	the price per Share at which the Convertible Bonds may be converted into Shares
"Conversion Rights"	the rights attached to the Convertible Bonds to convert the same or a part thereof into Conversion Shares
"Conversion Shares"	the new Share(s) to be allotted and issued by the Company upon exercise of the Conversion Rights attaching to the Convertible Bonds
"Convertible Bonds"	the convertible bonds in the aggregate principal amount of HK$1,000 million to be issued by the Company to the Vendor pursuant to the Acquisition Agreement
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition
"Existing Land Use Right Certificates"	the two land use right certificates granted to Xintai in respect of the land where the Properties are located with a total site area of approximately 106,140 sq.m. (Certificate numbers: 湛國用(2008)第20164號 (Zhan Guo Yong (2008) No. 20164*) and 湛國用(2012)第20090號 (Zhan Guo Yong (2012) No. 20090*))
"GFA"	gross floor area
"Group"	the Company and its subsidiaries

"Guangguan"	廣州廣冠投資管理有限公司 (Guangguan Investment Management Company Limited*), a company established in the PRC with limited liability
"HK Company"	Wincon Asset Management Limited (永冠資產管理有限公司), a company established in Hong Kong with limited liability
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors who are not interested in the Acquisition, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "BaoQiao"	BaoQiao Partners Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholder(s) other than the Vendor, Mr. Su Xiaonong and their respective associates who are required to abstain from voting at the SGM
"Last Trading Day"	20 June 2017, being the last trading day prior to the date of the Acquisition Agreement
"Latest Practicable Date"	23 February 2018, being the latest Practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of the Securities on the Stock Exchange
"Long Stop Date"	30 June 2018

"Maturity Date"	the 5th anniversary of the issue date of the Convertible Bonds or if such date is not a Business Day, the Business Day immediately following such date
"Phase I"	phase I of the Properties which comprises of two blocks of residential buildings with a number of retail shops, car parks and facilities
"Phase II"	phase II of the Properties which comprises of four blocks of residential buildings with a number of car parks and facilities
"Phase III"	phase III of the Properties, which is a vacant land as at the Latest Practicable Date
"PRC"	the People's Republic of China
"Properties"	公園一號 (One Parkview*), a complex land use development which is located at No. 218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC
"Reorganisation"	the reorganisation of the Target Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sales Loan"	the total amount of shareholders' loan owing by Xintai to its holding company (which is wholly owned by the Vendor) before completion of the Reorganisation
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder and the Specific Mandate
"Share(s)"	ordinary shares of par value of HK$0.01 each of the Company
"Shareholder(s)"	the holder(s) of Shares

"Sheng An"	吳川市聖安投資咨詢有限公司 (Wuchuan Sheng An Investment Advisory Company Limited*), a company established in the PRC with limited liability
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders at the SGM to allot and issue the new Shares which may fall to be allotted and issued upon exercise of the Conversion Rights attaching to the Convertible Bonds
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	United Faith Investments Limited, a company incorporated in BVI with limited liability and is wholly owned by the Vendor
"Target Group"	the Target Company and its subsidiaries
"Vendor" or "Mr. Li"	Mr. Li Kwong Yuk, being a controlling Shareholder, the Executive Director and the Chairman of the Company
"Xintai"	湛江鑫泰投資有限公司 (Zhanjiang Xintai Investment Company Limited*), a company established in the PRC with limited liability
"%" or "per cent."	percentage or per centum

For the purpose of this circular and for illustrative purpose only, RMB is converted into HK$ at the rate of RMB1:HK$1.15. No representation is made that any amounts RMB has been or could be converted at the above rates or at any other rates.

* *For identification purposes only*

DINGYI GROUP INVESTMENT LIMITED
鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

Executive Directors:
Mr. LI Kwong Yuk *(Chairman)*
Mr. SU Xiaonong *(Chief Executive Officer)*
Mr. CHEUNG Sze Ming
Mr. ZHENG Xiantao

Independent non-executive Directors:
Mr. CHOW Shiu Ki
Mr. CAO Kuangyu
Mr. IP Chi Wai

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal place of business in Hong Kong:
Unit 2708, 27/F.
Convention Plaza – Office Tower
1 Harbour Road
Wanchai, Hong Kong

28 February 2018

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the announcements of the Company dated 21 June 2017 regarding the Acquisition and 29 December 2017 regarding the extension of the Long Stop Date.

On 21 June 2017 (after trading hours), the Company (as the purchaser) and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest of the Target Company for the consideration of HK$1,000 million.

This circular provides you with information regarding, amongst others, (i) details of the Acquisition; (ii) a letter from the Independent Board Committee advising the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder; (iv) financial information of the Group; (v) financial information of the Target Group; (vi) unaudited pro forma financial information of the Enlarged Group; (vii) management discussion and analysis on the Group; (viii) management discussion and analysis on the Target Group; (ix) valuation report of the Properties; and (x) notice of SGM.

THE ACQUISITION AGREEMENT

Set out below are the principal terms of the Acquisition Agreement:

Date

21 June 2017

Parties involved

Purchaser: the Company

Vendor: Mr. Li Kwong Yuk

Subject matter

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest of the Target Company and the Sales Loan.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Consideration

Pursuant to the Acquisition Agreement, the Consideration is HK$1,000 million and shall be satisfied by the issuance of the Convertible Bonds in the aggregate principal amount of HK$1,000 million by the Company to the Vendor upon Completion.

The Consideration of HK$1,000 million was arrived at after arm's length negotiations between the Vendor and the Company after taking into account of (i) the preliminary valuation of the Properties of approximately RMB1,199 million (equivalent to approximately HK$1,378.85 million) as at 30 April 2017 (which was prepared by a qualified independent valuer (the "**Previous Valuer**")); (ii) the unaudited consolidated net asset value of the Target Group as at 31 December 2016; (iii) the book value of the Properties as at 31 December 2016; (iv) the amount of the Sales Loan; and (v) the book value of the Director's Loan (as defined below) and the Held for Investments Assets (as defined below) as at 31 December 2016.

Due to change of the Previous Valuer's personnel, the company engaged another independent valuer, namely, CHFT Advisory And Appraisal Ltd. ("**CHFT**"), to conduct the valuation of the Properties as at 30 November 2017. In consideration of CHFT's engagement, the Company considered relevant experience and track records in similar valuation of CHFT's personnel and the professional fee to be charged by CHFT. Mr. Leo Lo, the responsible valuer of CHFT, has around 14 years of valuation experience in the PRC.

There is no material difference among the valuation methodology, principal basis and assumptions of the preliminary valuation of the Properties prepared by the Previous Valuer and the valuation of the Properties prepared by CHFT.

The valuation of the Properties was prepared based on the direct comparison method. The valuation of the Properties included the unsold and undelivered property units of Phase I and Phase II, the vacant land of the Phase III and excluded the property units which were sold out and delivered. The valuation of the Properties was RMB1,516 million (equivalent to approximately HK$1,743.40 million) as at 30 November 2017.

The valuation report of the Properties (including details of methodology and comparables used) is set out in Appendix VI to this circular. Having considered the details of the valuation report of the Properties, the Board is of the view that the methodology and comparables used therein and the valuation of the Properties are fair and reasonable.

The amount of the Sales Loan and the book value of the Director's Loan after deducting the Held for Investments Assets (as defined below) were approximately HK$334.09 million and HK$83.89 million respectively as at 31 December 2016.

The unaudited consolidated net asset value of the Target Group was approximately HK$308.82 million as at 31 December 2016. After adjustment for the preliminary valuation of the Properties of approximately RMB1,199 million (equivalent to approximately HK$1,378.85 million) as at 30 April 2017, the unaudited consolidated net asset value of the Target Group would be approximately HK$616.71 million as at 31 December 2016.

Based on the above, the sum of (i) the unaudited consolidated net asset value of the Target Group (after adjustment for the preliminary valuation of the Properties as at 30 April 2017) as at 31 December 2016; (ii) the amount of the Sales Loan; and (iii) the book value of the Director's Loan after deducting the Held for Investments Assets (as defined below) is approximately HK$1,034.69 million, which is slightly higher than the Consideration of HK$1,000 million.

The amount of the Sales Loan and the book value of the Director's Loan after deducting the Held for Investments Assets (as defined below) were approximately HK$362.31 million and HK$93.87 million respectively as at 30 September 2017.

The audited consolidated net asset value of the Target Group was approximately HK$379.57 million as at 30 September 2017. After adjustment for the valuation of the Properties of approximately RMB1,516 million (equivalent to approximately HK$1,743.40 million) as at 30 November 2017, the audited consolidated net asset value of the Target Group would be approximately HK$1,477.02 million as at 30 September 2017.

Based on the above, the sum of (i) the audited consolidated net asset value of the Target Group (after adjustment for the valuation of the Properties as at 30 November 2017) as at 30 September 2017; (ii) the amount of the Sales Loan; and (iii) the book value of the Director's Loan after deducting the Held for Investments Assets (as defined below) is approximately HK$1,933.2 million, which is much higher than the Consideration of HK$1,000 million.

Accordingly, the Board is of the view that the Consideration is fair and reasonable.

The original investment cost of the Target Group incurred by the Vendor was approximately HK$536.76 million.

Conditions precedent of the Acquisition

Completion is conditional upon each of the following being satisfied (or, where applicable, waived by the Company):

(i) the Independent Shareholders of the Company having approved the Acquisition Agreement and the transactions contemplated thereunder in the SGM, including the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights attached to the Convertible Bonds, in accordance with the memorandum of association and bye-laws of the Company and the Listing Rules;

(ii) the Listing Committee of the Stock Exchange having granted or agreed to grant the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights attached to the Convertible Bonds, and such approval not having been amended and being in full force;

(iii) HK Company having repaid all loans or other indebtedness due or owing to the Vendor (the "**Director's Loan**") in the form of current assets held for trading investments owned by HK Company (the "**Held for Investments Assets**"). In the event that the amount of such assets is less than the Director's Loan, the remaining outstanding Director's Loan shall be unconditionally and irrevocably waived in full by the Vendor;

(iv) the representations and warranties given by the Vendor under the Acquisition Agreement remaining true, complete and accurate in all material respects and is not misleading;

(v) there having been no breach by the Vendor of any covenants made by and obligations of the Vendor under the Acquisition Agreement;

(vi) the Company not having discovered or known that from the date of signing of the Acquisition Agreement, there being any abnormal operations or any material adverse change in the business, circumstances (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group;

(vii) the Target Group having obtained all licenses, permits, consents, approvals, authorizations, orders and waivers from the relevant governmental or regulatory authorities in Hong Kong, the PRC, BVI or other regions which are necessary or required for the entering into and the execution of the Acquisition Agreement and the transactions contemplated thereunder;

(viii) Xintai having obtained the relevant approval for and having the capability of operating in the businesses of development and operation of and investment in property;

(ix) the Vendor having provided to the Company the Certificate of Good Standing and the Certificate of Incumbency of the Target Company in such a form and substance satisfactory to the Company;

(x) the Vendor having completed or procured the completion of the Reorganisation of the Target Group, upon which: (i) the Target Company shall legally and beneficially own 100% of the equity interest in the HK Company; (ii) the HK Company shall legally and beneficially own 100% of the equity interest in Guangguan; (iii) Guangguan shall legally and beneficially own 100% of the equity interest in Sheng An; and (iv) Sheng An shall legally and beneficially own 100% of the equity interest in Xintai;

(xi) the Vendor having provided to the Company a BVI legal opinion confirming the legality of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to (a) that the Target Company is duly incorporated in the BVI and validly subsisting under BVI laws; and (b) the Certificate of Incumbency of the Target Company confirming the names of director(s) and shareholder(s) and that the Target Company does not maintain at its registered office a copy of a register of charges);

(xii) the Vendor having provided to the Company a PRC legal opinion confirming the legality of the Acquisition Agreement and the transactions contemplated thereunder (including but not limited to (a) that members of the Target Group which are incorporated in the PRC are duly incorporated and validly subsisting under PRC laws; and (b) corporate information, articles of association and management structure, business operation, major assets, material contracts, labour protection, social insurance and housing provident fund, taxation, litigation, arbitration and administrative penalties, of the members of the Target Group which are incorporated in the PRC); and

(xiii) the Company having completed and being reasonably satisfied with the results of the due diligence review (whether legal, accounting, financial, operational or other material aspects) of the Target Group.

None of the conditions precedent to the Completion can be, waived by the Vendor or the Company except for condition (xi) above which can be waived by the Company. As at the Latest Practicable Date, the Company has no intention to waive condition (xi) above.

If any conditions precedent of the Acquisition shall not have been fulfilled (or waived in accordance with the terms of the Acquisition Agreement) by the Long Stop Date or such other date as the Vendor and the Company may agree in writing, then the Company shall not be bound to proceed with and is entitled to terminate the Acquisition Agreement, and save in respect of any antecedent breach by any party under the Acquisition Agreement, all rights and liabilities of the Vendor and the Company shall cease and neither the Vendor nor the Company shall have any obligations and liabilities towards each other thereunder save for any claim against the other.

As at the Latest Practicable Date, save as conditions (viii) and (xii) above, none of the above conditions have been fulfilled.

Completion

Completion shall take place within 15 Business Days or such other date as the Vendor and the Company may agree after the fulfilment (or waiver) of all the conditions precedent to the Acquisition Agreement when all the acts and requirements shall be complied with in accordance with the Acquisition Agreement.

The Convertible Bonds

Pursuant to the Acquisition Agreement, the Company will issue the Convertible Bonds in the aggregate principal amount of HK$1,000 million as the Consideration on Completion.

The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer:	the Company
Bondholder:	the Vendor
Principal amount:	HK$1,000,000,000
Maturity Date:	the 5th anniversary of the issue date of the Convertible Bonds or if such date is not a Business Day, the Business Day immediately following such date
Interest:	Nil
Conversion Rights:	Subject to the conversion restriction below, holder(s) of the Convertible Bonds shall have the right at any time during the Conversion Period to convert in whole or in part the outstanding principal amount of the Convertible Bonds in whole multiples of HK$10,000,000 into Conversion Shares, save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK$10,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
Conversion restrictions:	Any conversion of the Convertible Bonds (a) shall not render such bondholder (together with its associates and the parties acting in concert with it) to hold or control 75% or more of the entire issued share capital of the Company immediately after the allotment and issue of the relevant Conversion Shares; (b) shall not cause the public float of the Company becoming unable to meet the requirement under Rule 8.08 of the Listing Rules; and (c) shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion right and party(ies) acting in concert (as defined under the Takeovers Code) with it.

Conversion Period: Any time on and after the date of issuance of the Convertible Bonds and up to the date being 5 Business Days before the Maturity Date.

Conversion Price: HK$0.80 per Conversion Share (subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, rights issues and open offer).

The initial Conversion Price represents:

(i) a discount of approximately 16.67% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 38.46% to the closing price of HK$1.30 per Share as quoted on the Stock Exchange on 20 June 2017, being the last trading day prior to the date of the Acquisition Agreement;

(iii) a discount of approximately 38.46% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 20 June 2017, being approximately HK$1.30 per Share; and

(iv) a discount of approximately 40.30% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 20 June 2017, being approximately HK$1.34 per Share.

Conversion Shares: Assuming the issue of Convertible Bonds is completed and based on the Conversion Price of HK$0.80 per Conversion Share, a maximum number of 1,250,000,000 Conversion Shares will be allotted and issued if the Conversion Rights attaching to the Convertible Bonds are exercised in full, representing approximately 17.86% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.16% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

	The Conversion Shares shall be issued and allotted under the Specific Mandate of the Company. The Directors proposed to seek approval from the Shareholders at the SGM to issue the Conversion Shares. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares. The allotment and issue of the Conversion Shares will not result in a change of control of the Company.
Transferability:	The Convertible Bonds are freely transferrable by the bondholder to any person subject to compliance with all applicable laws and provided that no transfer shall be made to any connected person of the Company without the consent of the Stock Exchange.
Voting rights and ranking:	Holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any general meeting of the Company.
Ranking:	The Convertible Bonds shall at all times (subject to any obligations preferred by mandatory provisions of law) rank *pari passu* with all other present and future direct, unconditional and unsubordinated obligations of the Company.
Listing:	The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
Redemption upon maturity:	The Company shall redeem on the Maturity Date the Convertible Bonds in an amount equal to the sum of the aggregate principal amount of the Convertible Bonds then outstanding.
Redemption upon event of default:	Upon occurrence of an event of default set out in the Convertible Bonds, the Bondholder shall be entitled to notify the Company in writing to require the Convertible Bonds to be redeemed in an amount equal to the sum of the aggregate principal amount of the Convertible Bonds then outstanding.

INFORMATION ON THE TARGET GROUP

Target Company

The Target Company is an investment holding company incorporated in BVI with limited liability on 2 December 2016. The Target Group is undergoing the Reorganisation. Upon completion of the Reorganisation, the Target Company will hold 100% equity interest in the HK Company.

HK Company

The HK Company is a company incorporated in Hong Kong with limited liability on 19 October 2006. As at the Latest Practicable Date, apart from its 100% equity interest in Guangguan, the HK Company is principally engaged in securities trading. Upon completion of the Reorganisation, the HK Company will continue to hold 100% equity interest in Guangguan.

Guangguan

Guangguan is a company established in the PRC with limited liability on 1 July 2003. Upon completion of the Reorganisation, Guangguan will hold 100% equity interest in Sheng An.

Sheng An

Sheng An is an investment holding company established in the PRC with limited liability on 30 November 2016. Upon completion of the Reorganisation, Sheng An will hold 100% equity interest in Xintai.

Xintai

Xintai is a company established in the PRC with limited ability on 27 September 2008. As at the Latest Practicable Date, Xintai is principally engaged in the development, operation and investment of property. Xintai also holds the Properties.

The Properties

The Properties is located on No.218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC. Xintai holds the Existing Land Use Right Certificates (with a total site area of approximately 106,140 sq.m.) in respect of the Properties. The Properties comprises of three phases.

The Phase I and Phase II of the Properties comprise of two blocks and four blocks of residential buildings respectively, associated with a clubhouse, a number of retail shops, car parks and ancillary areas (including kindergarten and gardens). As at 30 November 2017, (i) 905 out of 923 residential units of Phase I were sold out; (ii) 1,025 out of 1,085 residential units of Phase II were sold out; (iii) 36 out of 80 retail shops were sold out; (iv) 204 out of 745 units of car parks of Phase I were sold out; and (v) 122 out of the 1,518 units of car parks of Phase II were sold out. The Target Group intends to continue the sale of the remaining retail shops, the remaining residential units and remaining car parks of Phase I and Phase II.

Phase III of the Properties is a vacant land with a site area of approximately 29,000 sq.m. as at the Latest Practicable Date. It is the existing plan of the Target Group to develop the Phase III as a commercial/residential complex which comprise of shopping mall, retail shops, office building, hotels and high-end residential building. Details of the planned development of Phase III is set out under the section headed "Development of Phase III" below.

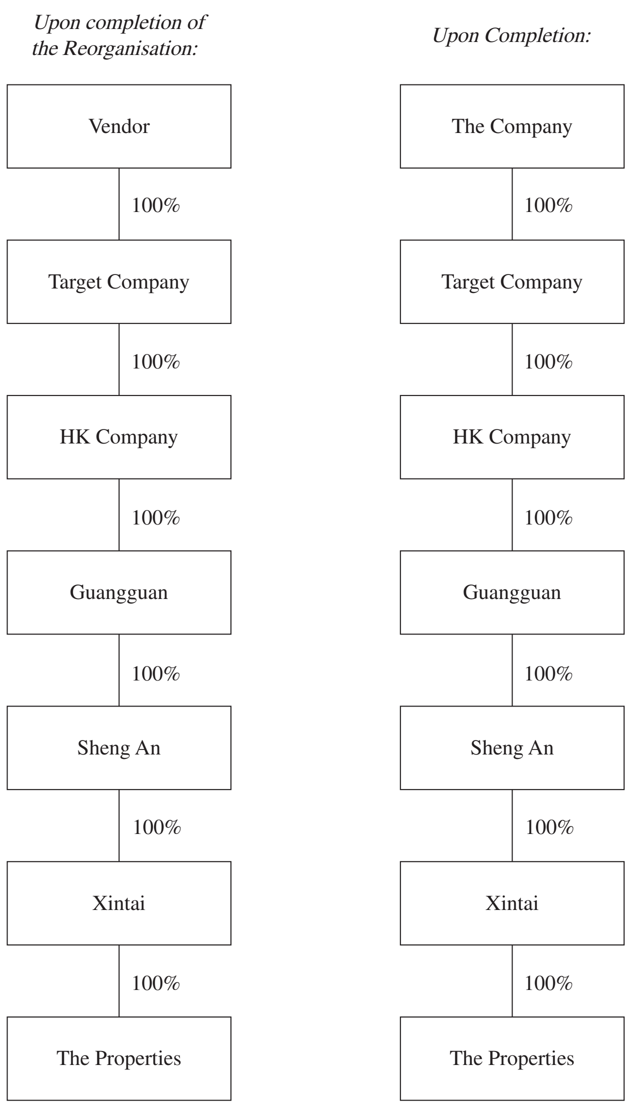
According to the legal opinion provided by the PRC legal adviser of the Company (the "**PRC Legal Opinion**"), relevant authority of Zhanjiang Municipal Government issued two land use right certificates in 2008 to Xintai in respect of the land where the Properties are located. One of the aforesaid land use right certificates (Certificate number: 湛國用(2008)第20162號 (Zhan Guo Yong (2008) No. 20162*) (the "**Previous Land Use Right Certificate**") mistakenly covered a piece of land of 352 sq.m. adjacent to Phase I (the "**Land in Question**"), whereas the relevant authority of Zhanjiang Municipal Government had issued another land use right certificate to four individuals (the "**Owners**") respectively in respect of the Land in Question in 1992. In 2012, the relevant authority of Zhanjiang Municipal Government withdrew the Previous Land Use Right Certificate and issued a new land use right certificate (Certificate number: 湛國用(2012)第20090號 (Zhan Guo Yong (2012) No. 20090*), which do not cover the land use right of the Land in Question, to Xintai. It was the intention of the Target Group to build a residential building on the Land in Question and its surrounding area, as part of the Phase II development.

The land use right of the Land in Question is therefore held by the Owners and they may conduct construction permitted by the government authority in charge of construction planning which is within the scope of the land use right of the Land in Question (i.e. residential) and in compliance with relevant PRC laws and regulations. Accordingly, the Target Group is subject to a potential risk that the Properties may be affected by the construction possibly conducted by the Owners. According to property law of the PRC, as the land of the Properties are adjacent to the Land in Question, Xintai and the Owners shall provide necessary convenience for each other, including but not limited to necessary convenience in the use of water or drainage, building or repairing of construction, the laying of wires, cables, water pipes, heating pipelines or fuel gas pipelines of any adjacent of lands, and convenience of obtaining ventilation, lighting and sunshine of any adjacent building etc. In addition, Xintai and the Owners may not discard solid wastes or discharge harmful substances such as atmospheric pollutants, water pollutants, noise, light and magnetic radiation to the land owned by each other by violating the relevant rules and regulations of the PRC.

Xintai is in negotiation with relevant government authorities and the Owners for the acquisition of the land use right of the Land in Question.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Owners are third party(ies) which are independent of and not connected with the Company, its connected persons (including the Vendor) and the Target Group.

Set out below is the shareholding structure of the Target Group (i) upon completion of the Reorganisation; and (ii) upon Completion:



Upon completion of the Reorganisation, the Target Group will discontinue its securities trading activities and will focus on the development, operation and investment in property and property management service.

As at the Latest Practicable Date, the Reorganisation was still undergoing.

The management of Xintai

The operation of Xintai has been under the management of an experienced management team of Xintai.

The board of directors of Xintai

Xintai's board of directors comprises of five directors, namely, Mr. Li, Ms. Lo Kwan, Mr. Su Xiaonong, Mr. Li Tangqi and Mr. Pan Wuying. Set out below is the brief biography of each of the directors of Xintai:

Mr. Li

Mr. Li is a businessman with over 12 years of investment experience in the highway industry in the PRC. He studied at Guangzhou Institute of Foreign Trade from 1978 to 1981. Mr. Li had worked on various investment projects in areas such as infrastructure and finance in Hong Kong and the PRC. He has 50% shareholding in Wincon International Limited, a company set up by Mr. Li and incorporated in Hong Kong, which is principally engaged in investment business in highways in the PRC. Mr. Li has various investment experience in construction and property markets including the Guangzhou Nansha Port highway in the PRC.

As the beneficial owner of Xintai, Mr. Li led the project team of Xintai to develop the Phase I and Phase II of the Properties since 2008. Mr. Li was born in Zhanjiang and is familiar with the city. Mr. Li possesses the necessary knowledges and experiences in guiding the project team to plan for the future projects.

Ms. Lo Kwan

Ms. Lo Kwan is the spouse of Mr. Li. She is also currently the general manager of Xintai and reports to the board of directors of Xintai. Ms. Lo Kwan is experienced in investment in construction projects and was working together with Mr. Li for highway projects in the PRC before.

Ms. Lo Kwan is responsible for (i) determination of the development and operational plan of Xintai; (ii) achieving the operation target and growth of Xintai; (iii) risk management; and (iv) overall supervision of Xintai and its daily operation since 2012.

Mr. Su Xiaonong

Mr. Su Xiaonong graduated from East China College of Political Science and Law in 1986. Mr. Su Xiaonong has been the director of Xintai since 2014. Mr. Su graduated from law school and has many years of experiences in investment in capital markets. He also takes a major role of exploring potential investment opportunities for the Company in various industries. With his knowledge and experience, he is advising the project team of Xintai in the development of the Phase III in a way that Xintai can obtain optimal return.

Mr. Li Tangqi

Mr. Li Tangqi is the chairman of the board of directors of Xintai since 2008 and he is responsible for making decision on the major development for Xintai. Mr. Li Tangqi studied international business and finance in Guangdong University of Finance & Economics and has rich experience in business finance and capital investments.

Mr. Pan Wuying

Mr. Pan Wuying joined Xintai in 2007. He is an economist and had management experience in previous highways construction companies. He is now involved in making decision on the major development for Xintai and mainly on accounting and finance aspect.

The construction team

The construction team of Xintai reports to the general manager, namely, Ms. Lo Kwan. This construction team comprises of various engineers under the leadership of the chief engineer, Mr. Deng Kai.

Mr. Deng Kai joined Xintai in 2012 and has been leading the development of the Properties. Mr. Deng Kai has over 18 years of construction experience and worked for reputable property development groups prior to joining Xintai. He is an engineer and has post graduate qualification.

The planned construction of Phase III will be carried out by experienced and reputable subcontractor(s) under the close direction and supervision of the construction team of Xintai.

The sales and marketing team

The sales and marketing team of Xintai reports to the sales and marketing general manager, namely Mr. Tang Bang Yong.

Mr. Tang Bang Yong has over 21 years of experience in sales and marketing and is currently responsible for (i) assisting the board of directors to form the sales and marketing strategy; and (ii) overall supervision of the sales and marketing team of Xintai. Before he joined Xintai, he worked for several properties companies mainly in the field of sales and marketing.

Development of Phase III

As aforementioned, Phase III of the Properties is a vacant land with a site area of approximately 29,000 sq.m. as at the Latest Practicable Date. It is the existing plan of the Target Group to develop the Phase III as a commercial/residential complex which comprise of shopping mall, retail shops, office building, hotels and high-end residential building.

Office building and shopping mall

A 32-storey office building with total GFA of approximately 46,000 sq.m. will be constructed. The ground floor to the 2nd floor of the office building will be designated for the use of shopping mall which Xintai intends to hold for leasing purpose. The 3rd floor to the 32nd floor of the office building will be the office space with 580 office units for sale.

Total GFA of the above-mentioned shopping mall will be approximately 50,000 sq.m.. Target leasees of the shopping mall include supermarkets, retailers, restaurants, cinemas and ice rink operator.

It is expected that the construction of the office building will be completed by the end of 2020 and the leasing of the shopping mall shall commence at the beginning of 2021.

Retail shops

10 units of retail shops (on-street) with GFA of approximately 60 sq.m. each will be constructed (expected to be completed by the end of 2020) and for sale.

Hotels

Four hotel buildings with total GFA of approximately 110,000 sq.m. will be constructed (expected to be completed by the end of 2020) and for sale to hotel operators. Upon further review of the situation after completion of the construction of the hotel buildings, Xintai may opt to hold the hotel buildings by itself and grant operating rights to hotel operators in return of profit sharing.

High-end residential building

One high-end residential building with total GFA of approximately 11,000 sq.m. and 93 units will be constructed (expected to be completed by the end of 2019) and for sale.

Legal requirements

In order to complete the constructions of the Phase III, Xintai is subject to a series of governmental approval including but not limited to, the project approval (立項批復) of the Phase III approved by the Development and Reform Bureau of Zhanjiang, the Construction Works Planning Permit (建設工程規劃許可證) for each building of the Phase III issued by the Urban Planning Bureau of Zhanjiang, and the Construction Works Commencement Permits (建設工程施工許可證) for each building of the Phase III issued by the Housing & Urban-Rural Development Bureau of Zhanjiang.

In addition, upon the completion of each building, Xintai shall complete the Construction Completion Check & Acceptance Report (建築工程竣工驗收報告) for each building and make filing with the Construction Completion Check & Acceptance Office of Zhanjiang. Such buildings shall also be subject to qualified inspection conducted by relevant authorities regarding fire-protection device, underground air-raid shelter of the construction, etc.

Prior to the sale or lease of the aforementioned buildings, Xintai shall obtain the pre-sale permits and/or the ownership certificates of such buildings as well. Since Xintai has legally obtained the Existing Land Use Right Certificates and the Construction Land Use Planning Permit (建設用地規劃許可證) on the land of the Phase III, the PRC legal adviser of the Company considers that there is no substantive foreseeable legal obstacles for Xintai to complete the above-mentioned legal procedures as at the Latest Practicable Date.

Financing

The development of Phase III is expected to be completed in four years and the preliminary estimated development cost of Phase III is approximately RMB1,290 million. The Target Group expects to finance the development cost of Phase III by (i) internal resources of the Target Group; (ii) proceeds from the sales of remaining property units of Phase I and Phase II; (iii) bank borrowings; and (iv) proceeds from the sales of new property units to be constructed under early stage of Phase III development (i.e. the high-end residential building).

Mr. Li has given an undertaking to the Company to provide necessary financial guarantee or assistance to Xintai and the Company for the bank borrowings to be obtained by Xintai in respect of the Phase III development. The Company will comply with applicable Listing Rules requirements (if any) when Mr. Li provides such financial guarantee/assistance.

The preliminary estimated development cost of Phase III comprises of:

(i) apportionment of land requisition and compensation for demolition of approximately RMB79 million;

(ii) preliminary project cost (including fees for project construction, survey and measurement, application for construction, ‘‘three connections and one leveling’’, temporary facilities, planning and design and other related expenses) of approximately RMB48 million which was estimated based on the historical cost for the Phase II development and planned gross floor area of Phase III;

(iii) infrastructure fee (including fees for garden environmental engineering, outdoor water supply and drainage system, power supply system, gas system, communication facilities, road facilities and other related expenses) of approximately RMB29 million which was estimated based on the historical cost for the Phase II development and planned gross floor area of Phase III;

(iv) construction and installation costs of approximately RMB812 million which was estimated based on the ratio of the historical cost of Phase II over the price index of Price Bureau for Phase II and the Price Bureau price index for Phase III; and

(v) development overheads (including fees for engineering management consultant, property management and improvement, construction cost of project marketing facilities, finance cost) of approximately RMB322 million which was estimated based on the historical cost of Phase II.

The expected development stages, expected cost to be incurred under each stage (with expected financing source) are set out below:

Stage and timing	Expected cost (approximate)	Expected financing source
2008		
Pre-development	RMB79 million (apportionment of land requisition and compensation for demolition)	Paid
First half of 2018		
Preliminary application for construction	RMB48 million (including preliminary project cost)	Xintai's currently available fund
3rd quarter of 2018		
Pile foundation and foundation treatment	RMB105 million (including construction costs and development overheads)	RMB48 million from Xintai's currently available fund RMB57 million from the payment collected from Phase I/II inventory sales

Stage and timing	Expected cost (approximate)	Expected financing source
4th quarter of 2018 to early 2019		
Basement project	RMB141 million (including construction and installation costs and development overheads)	Payment collected from Phase I/II inventory sales
Early 2019 to end of 2019		
Ground main body construction to capping for all buildings Phase III high-end residential units construction completed, selling and delivery	RMB450 million (including infrastructure fee, construction and installation costs, development overheads and finance cost)	Bank borrowings to be obtained by Xintai
2020		
Project installation stage for office building, shopping mall, retail shops and hotels	RMB260 million (including installation costs, development overloads and finance cost)	RMB100 million from bank borrowing to be obtained by Xintai RMB160 million from payment collected from Phase III high-end residential units pre-sale
From early 2021		
Selling, payback, delivery and leasing for all buildings	RMB207 million (including finance cost)	RMB207 million from payment collected from Phase III high-end residential units pre-sale

Financial information of the Target Group

Set out below is the audited combined financial information of the Target Group for the nine months ended 30 September 2017 and the two years ended 31 December 2016 prepared in accordance with the Hong Kong Financial Reporting Standards as extracted from Appendix II to this circular, on the basis as if the Target Company had, throughout the relevant periods, been the holding company of the companies comprising the Target Group upon completion of the Reorganisation:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the nine months ended 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	37,747	81,081	38,347
Profit after tax	29,866	57,153	29,817

	As at 31 December 2015	**As at 31 December 2016**	**As at 30 September 2017**
	HK$'000	*HK$'000*	*HK$'000*
Net assets	308,919	326,375	379,565

REASONS FOR THE ACQUISITION

The Group is principally engaged in securities trading business, trading of wine, food and beverage business, loan financing business and other investments.

Apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing and finance leasing, the Group is continuously exploring other potential investment opportunities with reasonable returns. This will strengthen our core business and increase the Shareholders' values. In view of the Group's intention to explore other potential investment opportunities, Mr. Li, after considering the successful development of Phase I and Phase II of the Properties as well as the profitability of the Target Group, introduced the business of the Target Group to the Board in the second half of 2016.

As disclosed under the section headed "INFORMATION ON THE TARGET GROUP" above, (i) most of the residential units of Phase I and Phase II were sold out as at 30 November 2017; and (ii) the Target Group recorded substantial profit after tax for the two years ended 31 December 2016 and the nine months ended 30 September 2017. The high sold-out rate of Phase I and Phase II residential units and profitability of the Target Group for the two years ended 31 December 2016 and the nine months ended 30 September 2017 demonstrate the successful development of Phase I and Phase II of the Properties. Having considered the successful development of Phase I and Phase II of the Properties as well as the profitability of the Target Group, the Board expects the development of Phase III to bring positive results to the Target Group.

The Board is aware of that most of the residential units of Phase I and Phase II were sold out as at 30 November 2017 and the development of Phase III has not commenced as at the Latest Practicable Date. The Board considers the Acquisition to be a long term investment of the Group. Phase III is expected to start generating cash inflow for the Target Group from the third quarter of 2019 when the Phase III high-end residential units are ready for pre-sale. Given that the development of Phase III is not expected to be financed by existing members of the Group, the Board considers that the development of Phase III will not add financial burden to existing members of the Group. As at the Latest Practicable Date, the Board does not expect to finance the Phase III development by any internal resources or fund-raising activity of the Group's existing members.

Accordingly, the Board considers that the Acquisition would enable the Group to strengthen and expand its source of revenue to the property development business and diversify the Group's revenue base.

The Board is aware of (i) that the initial Conversion Price of HK$0.80 represents a discount of approximately 38.46% to the closing price of HK$1.30 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the dilutive impact of the possible conversion of the Convertible Bonds on the existing shareholding of the Shareholders. Nevertheless, having considered that (i) it is not uncommon for Hong Kong listed companies to issue convertible bonds (with conversion price representing considerable discount to the then market price of their shares) for settlement of acquisition consideration; (ii) the Conversion Price of HK$0.80 is within the historical price range of the Shares during the 12-month period prior to and up to the Last Trading Day; (iii) the Convertible Bonds bear no interest; and (iv) upon conversion of the Convertible Bonds, the Group will not be required to redeem the part of converted Convertible Bonds, the Board is of the view that the terms of the Convertible Bonds are fair and reasonable.

In light of the above, the Directors are of the view that the Acquisition would be in the interests of the Company and the Shareholders as a whole and the terms of the Acquisition Agreement are fair and reasonable and on normal commercial terms.

Industry overview

With reference to the《2016年湛江市國民經濟和社會發展統計公報》(2016 Statistical Bulletin on National Economic and Social Development of Zhanjiang*, the "**2016 Statistical Bulletin**") published by 湛江市統計局 (Zhanjiang Statistics Bureau*) ("**ZJ Statistics Bureau**"), the economy of Zhanjiang has been expanding throughout the years from 2012 to 2016 and Zhanjiang's gross domestic product (GDP) recorded a compound annual growth rate ("**CAGR**") of approximately 8.40% from 2012 to 2016. Moreover, there was significant growth of 16.6% and 24.7% on investment in fixed assets and completed real estate development investment respectively in Zhanjiang from 2015 to 2016. The annual disposable income per capita of all Zhanjiang residents was approximately RMB17,934.40 in 2016, representing an year-on-year increase of 7.8%. The sales of commercial houses in Zhanjiang also increased by approximately 36% from 2015 to 2016.

According to the《湛江統計月報2017.12》(Zhanjiang Monthly Statistical Bulletin for December 2017, the "**December 2017 Monthly Bulletin**") issued by ZJ Statistics Bureau, (i) in 2017, Zhanjiang recorded GDP of approximately RMB282.40 billion, representing an increase of 6.8% as compared to 2016; (ii) in 2017, Zhanjiang completed real estate development investment of approximately RMB31.77 billion, representing an increase of 42.3% as compared to 2016; and (iii) in 2017, Zhanjiang recorded sales of commercial houses of approximately RMB42.59 billion, representing an increase of approximately 73.6% as compared to 2016.

With reference to the 《湛江市2017年地價狀況分析報告》(Analysis Report on the Land Price of Zhanjiang in 2017*, the "**2017 ZJ Land Price Report**") published on 中國地價信息服務平台 (China Land Price Information Service Platform*), a land price information service platform managed by 中國土地勘測規劃院 (PRC Land Surveying and Planning Institute*) of 中國國土資源部 (Ministry of Land and Resources of the PRC*), the 地價水平值 (Average value of land price*, the "**Average Land Price**") in Zhanjiang of the (i) land for residential use increased from RMB1,838/sq.m. in 2016 to RMB2,057/sq.m. in 2017, representing a year-on-year increase of approximately 11.92%; and (ii) land for commercial use increased from RMB4,425/sq.m. in 2016 to RMB4,527/sq.m. in 2017, representing a year-on-year increase of approximately of 2.54%. According to the 2017 ZJ Land Price Report, it is anticipated that the land price of Zhanjiang will continue to rise stably in 2018 due to various factors, especially the (i) positive economic development of Zhanjiang; (ii) continuous construction and improvement of infrastructure of Zhanjiang; and (iii) strategic positioning of Zhanjiang as one of the core cities under the《北部灣城市群發展規劃》(Development Plan of Beibu Gulf Urban Agglomeration*) jointly published by 中國國家發展和改革委員會 (National Development and Reform Commission of the PRC*) and 中國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC*).

The above statistics demonstrate the positive industrial outlook of the Target Group and support the Board's expectation that the development of Phase III will bring positive results to the Target Group.

Managing the property development business

Mr. Li has various investment experiences in construction and property markets including the Guangzhou Nansha Port highway in the PRC. Mr. Li is also a director and manager of Xintai and led the project team to develop the Phase I and Phase II of the Properties since 2008. Mr. Su Xiaonong, being an Executive Director, is also a director of Xintai. The Group has engaged Mr. Zhang Xin as the general manager of the real estate business division of the Group. Mr. Zhang is an engineer and real estate appraiser. He worked as many senior management position, project management and procurement management in construction industry in the PRC for more than 24 years. He is now in charge of the real estate business division of the Group. The Company has also engaged real estate management personnel, namely, Mr. Huang Rui, as consultant to the Company. Mr. Huang Rui is an senior engineer and has taken various senior positions in construction, residential development and infrastructure fields in the PRC. He advises the Company in all aspects of strategic planning especially on the construction industry. The Group will also retain most of the senior management of the Target Group (details of which are set out under the section headed "The management of Xintai" of the Board Letter) upon Completion. With the leadership of Mr. Li who involved in the construction of Phase I and Phase II of the Properties, Mr. Huang Rui's experience to advise the Board and Mr. Zhang Xin's direct supervision in the real estate business division, the property development business can be well managed by the Group's existing management team.

In light of the above, the Board considers that the Enlarged Group will have sufficient expertise to manage the operation of the Target Group.

Existing business of the Group

As at the Latest Practicable Date, the Company intended to continue the operation of its existing business and had no intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) about any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets.

The Company has sufficient expertise to manage the Group's existing businesses, in particular:

(a) Mr. Li, being a Director and the Chairman of the Company since 2011, had worked on various investment projects in Hong Kong and the PRC in area such as infrastructure and finance industries for almost 20 years. With his knowledge and investment experiences in capital markets, he is in charge of the securities trading and loan financing businesses of the Company; and

(b) Mr. Su Xiaonong, being a Director and Chief Executive Officer of the Company since 2011, had been director or management of various venture capital, private equity and investment consultancy companies in the PRC, including worked at 深圳市國發投資管理有限公司 (Shenzhen Gofar Investment Management Co., Ltd.*) from April 2003 to November 2007. With his knowledge and experiences, Mr. Su Xiaonong is assisting Mr. Li to direct the Company on investment and financing decisions on the securities trading and loan financing businesses of the Company. He also takes a major role to explore potential investment opportunities to the Company in various industries.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarizes the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) assuming full conversion of the Convertible Bonds at the initial Conversion Price (for illustration purpose only):

Name of Shareholder	As at the Latest Practicable Date		Immediately after the full conversion of the Convertible Bonds (for illustration purpose only) *(Note 3)*	
	Number of Shares	*Approximate % of shareholding*	*Number of Shares*	*Approximate % of shareholding*
The Vendor *(Note 1)*	3,834,130,405	54.79	5,084,130,405	61.64
Mr. Su Xiaonong *(Note 2)*	5,580,000	0.08	5,580,000	0.07
Mr. Cheung Sze Ming *(Note 3)*	5,000,000	0.07	5,000,000	0.06
China Shipbuilding Capital Limited	905,625,000	12.94	905,625,000	10.98
Other public Shareholders	2,247,687,076	32.12	2,247,687,076	27.25
Total	6,998,022,481	100	8,248,022,481	100

Notes:

1. The Vendor, an Executive Director and the Chairman of the Company, holds 3,580,005,405 Shares through Wincon Capital Investment Limited ("**WCIL**"), and 11,475,000 Shares through Wincon Asset Management Limited ("**WAML**"). The Vendor personally holds 242,650,000 Shares. Each of WCIL and WAML is wholly and beneficially owned by the Vendor.

2. Mr. Su Xiaonong is an Executive Director and Chief Executive Officer of the Company.

3. Mr. Cheung Sze Ming is an Executive Director of the Company.

4. This scenario is for illustration purpose only. Any conversion of the Convertible Bonds (a) shall not render such bondholder (together with its associates and the parties acting in concert with it) to hold or control 75% or more of the entire issued share capital of the Company immediately after the allotment and issue of the relevant Conversion Shares; (b) shall not cause the public float of the Company becoming unable to meet the requirement under Rule 8.08 of the Listing Rules; and (c) shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion right and party(ies) acting in concert (as defined under the Takeovers Code) with it.

FINANCIAL EFFECT OF THE ACQUISITION

Upon the Completion, the Target Company will become a subsidiary of the Company and the profit and loss and assets and liabilities of the Target Company will be consolidated to the financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III to this circular (the "**Pro Forma FI**").

Effect on assets/liabilities

As extracted from the interim report of the Company for the six months ended 30 September 2017 (the "**2017 Interim Report**"), the consolidated total assets and total liabilities of the Group were approximately HK$1,627 million and HK$826 million respectively as at 30 September 2017. With reference to the Pro Forma FI, the Enlarged Group's total assets and total liabilities would be approximately HK$2,520 million and HK$1,621 million respectively if the Acquisition has taken place on 30 September 2017.

Effect on earnings

In light of the potential future prospects of the Target Group, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

As extracted from the 2017 Interim Report, the Group's total debt to equity ratio, were expressed as a percentage of total convertible bonds and finance lease obligations over the total equity, was approximately 0.91 as at 30 September 2017. According to the Pro Forma FI, if the Acquisition has taken place on 30 September 2017, the total convertible bonds of the Enlarged Group would be approximately HK$1,466 million while the Enlarged Group's total equity would be approximately HK$898 million. The Enlarged Group's gearing level would thus be approximately 1.63 if the Acquisition has taken place on 30 September 2017.

According to the 2017 Interim Report, the Group's working capital (as calculated by current assets minus current liabilities) was approximately HK$1,173 million as at 30 September 2017. If the Acquisition has taken place on 30 September 2017, the working capital (as calculated by current assets minus current liabilities) of the Enlarged Group would be approximately HK$1,969 million according to the Pro Forma FI.

Shareholders should note that since the fair value of the assets and liabilities of the Target Company may be different at Completion as compared to their respective values used in the preparation of the Pro Forma FI, the actual amounts of assets and liabilities to be recorded in the financial statements of the Group may be different from the estimated amounts shown in the Pro Forma FI. As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

RISK FACTORS

Set out below are the principal risk factors which may be associated with the Acquisition:

Risk in relation to penetration into a new business

The Group is principally engaged in securities trading business, trading of wine, food and beverage business, loan financing business and other investments. The Enlarged Group may not be able to overcome all of the possible challenges which may arise and the business, financial condition and results of operation of the Enlarged Group may be affected.

Upon Completion, the Board will work closely with Xintai's board of directors and senior management on the development and operation of Target Group. As aforementioned, the Board considers that the Enlarged Group will have sufficient expertise to manage the operation of the Target Group. The Board may consider to recruit additional expertise for managing this new business as and when necessary.

The Target Group is subject to the regulations and tax in the PRC

The operation of the Target Group is primarily located at the PRC which is subject to the PRC laws, regulations and taxes. Any change of laws, regulations and taxes may affect the property markets in the PRC and the business of the Target Group. The Board will seek advice from relevant professionals (including PRC legal adviser) from time to time in this regard.

Risks associated with the property market in the PRC

The Properties comprises three phases, which is located at Zhanjiang, Guangdong Province, the PRC. The business of the Target Group is therefore subject to the risks associated with PRC's property market. The Target Group's operations in the PRC may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change and the overall economic conditions, which may pose an adverse impact on the Target Group's business, financial condition or results of operations. The Board will monitor the market conditions and may adjust the development strategy of the Target Group accordingly.

The valuation of the Properties in the valuation report may be different from the actual realisable value

The valuation of the Properties contained in the valuation report as set out in Appendix VI to this circular, are prepared based on the valuation methodology, bases and assumptions. The valuation of the Properties may be different from the actual realisable value of the Properties.

Reliance of income source from the Properties

The Properties are currently the principal revenue source of the Target Group and is expected to continue to generate its major revenue from the Properties in short term. This may impose risk to the business of the Target Group in case of any factor which may have material adverse impact to the development and sale of the Properties.

The Board will consider to expand the Target Group's business and undertake other property development project in long run.

Risk associated with the Land in Question

As mentioned in the section headed "INFORMATION ON THE TARGET GROUP" above, the land use right of the Land in Question is held by the Owners and they may conduct construction permitted by the government authority in charge of construction planning which is within the scope of the land use right of the Land in Question (i.e. residential) and in compliance with relevant PRC laws and regulations. Accordingly, the Target Group is subject to a potential risk that the Properties may be affected by the construction possibly conducted by the Owners.

Upon Completion, the Board will closely monitor the negotiation among Xintai, relevant government authorities and the Owners for the acquisition of the land use right of the Land in Question and seek legal advice as and when necessary.

Although there is no perfect measure to completely mitigate all the risk factors set out above, the Board still considers that the Acquisition is in the interests of the Company and the Shareholders as a whole having balanced the reasons for and benefits for the Acquisition and the positive industrial outlook of the Target Group as set out under the section headed "REASONS FOR THE ACQUISITION" above.

LISTING RULES IMPLICATION

As certain of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, Mr. Li Kwong Yuk (as the Vendor), being a controlling Shareholder, an Executive Director and the Chairman of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition is also subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Conversion Shares shall be allotted and issued pursuant to the Specific Mandate.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to whether (i) the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. None of the members of the Independent Board Committee has any material interest in the Acquisition.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

GENERAL

The SGM will be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder.

To the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for (i) the Vendor and his associates are holding 3,834,130,405 Shares (representing approximately 54.79% of the existing share capital of the Company as at the Latest Practicable Date); and (ii) Mr. Su Xiaonong, being an Executive Director, holding 5,580,000 Shares (representing approximately 0.08% of the existing share capital of the Company as at the Latest Practicable Date), who is also a director of Xintai, as at the Latest Practicable Date, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement such that he shall abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder.

As Mr. Li and Mr. Su Xiaonong have material interests in the transactions contemplated under the Acquisition Agreement, Mr. Li and Mr. Su Xiaonong abstained from voting on the board resolution passed to approve the Acquisition Agreement and the transactions contemplated thereunder.

SGM

A notice convening the SGM to be held at Unit 2708, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 15 March 2018 at 3:00 p.m. or any adjournment is set out from pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire.

RECOMMENDATION

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

ADDITIONAL INFORMATION

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

By order of the Board
DINGYI GROUP INVESTMENT LIMITED
CHEUNG Sze Ming
Executive Director

* *For identification purposes only*

DINGYI GROUP INVESTMENT LIMITED
鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

28 February 2018

To the Independent Shareholders:

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular issued by the Company to the Shareholders dated 28 February 2018 (the "**Circular**") which this letter forms a part of. Terms defined in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We being the independent non-executive Director, have been appointed to form the Independent Board Committee to advise you on whether (i) the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 36 to 70 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 6 to 34 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the advice and recommendation of the Independent Financial Adviser, we consider that the terms and conditions of the Acquisition Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Acquisition Agreement and the transactions contemplated thereunder.

Yours Faithfully,
Independent Non-executive Directors

Mr. CHOW Shiu Ki **Mr. CAO Kuangyu** **Mr. IP Chi Wai**

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Unit 501, 5/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

28 February 2018

To: the Independent Board Committee and
the Independent Shareholders of Dingyi Group Investment Limited

Dear Sir or Madam,

(I) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION AND (II) PROPOSED GRANT OF SPECIFIC MANDATE TO ISSUE THE CONVERTIBLE BONDS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 28 February 2018 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 21 June 2017 (after trading hours), the Company (as the purchaser) and the Vendor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest of the Target Company and the Sales Loan for the consideration of HK$1,000 million. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Pursuant to the Acquisition Agreement, the Consideration shall be satisfied by the issuance of the Convertible Bonds in the aggregate principal amount of HK$1,000 million by the Company to the Vendor upon Completion. The Convertible Bonds shall at all times (subject to any obligations preferred by mandatory provisions of law) rank *pari passu* with all other present and future direct, unconditional and unsubordinated obligations of the Company.

Assuming the issue of Convertible Bonds is completed and based on the Conversion Price of HK$0.80 per Conversion Share, a maximum number of 1,250,000,000 Conversion Shares will be allotted and issued if the Conversion Rights attaching to the Convertible Bonds are exercised in full, representing approximately 17.86% of the issued share capital of the Company as at the Latest Practicable Date and approximately 15.16% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

The Conversion Shares shall be issued and allotted under the Specific Mandate of the Company. The Directors proposed to seek approval from the Shareholders at the SGM to issue the Conversion Shares. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.

As certain of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, Mr. Li Kwong Yuk (as the Vendor), being a controlling Shareholder, an Executive Director and the Chairman of the Company, together with his associates are holding 3,834,130,405 Shares, representing approximately 54.79% of the issued share capital of the Company as at the Latest Practicable Date, is a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Therefore, the Acquisition is also subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Acquisition Agreement and the transactions contemplated thereunder at the SGM.

As disclosed in the Letter from the Board, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, save as and except for (i) the Vendor and his associates are holding 3,834,130,405 Shares (representing approximately 54.79% of the existing share capital of the Company as at the Latest Practicable Date); and (ii) Mr. Su Xiaonong, being an Executive Director holding 5,580,000 Shares (representing approximately 0.08% of the existing share capital of the Company as at the Latest Practicable Date), who is also a director of Xintai, as at the Latest Practicable Date, no Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement such that he shall abstain from voting at the SGM on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder. As Mr. Li and Mr. Su Xiaonong have material interests in the transactions contemplated under the Acquisition Agreement, Mr. Li and Mr. Su Xiaonong abstained from voting on the board resolution passed to approve the Acquisition Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chow Shiu Ki, Mr. Cao Kuangyu and Mr. Ip Chi Wai, has been established to make recommendations to the Independent Shareholders as to whether (i) the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions at the SGM.

We, BaoQiao Partners Capital Limited, have been appointed by the Company as the Independent Financial Advisor to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the terms and conditions of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions at the SGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Group or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees in connection with this appointment as the Independent Financial Advisor, no other arrangements exist whereby we had received or will receive any fees or benefits from the Group or any other parties that could reasonably be regarded as relevant to our independence. As such, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules. We have not acted as the Independent Financial Advisor to the Company's other transactions for the past two years.

For the purposes of this letter, the exchange rates of RMB1.00 = HK$1.15 have been used, where applicable, for illustration purposes only and do not constitute representations that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Announcement, the Circular (including but not limited to (i) the accountants' reports of the Target Group set out in Appendix II to the Circular (the "**Accountants' Report(s)**"); (ii) the valuation report of the Properties prepared by CHFT Advisory And Appraisal Ltd. ("**CHFT**") as set out in Appendix VI to the Circular (the "**Valuation Report**"); (iii) the reconciliation of appraised property value set out in Appendix VII to the Circular (the "**Reconciliation**"); and (iv) the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular (the "**Pro Forma Financial Information**")), the Acquisition Agreement, the interim report of the Company for the six months ended 30 September 2017 (the "**2017 Interim Report**"), the annual reports of the Company for the year ended 31 March 2016 and 31 March 2017 (respectively, the "**2016 Annual Report**" and "**2017 Annual Report**") and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information and representations that have been provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiries and careful consideration.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into the Acquisition Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of approving the Acquisition Agreement and the transactions contemplated thereunder, and this letter, except for its inclusion in the Circular and for inspection as required under the Listing Rules, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Business and financial information of the Group

1.1 Business of the Group

As stated in the Letter from the Board, the Group is principally engaged in securities trading business, trading of wine, food and beverage business, loan financing business and other investments.

1.2 Financial information of the Group

Set out below is the audited financial results of the Group for the years ended 31 March 2015, 2016 and 2017 ("**FY2015**", "**FY2016**" and "**FY2017**" respectively) as extracted from the Company's 2016 Annual Report and 2017 Annual Report, and the unaudited financial results of the Group for the six months ended 30 September 2016 and 2017 ("**1H2016**" and "**1H2017**" respectively) as extracted from the Company's 2017 Interim Report.

	For the six months ended 30 September		**For the year ended 31 March**		
	2017	**2016**	**2017**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	38,541	36,123	54,119	40,703	28,815
Gross profit	38,326	35,417	52,952	36,455	24,789
Loss for the year	(138,314)	4,410	(470,281)	(507,062)	(747,321)

For the year ended 31 March 2016

The revenue of the Group increased by approximately 41.3% from approximately HK$28.82 million for FY2015 to approximately HK$40.70 million for FY2016. As disclosed in the 2016 Annual Report, such increase was mainly attributed by (i) the increase in the interest income from provision of loan financing by approximately 42.1% from approximately HK$17.47 million for FY2015 to approximately HK$24.83 million for FY2016 in which the Group will further develop in this segment in order to earn a higher interest income; (ii) the additional revenue source from finance leasing income of approximately HK$4.18 million for FY2016 due to the establishment of a joint venture for the development and operation of the finance leasing business in year 2014; and (iii) the additional revenue source from dividend income of approximately HK$3.40 million for FY2016 which was nil for FY2015.

The Group's loss decreased by approximately 32.1% from approximately HK$747.32 million for FY2015 to approximately HK$507.06 million for FY2016. As disclosed in the 2016 Annual Report, such huge amount of losses recorded in FY2016 was mainly attributable to (i) the loss arising from changes in fair value of derivative financial liabilities of approximately HK$213.32 million; (ii) the loss arising from changes in fair value of held for trading investments of approximately HK$171.30 million; and (iii) the share-based payment expenses of approximately HK$111.76 million in which the management of the Company considers that such accounting losses did not have any effect on the cash flow of the Group.

For the year ended 31 March 2017

The Group's total revenue increased by approximately 33.0% from approximately HK$40.70 million for FY2016 to approximately HK$54.12 million for FY2017. As disclosed in the 2017 Annual Report, although there was a decrease in revenue from (i) sales of food beverages by approximately 50.0% from approximately HK$8.30 million for FY2016 to approximately HK$4.15 million for FY2017; and (ii) financial leasing income by approximately 47.6% from approximately HK$4.18 million for FY2016 to approximately HK$2.19 million for FY2017, there was an sizeable increase in (i) dividend income by approximately 475.0% from HK$3.40 million for FY2016 to approximately HK$19.55 million for FY2017; and (ii) interest income from provision of loan financing by approximately 13.7% from approximately HK$24.83 million for FY2016 to approximately HK$28.24 million for FY2017.

The Group's loss decreased by approximately 7.3% from approximately HK$507.06 million for FY2016 to approximately HK$470.28 million for FY2017. As disclosed in the 2017 Annual Report, such huge amount of losses recorded in FY2017 was mainly attributable to (i) the loss arising from changes in fair value of derivative financial liabilities of approximately HK$279.45 million; (ii) the loss arising from changes in fair value of held for trading investments of approximately HK$39.75 million; and (iii) the share-based payment expenses of approximately HK$162.75 million which are the same main attributes to the Group's loss as in FY2016.

For the six months ended 30 September 2017

The revenue of the Group increased by approximately 6.69% from approximately HK$36.12 million for 1H2016 to approximately HK$38.54 million for 1H2017. As disclosed in the 2017 Interim Report, although the revenue from (i) securities trading business decreased by approximately 71.6% from approximately HK$19.28 million for 1H2016 to approximately HK$5.48 million for 1H2017; (ii) sales of food beverages – restaurant business decreased by approximately 31.3% from approximately HK$1.31 million for 1H2016 to approximately HK$0.90 million for 1H2017; and (iii) financial leasing business decreased by approximately 98.3% from approximately HK$2.02 million for 1H2016 to approximately HK$0.03 million for 1H2017, there was an sizeable increase in the revenue from loan financing business by approximately 137.7% from approximately HK$13.52 million for 1H2016 to approximately HK$32.13 million for 1H2017.

The Group has recorded a loss of approximately HK$138.3 million for 1H2017. As disclosed in the 2017 Interim Report, such losses for 1H2017 was mainly attributable to (i) the loss on the disposal of held for trading investments of approximately HK$5.20 million; (ii) the loss arising from changes in fair value of held for trading investments of approximately HK$8.58 million; (iii) the loss arising from changes in fair value of derivative financial assets of approximately HK$4.81 million; (iv) the loss arising from changes in fair value of derivative financial liabilities of approximately HK$86.30 million; and (v) the impairment loss on available-for-sale financial assets of approximately HK$7.42 million.

	As at 30 September	**As at 31 March**		
	2017	**2017**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Total assets	1,626,693	1,128,104	1,081,990	513,122
Total liabilities	825,977	739,569	564,969	727,437
Net assets	800,716	388,535	517,021	(214,315)

Financial Position as at 30 September 2017

As at 30 September 2017, the Group had an unaudited (i) net assets of approximately HK$800.72 million; (ii) non-current assets of approximately HK$356.62 million (mainly comprising plant and equipment of approximately HK$4.98 million, interests in associates of approximately HK$281.63 million, available-for-sale financial assets of approximately HK$66.81 million and non-current deposits and prepayments of approximately HK$3.21 million); (iii) current assets of approximately HK$1,270.07 million (mainly comprising inventories of approximately HK$7.59 million, other debtors, deposits and prepayments of approximately HK$16.78 million, loan and interest receivables of approximately HK$890.76 million, finance lease receivable of approximately HK$91.47 million, held for trading investments of approximately HK$126.16 million, derivative financial instruments of approximately HK$109.64 million and cash and cash equivalents of approximately HK$27.67 million); (iv) current liabilities of approximately HK$96.86 million (mainly comprising margin loans payable of approximately HK$40.66 million, creditors, deposits and accruals of approximately HK$47.42 million and current income tax liabilities of approximately HK$8.78 million); and (v) non-current liabilities of approximately HK$729.12 million (only comprising of the convertible bonds).

1.3 Outlook of the Group

As stated in the Letter from the Board, the Group is principally engaged in securities trading business, trading of wine, food and beverage business, loan financing business and other investments. Although we note that there have been improvements in the financial performance of the Group in terms of revenue, the Group continues to record substantial losses in consecutive years.

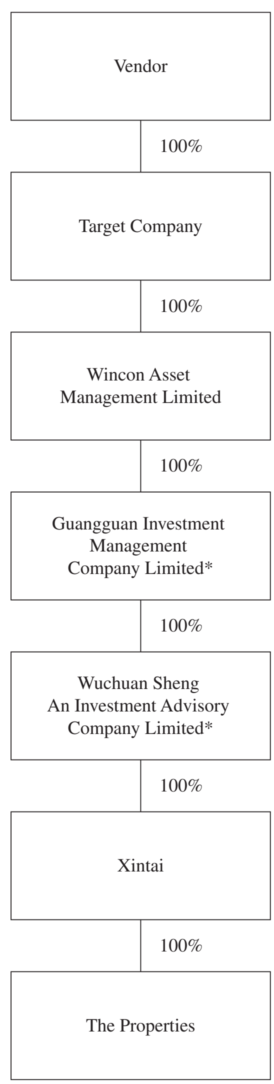
As stated in the Letter from the Board and the 2017 Interim Report, the Group has been exploring some investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects and investment and asset management to strengthen its core business.

2. Background of the Acquisition

2.1 Information of the Target Group

As stated in the Letter from the Board, the Target Group is principally engaged in securities trading business and development, operation and investment of property. As further disclosed in the Letter from the Board, the Target Group is undergoing the Reorganisation and upon completion of the Reorganisation, the Target Group will hold 100% indirect interest in 湛江鑫泰投資有限公司 (Zhanjiang Xintai Investment Company Limited*) ("**Xintai**") and Xintai holds the Properties. As disclosed in the Letter from the Board, the following chart sets out the shareholding structure of the Target Group upon completion of the Reorganisation:

Upon completion of the Reorganisation:



Upon completion of the Reorganisation, the Target Group will discontinue its securities trading activities and will focus on the development, operation and investment in property and property management service.

The Properties

As disclosed in the Letter from the Board, we note that:

the Properties are located on No. 218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC. Xintai holds the Existing Land Use Right Certificates (with a total site area of approximately 106,140 sq.m) in respect of the Properties;

the Properties comprises of three phases. Phase I and Phase II comprise of two blocks and four blocks of residential buildings respectively, associated with a clubhouse, a number of retail shops, car parks and ancillary areas (including kindergarten and gardens). Phase III is a vacant land with a site area of approximately 29,000 sq.m. as at Latest Practicable Date. It is the existing plan of the Target Group to develop the Phase III as a commercial/residential complex which comprises of shopping mall, retail shops, office buildings, hotels and high-end residential building; and

as at 30 November 2017, (i) 905 out of 923 residential units of Phase I were sold out; (ii) 1,025 out of 1,085 residential units of Phase II were sold out; (iii) 36 out of 80 retail shops were sold out; (iv) 204 out of 745 units of car parks of Phase I were sold out; and (v) 122 out of the 1,518 units of car parks of Phase II was sold out. The Target Group intends to continue the sale of the remaining retail shops, the remaining residential units and remaining car parks of Phase I and Phase II.

As advised by the management of the Company and as disclosed in the Letter from the Board, the development of Phase III is expected to be completed in four years and the preliminary estimated development cost of Phase III is approximately RMB 1,290 million. The Target Group expects to finance the development cost of Phase III by (i) internal resources of the Target Group; (ii) proceeds from the sales of remaining property units of Phase I and Phase II; (iii) bank borrowings; and (iv) proceeds from the sales of new property units to be constructed under early stages of Phase III development (i.e. the high-end residential building). For more detail information please refer to the section headed "Development of Phase III" in the Letter from the Board.

The Land Use Right over the Land in Question

As disclosed in the Letter from the Board, a legal opinion was provided by the PRC legal adviser of the Company (the "**PRC Legal Opinion**") stating that relevant authority of Zhanjiang Municipal Government has issued two land use right certificates in 2008 to Xintai in respect of the land where the Properties are located. One of the aforesaid land use right certificates (Certificate number: 湛國用(2008)第20162號 (Zhan Guo Yong (2008) No. 20162*) (the "**Previous Land Use Right Certificate**") mistakenly covered a piece of land of 352 sq.m. adjacent to Phase I (the "**Land in Question**"), whereas the relevant authority of Zhanjiang Municipal Government had issued another land use right certificate to four individuals (the "**Owners**") respectively in respect of the Land in Question in 1992. In 2012, the relevant authority of Zhanjiang Municipal Government withdrew the Previous Land Use Right Certificate and issued a new land use right certificate (Certificate number: 湛國用(2012)第20090號 (Zhan Guo Yong (2012) No. 20090*), which do not cover the land use right of the Land in Question, to Xintai. It was the intention of the Target Group to build a residential building on the Land in Question and its surrounding area, as part of the Phase II development.

As further disclosed in the Letter from the Board, the land use right of the Land in Question is therefore held by the Owners and they may conduct construction permitted by the government authority in charge of construction planning which is within the scope of the land use right of the Land in Question (i.e. residential) and in compliance with relevant PRC laws and regulations. Accordingly, the Target Group is subject to a potential risk that the Properties may be affected by the construction possibly conducted by the Owners. According to property law of the PRC, as the land of the Properties are adjacent to the Land in Question, Xintai and the Owners shall provide necessary convenience for each other, including but not limited to necessary convenience in the use of water or drainage, building or repairing of construction, the laying of wires, cables, water pipes, heating pipelines or fuel gas pipelines of any adjacent of lands, and convenience of obtaining ventilation, lighting and sunshine of any adjacent building etc. In addition, Xintai and the Owners may not discard solid wastes or discharge harmful substances such as atmospheric pollutants, water pollutants, noise, light and magnetic radiation to the land owned by each other by violating the relevant rules and regulations of the PRC.

As disclosed in the Letter from the Board, Xintai is still in negotiation with relevant government authorities and the Owners for the acquisition of the land use right of the Land in Question as at the Latest Practicable Date.

2.2 Financial information of the Target Group

Set out below is the combined financial information of the Target Group for the two years ended 31 December 2016 and for the nine months ended 30 September 2016 and 30 September 2017 prepared in accordance with the Hong Kong Financial Reporting Standards as extracted from Appendix II to the Circular, on the basis as if the Target Company had, throughout the relevant periods, been the holding company of the companies comprising the Target Group upon completion of the Reorganisation:

	For the year ended 31 December		For the nine months ended 30 September	
	2015	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Revenue	204,774	563,908	522,303	396,087
Gross profit	43,424	97,862	87,034	51,242
Profit before tax	37,747	81,081	74,882	38,347
Profit after tax	29,866	57,153	53,757	29,817

As show in the above table, the revenue of the Target Group increased by approximately 175.38% from approximately HK$204.77 million to as at 31 December 2015 to approximately HK$563.91 million as at 31 December 2016. The profit after tax of the Target Group increased by approximately 91.36% from approximately HK$29.87 million as at 31 December 2015 to approximately HK$57.15 million as at 31 December 2016. The increase in profit after tax was mainly due to the completion of the construction of Phase I and Phase II and more residential units, retail shops and car parks being available for sale.

The revenue of the Target Group for the nine months ended 30 September 2017 was approximately HK$396.09 million, which decreased by approximately 24.17% as compared with revenue for the nine months ended 30 September 2016 of approximately HK$522.30 million. As stated in the management discussion and analysis of the Target Group set out in Appendix V to the Circular, the decrease in revenue for the nine months ended 30 September 2017 was mainly due to the completion of Phase II at end of year 2015 and more residential units were sold in 2016 than in 2017. The gross profit margin for the Target Group for the nine months ended 30 September 2017 was approximately 12.94%, which decreased by approximately 3.72% as compared with the gross profit margin for the nine months ended 30 September 2016 of approximately 16.66%.

	As at 31 December		As at 30 September
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Net assets	308,919	326,375	379,565

It is noted that the net assets of the Target Group have remained stable throughout the years, amounting to approximately HK$308.92 million as at 31 December 2015, approximately HK$326.38 million as at 31 December 2016 and approximately HK$379.57 million as at 30 September 2017. As at 30 September 2017, the non-current assets of the Target Group mainly comprised of investment property, property, plant and equipment and the current assets of the Target Group mainly comprised of properties held for sale and the non-current liabilities and current liabilities of the Target Group mainly comprised of deferred tax liability and amount due to shareholder respectively.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

2.3 Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the Board considers that the Acquisition would enable the Group to strengthen and expand its source of revenue to the property development business and diversify the Group's revenue base.

As stated in the 2016 Annual Report and the 2017 Annual Report, apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing and finance leasing, the Group will continue to explore other potential investment opportunities with reasonable returns and that the Company has been exploring investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects, investment and asset management. As stated in the Letter from the Board, in view of the Group's intention to explore other potential investment opportunities, Mr. Li, after considering the successful development of Phase I and Phase II of the Properties as well as the profitability of the Target Group, introduced the business of the Target Group to the Board in the second half of 2016.

As stated in the Letter from the Board, (i) most of the residential units of Phase I and Phase II were sold out as at 30 November 2017; and (ii) the Target Group recorded substantial profit after tax for the two years ended 31 December 2016 and the nine months ended 30 September 2017. The high sold-out rate of Phase I and Phase II residential units and profitability of the Target Group for the two years ended 31 December 2016 and the nine months ended 30 September 2017 demonstrate the successful development of Phase I and Phase II of the Properties. Having considered the successful development of Phase I and Phase II of the Properties as well as the profitability of the Target Group, the Board expects the development of Phase III to bring positive results to the Target Group. As further stated in the Letter from the Board, the Board is aware of that most of the residential units of Phase I and Phase II were sold out as at 30 November 2017 and the development of Phase III has not commenced as at the Latest Practicable Date. The Board considers the Acquisition to be a long term investment of the Group. Phase III is expected to start generating cash inflow for the Target Group from the third quarter of 2019 when the Phase III high-end residential units are ready for pre-sale. As stated in the Letter from the Board, given that the development of Phase III is not expected to be financed by existing members of the Group, the Board considers that the development of Phase III will not add financial burden to existing members of the Group.

The development of Phase III is expected to be completed in four years and the preliminary estimated development cost of Phase III is approximately RMB1,290 million which consist of (i) apportionment of land requisition and compensation for demolition of approximately RMB79 million; (ii) preliminary project cost of approximately RMB48 million; (iii) infrastructure fee of approximately RMB29 million; (iv) construction and installation costs of approximately RMB812 million; and (v) development overheads of approximately RMB322 million.

For our due diligence purpose, we have obtained and reviewed the calculation of the preliminary estimated development cost of Phase III provided by the Company and noted that (i) the preliminary project cost, the infrastructure fee and the development overheads of Phase III was calculated based on the cost per square meter of each of the respective historical cost of Phase II; and (ii) the construction and installation costs of Phase III was calculated based on the price index issued by the Zhanjiang Price Bureau and the same multiple ratio over price index used for such historical cost of Phase II. As advised by the management of the Company, the historical cost of Phase II is the most relevant and readily available to the Company in terms of construction quality and standard. Also, the construction and installation costs stated in the price index represents a local guidance for construction and installation costs with basic standards, therefore, a multiple ratio over price index was used due to the difference in quality and construction period.

As disclosed in the Letter from the Board, the Company have stated the expected development stages, expected cost to be incurred under each stage (with expected financing source) (the "**Expected Development Plan**") for the development of Phase III of the Properties. For more detail information, please refer to the sub-section headed "Financing" under the section headed "Development of Phase III" in the Letter from the Board.

For our due diligence purpose, we have obtained and reviewed (i) the management account (the "**Xintai Management Account**") of Xintai as at 31 December 2017; (ii) Xintai's sales plan (the "**1H2018 Sales Plan**") for the remaining inventory of Phase I and Phase II of the Properties for the first half of 2018; and (iii) Xintai's sales plan (the "**Phase III Sales Plan**") for Phase III of the Properties starting from the end of 2019 to the end of 2020.

We have reviewed the Xintai Management Account and noted that Xintai's cash and bank balance as at 31 December 2017 is sufficient to cover the expected cost of approximately RMB96 million which is expected to be financed by Xintai's currently available fund as stated in the Expected Development Plan.

According to the 1H2018 Sales Plan, we noted that the expected payment to be collected from Phase I and Phase II inventory sales should be sufficient to cover the expected cost of approximately RMB57 million and RMB141 million to be incurred in the 3rd quarter of 2018 and the 4th quarter of 2018 to early 2019, respectively, according to the Expected Development Plan.

According to the Expected Development Plan, Xintai is expected to obtain bank loans to fund the expected cost of approximately RMB450 million and RMB100 million to be incurred in 2019 and 2020 respectively. As discussed with the management of the Company, property development loan (secured against property assets) from banks is the primary funding mechanism for the property developers in China to finance the construction of the residential/commercial properties and other supportive facilities. Xintai will commence negotiation of financing with banks once the required permits for construction of Phase III of the Properties, including but not limited to, Construction Land Use Planning Permit, Construction Works Planning Permit as well as Construction Works Commencement Permit are obtained by Xintai around mid of 2018. In addition, Mr. Li has given an undertaking to the Company to provide necessary financial guarantee and/or assistance to Xintai and the Company for the bank borrowings to be obtained by Xintai in respect of the development of the Phase III of the Properties.

According to the Phase III Sales Plan, we noted the expected payment to be collected from Phase III high-end residential units pre-sale should be sufficient to cover the expected cost of approximately RMB260 million and RMB207 million to be incurred in 2020 and early 2021, respectively, according to the Expected Development Plan.

Given the above, we are of the view that the basis and calculation of the preliminary estimated development cost of Phase III and the Expected Development Plan (which is expected to be self-financed by Xintai without any financial assistance from the existing members of the Group) is fair and reasonable.

We have researched and studied the statistical data published in 《湛江市2016統計年鑒》(2016 Statistical Yearbook of Zhanjiang*) and《2016年湛江市國民經濟和社會發展統計公報》(2016 Statistical Bulletin on National Economic and Social Development of Zhanjiang*) on the economic development of Zhanjiang City (as defined below), where the Properties are located, and we notice that Zhanjiang City has experienced rapid economic development in recent years where it has recorded positive growth in GDP for the past 5 years and the investment in fixed assets has increased by approximately 2.6 times from 2012 to 2016. Further details of which are set out in the section headed "Prospect and outlook of the Target Group" below.

According to the audited combined financial information of the Target Group for FY2015, FY2016 and for the nine months ended 30 September 2017, the Target Group recorded revenue of approximately HK$204.77 million, HK$563.91 million and HK$396.09 million for the two years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017 respectively and recorded profit after tax consecutively of approximately HK$29.87 million, HK$57.15 million and HK$29.82 million respectively for the two years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017.

According to the management of the Company, the positive results of the Target Group for the two years ended 31 December 2015 and 2016 and for the nine months as at 30 September 2017 was due to the successful development and the sale of units of Phase I and Phase II of the Properties. Should the Target Group continue to produce the positive results, the Acquisition is expected to have positive impact on the financial performance of the Group.

We have reviewed the biographies of the current management of the Company (details of which are set out in the section headed "Managing the property development business" in the Letter from the Board) and discussed with the management of the Company and understand that the current management of the Company has extensive experience and the required expertise in the properties development industry. According to the Letter from the Board, the Group will also retain most of the senior management of the Target Group (details of which are set out in the section headed "The management of Xintai" in the Letter from the Board) upon Completion. As advised by the management of the Company and based on our review of the background and experiences of the management of Xintai as disclosed in the Letter from Board, the Directors consider, and we concur, that the Enlarged Group will have sufficient expertise to manage the operation of the Target Group.

In light of the above and the strategy of the Company to explore other potential investment opportunities with reasonable returns, the Board considers, and we concur, that the Acquisition would enable the Group to strengthen and expand its source of revenue to the property development business and diversify the Group's revenue base. Accordingly, we concur, with the Directors' view that the Acquisition would be in the interests of the Company and the Shareholders as a whole.

2.4 Prospects and outlook of the Target Group

According to the 《湛江市2016統計年鑒》(2016 Statistical Yearbook of Zhanjiang*) (http://zjtj.zhanjiang.gov.cn/tjsj/tjnj/) and《2016年湛江市國民經濟和社會發展統計公報》(2016 Statistical Bulletin on National Economic and Social Development of Zhanjiang*) (http://zjtj.zhanjiang.gov.cn/tjzl/tjgb/), the economy of Zhanjiang city ("**Zhanjiang City**"), Guangdong, the PRC, where the Properties are located, has been expanding throughout the years from 2012 to 2016, where the gross regional product recorded a compound annual growth rate ("**CAGR**") of approximately 8.40% from 2012 to 2016. Meanwhile, the investment in fixed assets in Zhanjiang City recorded a CAGR of approximately 21.58% while the average annual salary of workers in Zhanjiang City recorded a CAGR of approximately 10.97%. These reflected that the fixed assets market in Zhanjiang City has also been growing in recent years, possibly due to the increase in GDP and the wealth of its residents.

	2012	**2013**	**2014**	**2015**	**2016**	**2012 to 2016 CAGR**
GDP *(in billion RMB)*	187.21	207.00	225.90	238.00	258.48	8.40%
Investment in fixed assets *(in billion RMB)*	57.23	74.95	102.08	131.37	153.16	27.90%
Annual disposable income per capita *(RMB)*	– *(Note 1)*	13,823.00	15,302.00	16,632.00	17,934.40	6.73% *(Note 2)*

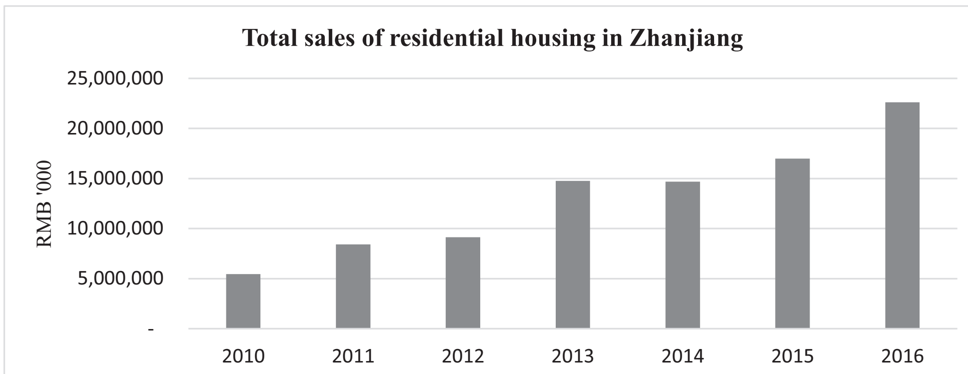
Source: Statistics Bureau of Zhanjiang City, Guangdong, the PRC

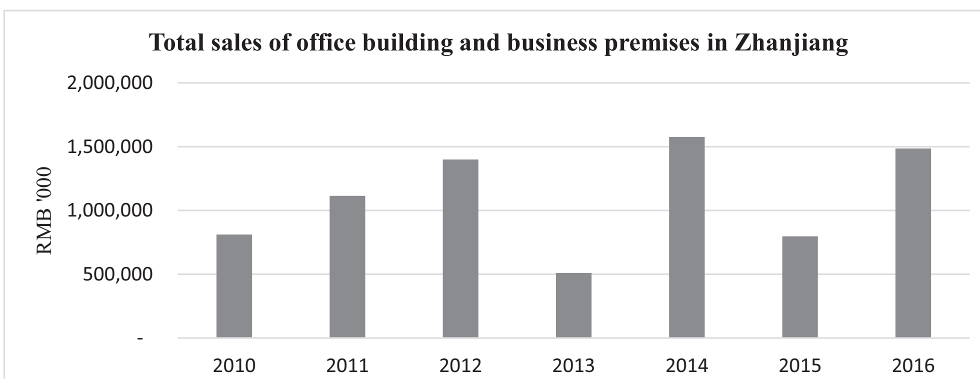
Note:

1. Figures for annual disposable income per capita in Zhanjiang City not available for year 2012.

2. The CAGR for annual disposable income per capita in Zhanjiang City represents 2013 to 2016 CAGR.

The continuing growth in the GDP and the increasing real estate development investment of Zhanjiang City are the positive signs for the appreciation in value and to maintain the demand in the market of the Properties.





Source: Statistics Bureau of Zhanjiang City, Guangdong, the PRC

According to the table above, we note that the total sales of residential housing in Zhanjiang have been on an upward trend overall for the past 7 years from year 2010 to 2016, where Zhanjiang has recorded (i) approximately RMB22,616.4 million of total sales of residential housing in 2016, representing an increase of approximately 33.2% as compared to the total sales of residential housing of approximately RMB16,978.8 million in 2015; and (ii) a CAGR of approximately 26.7% from 2010 to 2016. Although the total sales of office building and business premises in Zhanjiang have been fluctuating over the past 7 years from year 2010 to 2016, the total sales of office building and business premises in Zhanjiang has recorded a CAGR of approximately 10.61% from 2010 to 2016. In addition, there was a significant growth of 86.3% in total sales of office building and business premises in Zhanjiang from 2015 to 2016.

Moreover, according to the 2017年11月綜合月報 (November 2017 Monthly Bulletin*) issued by the Statistics Bureau of Zhanjiang City, Guangdong, the PRC, (i) for the period from January 2017 to September 2017, Zhanjiang City has recorded a GDP of approximately RMB204.38 billion, representing an increase of 7.9% as compared with the corresponding period in 2016; and (ii) for the period from January 2017 to November 2017, Zhanjiang City has recorded a real estate development investment of approximately RMB26.63 billion, representing an increase of 36.2% as compared with the corresponding period in 2016.

Having considered the above, we are of the view that the prospect of the property market in Zhanjiang City is encouraging in the absence of unforeseeable circumstances and the Acquisition will strengthen and expand the Group's source of revenue.

2.5 Our view

Based on all of the above factors and having considered in particular that:

(i) the Acquisition would enable the Group to strengthen and expand its source of revenue to the property development business and diversify the Group's revenue base;

(ii) the Target Group recorded profit after tax consecutively for the two years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017 which will be able to enhance the profitability of the Group upon completion of the Acquisition; and

(iii) the prospect of the property markets in Zhanjiang is encouraging in the absence of unforeseeable circumstances,

we consider that the Acquisition is in the interests of the Company and the Independent Shareholders as a whole.

3. Principal terms of the Acquisition Agreement

3.1 The Acquisition Agreement

Date

21 June 2017

Parties

Purchaser: the Company

Vendor: Mr. Li Kwong Yuk, being a controlling Shareholder, the Executive Director and the Chairman of the Company

Assets to be acquired

The Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest of the Target Company for the consideration of HK$1,000 million

3.2 Consideration and terms of payment

The Consideration is HK$1,000 million and shall be satisfied by the issuance of the Convertible Bonds in the aggregate principal amount of HK$1,000 million by the Company to the Vendor upon Completion.

According to the Letter from the Board, the Consideration of HK$1,000 million was arrived at after arm's length negotiations between the Vendor and the Company after taking into account of (i) the preliminary valuation of the Properties of approximately RMB1,199 million (equivalent to approximately HK$1,378.85 million) as at 30 April 2017 (which was prepared by a qualified independent valuer (the "**Previous Valuer**")), based on direct comparison method; (ii) the unaudited consolidated net asset value of the Target Group as at 31 December 2016; (iii) the book value of the Properties as at 31 December 2016; (iv) the amount of the Sales Loan; and (v) the book value of the Director's Loan and the Held for Investments Assets as at 31 December 2016.

As stated in the Letter from the Board, the adjusted net asset value of the Target Group (the "**Adjusted NAVs**") based on the unaudited consolidated net asset value of the Target Group as at 31 December 2016 and 30 September 2017 is amounted to approximately HK$1,034.69 million and HK$1,933.2 million, respectively, and as a result, the Consideration represents a discount of approximately 3.47% and 93.32%, respectively, to the Adjusted NAVs.

Further details of the major terms of the Acquisition Agreement are set out in the Letter from the Board.

3.3 Valuation of the Properties

Due to the change of the Previous Valuer's personnel, the Company engaged CHFT to conduct the valuation of the Properties as at 30 November 2017.

We have performed the steps pursuant to Rule 13.80 of the Listing Rules including reviewing the terms of engagement of CHFT regarding the preparation of the Valuation Report as set out in Appendix VI to this circular.

In assessing the fairness and reasonableness of the Consideration, we have considered, among others, the valuation of the Properties as detailed in the Valuation Report and discussed with CHFT regarding the methodology of and the principal basis and assumptions adopted for the valuation of the Properties. In the course of our discussion with CHFT, we note that CHFT carried out a site visit to the Properties and inspected the Properties in December 2017, and have been provided certain title documents relating to the property interests.

As per the Valuation Report, we note that CHFT has adopted the direct comparison method as the principal methodology, where comparison based on prices realised or current asking prices of comparable properties are made. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. CHFT confirmed that the valuation of the Properties is complied with the HKIS, RICS, and IVS as well as the requirements set out in Chapter 5 and Practice Note 12 to the Listing Rules. As further confirmed by CHFT, the aforesaid approach is universally considered as an accepted valuation approach for valuing most forms of real estate and is also consistent with normal market practice.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of CHFT with the Company; (ii) CHFT's qualification and experience in relation to the preparation of the Valuation Report; (iii) the steps and due diligence measures taken by CHFT for conducting the valuation of the Properties; and (iv) the comparable sales transactions adopted by CHFT and the reasons for adoption of those comparables and the calculations to arrive at the valuation of the Properties.

From the engagement letter and other relevant information provided by CHFT and based on our interview with it, we are satisfied with the terms of engagement of CHFT as well as its qualification and experience for preparation of the Valuation Report. CHFT has also confirmed that it is independent to the Group, the Vendor and their respective associates.

In our review of the comparable sales transactions adopted by CHFT and as advised by CHFT, we noted that CHFT has adopted (i) over 100 residential unit transactions of Phase I and Phase II of the Properties; (ii) three comparable retail units that are recently up for sale and some retail units of the Properties; (iii) eight car park spaces of the Properties; and (iv) three transacted comparable lands.

We have obtained and reviewed a list (the "**Pricing Information List**") consisting of, among others, (i) the pricing information of the historical transaction information of Phase I and Phase II of the Properties; (ii) the pricing information of unsold units of Phase I and Phase II of the Properties; and (iii) the information of three transacted comparable lands located in Zhanjiang City.

As advised by CHFT, we noted that the selection basis of the comparable sales transactions is based on (i) the market transactions for Phase III of the Properties and/or historical sales transactions of Phase I and Phase II of the Properties; (ii) the time of transaction which is most recently available to CHFT; and (iii) the applicability of such comparables.

Unsold units of Phase I and Phase II of the Properties

We have randomly selected samples of (i) 10 already sold residential units from each of the two blocks of Phase I of the Properties and four blocks of Phase II, of the Properties; (ii) 18 already sold units of the retail units of the Properties; and (iii) 20 already sold car park spaces of the Properties out of the Pricing Information List and have obtained its sales contracts (the "**Sample Sales Contracts**"). We have reviewed the Sample Sales Contracts and noted that the information in the Sample Sales Contracts agreed with the information stated in the Pricing Information List.

Given that (i) the price per square meters of the unsold units of the residential buildings, the retail units and the car park space of Phase I and Phase II of the Properties used for the valuation was based on a direct comparison of the historical sales transactions of Phase I and Phase II of the Properties; and (ii) such comparables is most applicable for the valuation of the unsold units of Phase I and Phase II of the Properties, we consider such selection basis to be reasonable.

Phase III of the Properties

According to the Pricing Information List, we noted that the valuation of Phase III of the Properties of approximately RMB678 million (equivalent to approximately HK$780 million) as at 30 November 2017 was derived from multiplying the planned gross floor area of Phase III of the Properties of approximately 211,920 sq.m. by the adopted price (the "**Adopted Price**") of approximately RMB3,200 per square meter. As advised by CHFT, the Adopted Price represents the accommodation value (i.e. land value divided by gross floor area which is allowed to be built on the land) are adjusted by factors including locations, site condition, size, view, zoning, accessibility, development scale and development ration of residential and commercial use, etc.

Given that (i) all three transacted comparable lands are located in Zhanjiang City and are most recently available to CHFT; (ii) the use of land for the transacted comparable lands are for residential housing and/or business premises; and (iii) the Adopted Price used for the valuation of Phase III of the Properties is not higher than any of the three transacted comparable lands in terms of price per square meter of the gross floor area, therefore, we consider such selection basis of the transacted comparable lands as well as the Adopted Price to be reasonable.

From our discussion with CHFT in respect of the basis and assumptions of the valuation of the Properties, we have not identified any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the valuation of the Properties. Nevertheless, Independent Shareholders should note that valuation of assets or properties involves assumptions and therefore the valuation of the Properties may or may not reflect the true market value of the Properties accurately.

Given the above, we are of the view that (i) CHFT is independent from the Company and has sufficient qualification and experience for preparation of the Valuation Report; and (ii) the methodology and the principal basis and assumptions adopted for the Valuation are fair and reasonable.

Having considered that

(i) the reasons for and benefit of the Acquisition as discussed above;

(ii) the Consideration was arrived at after arm's length negotiations between the Vendor and the Company after taking into account of (i) the preliminary valuation of the Properties of approximately RMB1,199.00 million (equivalent to approximately HK$1,378.85 million) as at 30 April 2017 which was prepared by a qualified independent valuer as disclosed in the Letter from the Board; (ii) the unaudited consolidated net asset value of the Target Group of approximately HK$308.82 million as at 31 December 2016; (iii) the book value of the Properties as at 31 December 2016; (iv) the amount of the Sales Loan; and (v) the book value of the Director's Loan and the Held for Investments Assets as at 31 December 2016;

(iii) the Consideration represents a discount to the valuation of the Properties of approximately RMB1,516.00 million (equivalent to approximately HK$1,743.40 million) as at 30 November 2017 prepared by CHFT; and

(iv) the Consideration represents a discount to the Adjusted NAVs,

we are of the view that the terms of the Acquisition (including the Consideration) are on normal commercial terms, are fair and reasonable and in the interest of the Company and the Shareholder as a whole.

4. The Convertible Bonds

4.1. Principal terms of the Convertible Bonds

As extracted from the Letter from the Board, certain selected principal terms of the Convertible Bonds are summarized below:

Issuer:	the Company
Bondholder:	the Vendor
Principal amount:	HK$1,000,000,000
Maturity Date:	the 5th anniversary of the issue date of the Convertible Bonds or if such date is not a Business Day, the Business Day immediately following such date
Interest:	Nil

Conversion Rights:	Subject to the conversion restriction below, holder(s) of the Convertible Bonds shall have the right at any time during the Conversion Period to convert in whole or in part the outstanding principal amount of the Convertible Bonds in whole multiples of HK$10,000,000 into Conversion Shares, save that if at any time the outstanding principal amount of the Convertible Bonds is less than HK$10,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bonds may be converted.
Conversion Period:	Any time on and after the date of issuance of the Convertible Bonds and up to the date being 5 Business Days before the Maturity Date.
Conversion Price:	HK$0.80 per Conversion Share (subject to adjustments upon the occurrence of subdivision or consolidation of Shares, capitalisation issues, rights issues and open offer).
Conversion Shares:	Assuming the issue of Convertible Bonds is completed and based on the Conversion Price of HK$0.80 per Conversion Share, a maximum number of 1,250,000,000 Conversion Shares will be allotted and issued if the Conversion Rights attaching to the Convertible Bonds are exercised in full, representing approximately 17.86% of the issued share capital of the Company as at the date of this announcement and approximately 15.16% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full. The Conversion Shares shall be issued and allotted under the Specific Mandate of the Company. The Directors proposed to seek approval from the Shareholders at the SGM to issue the Conversion Shares. The Conversion Shares shall rank equally among themselves and *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares.
Transferability:	The Convertible Bonds are freely transferrable by the bondholder to any person subject to compliance with all applicable laws and provided that no transfer shall be made to any connected person of the Company without the consent of the Stock Exchange.

Please refer to the section headed "The Convertible Bonds" in the Letter from the Board for additional terms of the Convertible Bonds.

4.2 The Conversion Price

As stated in the Letter from the Board, the Conversion Price of HK$0.80 per Share was determined after arm's length negotiation between the Company and the Vendor:

(i) a discount of approximately 38.46% to the closing price of HK$1.30 per Share as quoted on the Stock Exchange on 20 June 2017, being the Last Trading Day prior to the date of the Acquisition Agreement;

(ii) a discount of approximately 38.46% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 20 June 2017, being approximately HK$1.30 per Share;

(iii) a discount of approximately 40.30% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including 20 June 2017, being approximately HK$1.34 per Share; and

(iv) a discount of approximately 42.03% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 20 June 2017, being approximately HK$1.38 per Share;

(v) a discount of approximately 8.05% to the average closing price of HK$0.87 per Share for the Review Period (as defined below);

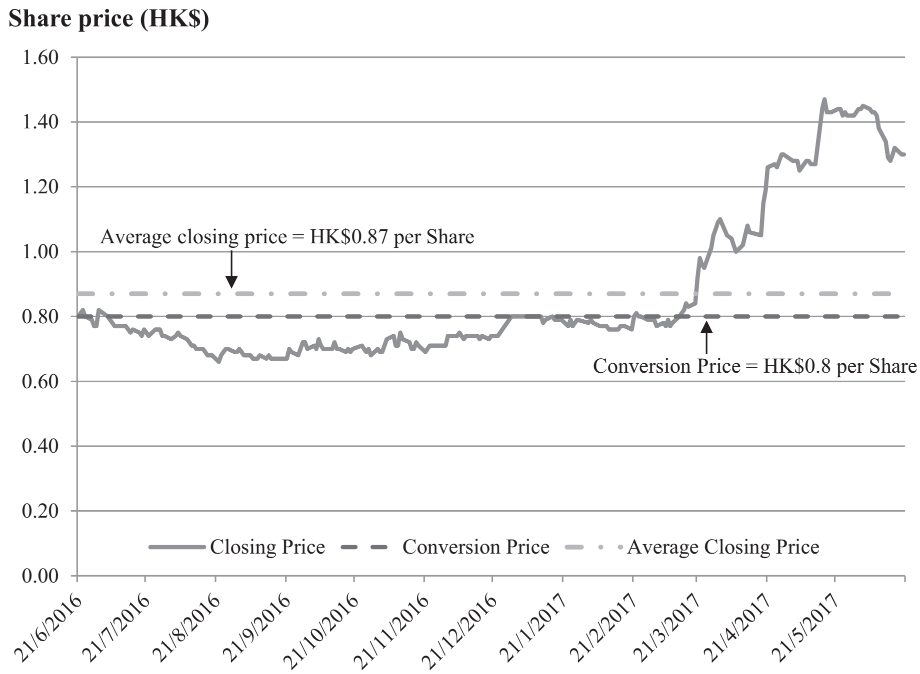
(vi) a discount of approximately 16.67% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK$0.96 per Share; and

(vii) a premium of approximately 483.94% over the unaudited consolidated net assets value per Share (excluding non-controlling interests) of the Company as at 30 September 2017 of HK$0.137 per Share.

4.3 Historical closing prices and trading volume of the Shares

In order to assess the fairness and reasonableness of the Conversion Price, we have reviewed the movement in closing prices and the daily trading volume of the Shares on the Stock Exchange for the period commencing from 21 June 2016 to 20 June 2017, being the 12-month period prior to the Last Trading Day (the "**Review Period**"). We consider that the Review Period is reasonable so as to show the historical trend of the closing price of the Shares on the Stock Exchange for a meaningful period in relation to the Convertible Bonds.

The chart below shows the daily closing prices of the Shares during the Review Period and the Conversion Price.



Source: the website of Stock Exchange

As shown in the chart above, the lowest closing price was HK$0.66 per Share on 22 August 2016 and the highest closing price was HK$1.47 per Share on 16 May 2017. As illustrated in the chart above, the closing prices of the Shares has been generally below the Conversion Price from June 2016 to February 2017 but showed an upward trend thereafter. The Conversion Price represents a premium of approximately 21.21% over the lowest closing price per Share and a discount of approximately 45.58% to the highest closing price per Share during the Review Period. The Conversion Price is within the range of the closing market prices of the Shares at the Review Period and represents a discount of approximately 8.05% to the average closing price of HK$0.87 per Share for the Review Period.

The table below shows the daily trading volume of the Shares during the Review Period.

	Total monthly trading volume of Shares	Average daily trading volume of Shares	Approximate % of average daily trading volume to the total issued Shares *(Note 1)*
2016			
21 June – 30 June	71,365,000	8,920,625	0.127%
July	150,030,000	7,501,500	0.107%
August	129,245,000	5,874,773	0.084%
September	99,684,060	4,746,862	0.068%
October	74,160,000	3,903,158	0.056%
November	145,645,000	6,620,227	0.095%
December	117,088,000	5,854,400	0.084%
2017			
January	84,174,090	4,430,216	0.063%
February	127,370,200	6,368,510	0.091%
March	374,999,236	16,304,317	0.233%
April	405,436,000	23,849,176	0.341%
May	406,870,000	20,343,500	0.291%
1 June – Last Trading Day *(Note 2)*	167,840,000	11,988,571	0.171%
Average daily trading volume of Shares during the Review Period		9,607,782	0.137% *(Note 3)*

Source: the website of Stock Exchange

Notes:

1. The calculation is based on the number of Shares in issue as at the end of each month

2. The data of June 2017 represents the trading volume for the period from 1 June 2017 to the Last Trading Day

3. The calculation is based on the number of Shares in issue as at the Latest Practicable Date

As shown in the table above, during the Review Period, the average daily trading volume of the Shares was approximately 9,607,782 Shares, representing approximately 0.137% of the Company's total number of Shares in issue as at the Latest Practicable Date. In assessing the level of trading activity of the Shares, we have made reference to the HKEx monthly market highlights and noted that the percentage of daily trading turnover over market capitalisation of securities listed on the Main Board and Growth Enterprise Market for the one year period from July 2016 to June 2017 was approximately 0.269%, which is higher than the average daily trading volume of the Shares. Given the above, the trading of the Shares did not appear to be particularly active during the Review Period.

4.4 Comparison with other transactions involving issue of convertible bonds/notes as consideration

In accessing the fairness and reasonableness of the terms of the Convertible Bonds, we have also identified, to the best of our knowledge and as far as we are aware of, 17 transactions involving issue of convertible bonds/notes as consideration for acquisitions (the "**CB Comparables**"), announced by companies listed on the Stock Exchange from 21 December 2016 up to the Last Trading Day, being the recent six months period prior to the date of the Acquisition Agreement. Out of the 17 transactions of the CB Comparables listed below in which all of them involve issue of convertible bonds/notes as consideration, (i) 1 transaction involves issue of convertible bonds/notes for a very substantial acquisition and connected transaction; (ii) 5 transactions involve issue of convertible bonds/notes for major and connected transaction; (iii) 6 transactions involve issue of convertible bonds/notes for major transaction; and (iv) 5 transactions involve issue of convertible bonds/notes for disclosable transaction. The CB Comparables represents an exhaustive list that meet the above selection criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the CB Comparables. However, the CB Comparables can provide the Shareholders with a general reference as to the recent market practice of companies listed on the Stock Exchange in transactions involving issue of convertible bonds/notes as consideration for acquisition. The analysis of the CB Comparables is set out below.

Date of the announcement	Company name	Stock code	Annual interest rate	Premium/(Discount) of the conversion price over/(to) the closing price per share on the last trading day on/prior to the announcement/the date of agreement in relation to the respective issue of convertible notes/ bonds
			(%)	*(Approximate %)*
12/6/2017	Kiu Hung International Holdings Limited	381	nil	20.00
5/6/2017	DX.com Holdings Limited	8086	nil	(12.60)
2/6/2017	Miko International Holdings Limited	1247	4.0	(16.67)
29/5/2017	China Eco-Farming Limited	8166	nil	(62.03)
24/5/2017	Code Agriculture (Holdings) Limited	8153	2.0	17.60
28/4/2017	China Fortune Investments (Holding) Limited	8116	nil	(2.94)
7/4/2017	Mega Expo Holdings Limited	1360	nil	(19.30)
30/3/2017	China Automation Group Limited	569	nil	(9.09)
29/3/2017	Jia Meng Holdings Limited	8101	nil	(11.29)
24/3/2017	Han Tang International Holdings Limited	1187	1.5	(95.40)
24/2/2017	Grand Field Group Holdings Limited	115	3.0	(11.37)
21/3/2017	Sino Haijing Holdings Limited	1106	nil	15.60
17/2/2017	Madison Wine Holdings Limited	8057	nil	(44.72)
7/2/2017	Chinlink International Holdings Limited	997	3.0	(1.70)
13/1/2017	HC International, Inc.	2280	nil	44.51
10/1/2017	Midland IC & I Limited	459	nil	(4.20)
29/12/2016	Sino Haijing Holdings Limited	1106	nil	(35.50)
		Maximum	4.0	44.51
		Minimum	nil	(95.40)
		Average	0.8	(13.48)
		The Company	**nil**	**(38.46)**

Source: the website of Stock Exchange

As illustrated in the analysis above regarding our findings on the CB Comparables, the conversion price of the convertible bonds/notes of the CB Comparables ranged from a discount of approximately 95.40% to a premium of approximately 44.51% to/over the respective closing prices of their shares on the last trading days on/prior to the release of the relevant announcements/the dates of agreements in relation to the respective acquisitions involving issue of convertible bonds/notes as consideration. Although the Conversion Price, which represents a discount of approximately 38.46% to the closing price of the Shares on the Last Trading Day, is above the average discount of the CB Comparables, it falls within the range of the CB Comparables.

In regards to the interest rate of the CB Comparables and as shown in analysis above, the interest rates of the CB Comparables range from 0% to 4.0%. Within the CB Comparables, 12 out of 17 are non-interest bearing. The Convertible Bond is non-interest bearing which is not unusual based on the findings on the CB Comparables. As noted in the 2017 Annual Report and 2016 Annual Report, the Group did not have any finance lease obligations as at 31 March 2017 but had a finance lease obligation amounted to approximately HK$1.37 million with a fixed interest rate of 3.79% per annum as at 31 March 2016. Therefore, the Convertible Bond being non-interest bearing is more favorable as compared to the previous cost of borrowings which had incurred by the Group.

Having considered the principal factors as discussed above that (i) the Conversion Price represents a premium over the audited consolidated net asset value per share (excluding non-controlling interests) of the Company as at 30 September 2017; (ii) the discount of the Conversion Price of the Convertible Bonds to the closing price of the Shares on the Last Trading Day falls within the range of the CB Comparables; (iii) the trading of the Shares did not appear to be particularly active in the market; and (v) the Convertible Bond being non-interest bearing, we are of the view that the terms of the Convertible Bonds are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Dilution effect on the shareholding interests of the existing public Shareholders

As at the Latest Practicable Date, the Company has 6,998,022,481 Shares in issue. Set out below summarizes the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after issue of Conversion Shares assuming full conversion of the Convertible Bonds at the initial Conversion Price (for illustration purpose only):

Name of Shareholder	**As at the Latest Practicable Date**		**Immediately after issue of Conversion Shares assuming the full conversion of the Convertible Bonds (for illustration purpose only)** *(Note 3)*	
	Number of Shares	*Approximate % of shareholding*	*Number of Shares*	*Approximate % of shareholding*
The Vendor *(Note 1)*	3,834,130,405	54.79	5,084,130,405	61.64
Mr. Su Xiaonong *(Note 2)*	5,580,000	0.08	5,580,000	0.07
Mr. Cheung Sze Ming *(Note 3)*	5,000,000	0.07	5,000,000	0.06
China Shipbuilding Capital Limited	905,625,000	12.94	905,625,000	10.98
Other public Shareholders	2,247,687,076	32.12	2,247,687,076	27.25
Total	6,998,022,481	100	8,248,022,481	100

Notes:

1. The Vendor, an Executive Director and the Chairman of the Company, holds 3,580,005,405 Shares through Wincon Capital Investment Limited ("**WCIL**"), and 11,475,000 Shares through Wincon Asset Management Limited ("**WAML**"). The Vendor personally holds 242,650,000 Shares. Each of WCIL and WAML is wholly and beneficially owned by the Vendor.

2. Mr. Su Xiaonong is an Executive Director and Chief Executive Officer of the Company.

3. Mr. Cheung Sze Ming is an Executive Director of the Company.

4. This scenario is for illustration purpose only. Any conversion of the Convertible Bonds (a) shall not render such bondholder (together with its associates and the parties acting in concert with it) to hold or control 75% or more of the entire issued share capital of the Company immediately after the allotment and issue of the relevant Conversion Shares; (b) shall not cause the public float of the Company becoming unable to meet the requirement under Rule 8.08 of the Listing Rules; and (c) shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion right and party(ies) acting in concert (as defined under the Takeovers Code) with it.

Based on the Consideration and the initial Conversion Price, 1,250,000,000 Conversion Shares will be allotted and issued if the Conversion Rights attaching to the Convertible Bonds are exercised in full, represents (i) approximately 17.86% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 15.16% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

According to the conversion restrictions set out in the section headed "The Convertible Bond" in the Letter from the Board, the conversion of the Convertible Bonds (i) shall not render such bondholder (together with its associates and the parties acting in concert with it) to hold or control 75% or more of the entire issued share capital of the Company immediately after the allotment and issue of the relevant Conversion Shares; (ii) shall not cause the public float of the Company becoming unable to meet the requirement under Rule 8.08 of the Listing Rules; and (iii) shall not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the bondholder which exercised the conversion right and party(ies) acting in concert (as defined under the Takeovers Code) with it. In the event of a full conversion of the Convertible Bonds, the maximum dilution of the shareholding interests of the existing public Shareholders would be approximately 4.87% from approximately 32.12% to 27.25%.

Having considered (i) the reasons for and benefit of the Acquisition as discussed above, (ii) the terms of the Acquisition (including the Consideration) are fair and reasonable as discussed above, and (iii) the terms of the Convertible Bonds are fair and reasonable as discussed above, we consider that the aforementioned dilution effect to the shareholding of the existing public Shareholders is acceptable.

6. Possible Financial Effects of the Acquisition

Upon Completion, the Properties will be recorded as an investment property in the consolidated financial statements of the Group. The Pro Forma Information is set out in Appendix III to the Circular.

(i) Net Assets

According to the 2017 Interim Report, the net assets of the Group were approximately HK$800,716,000 as at 30 September 2017 and it is expected that the net assets of the Group, with reference to the Pro Forma Information, would increase to approximately HK$898,232,000 upon Completion.

(ii) Earnings

Having considered the recent financial performance of the Target Group, more particularly, the net profit generated by Target Group for the two years ended 31 December 2015 and 2016 as described above, it is expected that the Acquisition would improve the profitability of the Group.

(iii) Gearing level

Based on the 2017 Interim Report, the gearing ratio of the Group, representing the total liabilities as a percentage of total assets, was approximately 50.78%. Based on the Pro Forma Information of the Enlarged Group contained in the Appendix III to the Circular, the gearing ratio of the Enlarged Group would increase to approximately 64.36% as if the Acquisition had been completed on 30 September 2017.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion. Independent Shareholders should refer to the key assumptions and bases used in preparing the Pro Forma Information.

RECOMMENDATION

Having taken into consideration the above principal factors and reasons, we are of the view although the entering into the Acquisition Agreement and the transactions contemplated thereunder are not ordinary businesses of the Group, the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution at the SGM to ratify and approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
BaoQiao Partners Capital Limited

1. THREE YEAR FINANCIAL INFORMATION

Financial information of the Group (i) for the year ended 31 March 2015 is disclosed in the annual report of the Company for the year ended 31 March 2015 on 28 July 2015, from pages 60 to 204; (ii) for the year ended 31 March 2016 is disclosed in the annual report of the Company for the year ended 31 March 2016 on 28 July 2016, from pages 75 to 208; (iii) for the year ended 31 March 2017 is disclosed in the 2017 Annual Report on 28 July 2017, from pages 89 to 216; and (iv) for the six months ended 30 September 2017 is disclosed in the 2017 Interim Report on 27 December 2017, from pages 4 to 35, which were published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (http://www.dingyi.hk/).

2. INDEBTEDNESS STATEMENT

As at 31 January 2018, the Enlarged Group had convertible bonds (debt component) of HK$847,000,000 and financial guarantees of HK$43,694,000.

Save as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have, as at 31 January 2018, any other debt securities issued and outstanding, or authorized or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, any other mortgages and charges or any guarantees or any finance lease commitments or material contingent liabilities.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Enlarged Group after 31 January 2018 and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available financial resources and the banking and other facilities presently available, the Enlarged Group will have sufficient working capital for its business for the next twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

The Group is principally engaged in securities trading business, trading of wine, food and beverage business, loan financing business, metal trading business and other investments. During the year ended 31 March 2017, the Group actively involved in the securities and futures contracts trading business. The majority of the Group's held for trading investments are those shares under Hang Seng Index or China Enterprises Index or H shares. The Group had achieved realised gain on the disposal of these shares held for trading investments amounting to approximately HK$26 million during the year ended 31 March 2017. The loss arising from changes in the fair value of the shares still held for trading investments was greatly reduced as compared with that of the year ended 31 December 2016. As a result, the Group reported a segment gain instead of segment loss during the year ended 31 March 2017. The Group considers that the prospects in respect of the shares still held for trading investments are healthy.

During the year ended 31 March 2017, the Group's loan financing recorded growth in revenue and segment profit as compared to that for the year ended 31 December 2016. The Group will further develop in this segment in order to earn a higher interest income.

The Group's financial leasing business had recorded a decrease in the interest income and of segment profit for the year ended 31 March 2017. The Group will maintain the level of operation in future.

The food and beverages segment generated a decrease in revenue during the year ended 31 March 2017. The segment reported a loss due to the decrease in turnover. The profit and loss were contributed by the restaurant in Beijing, PRC which was acquired on 1 January 2014.

During the year ended 31 March 2017, the Group had kept certain quantities of fine wines. The stocks will be offered to sell when the market prices are favorable such that the Group can obtain a good return on the trading. At present, the stocks are kept in the wine cellar situated in Hong Kong.

The Group did not have any revenue for the metal trading business during the year ended 31 March 2017.

Apart from the existing businesses, the Group is continuously exploring other potential investment opportunities with reasonable returns. This will strengthen our core business and increase the Shareholders' values. The Group has been exploring some investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects and investment and asset management. Therefore, the Acquisition was a significant step forward for the Group to build up its property division.

The keynote of China's real estate market in recent years is destocking. After continuous efforts made by the PRC government, the overall operating environment of property market in PRC has become more stable and the sales of properties have also increased sustainably. In this context, the Phase I and II of the Properties were developed successfully, and generated revenue for the Target Group. Having considered the successful development of Phase I and Phase II of the Properties as well as the profitability of the Target Group, the Board expects the development of Phase III will bring positive results to the Enlarged Group.

The Board considers that the Acquisition will enable the Group to strengthen and expand its source of revenue to the property development business and diversify the Group's revenue base. After the integration of the Target Group's business, the Group will have relevant resources to further develop its property development sector.

5. MATERIAL ADVERSE CHANGE

Save as and except for the disclosure below, as at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Enlarged Group since 31 March 2017, the date to which the latest published audited financial statements of the Group were made up.

The Group recorded a significant loss for the six months ended 30 September 2017 as compared with the profit for the six months ended 30 September 2016. The significant loss for the six months ended 30 September 2017 was mainly attributable to (i) loss arising from changes in fair value of derivative financial assets and loss arising from changes in fair value of derivative financial liabilities; (ii) increase in impairment loss on available-for-sale financial assets; (iii) realised loss on the disposal of held for trading investments (as compared to realized gain during the corresponding period in previous year); (iv) increase in general and administrative expenses; and (v) increase in finance costs.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF UNITED FAITH INVESTMENTS LIMITED TO THE BOARD OF DIRECTORS OF DINGYI GROUP INVESTMENT LIMITED

Introduction

We report on the historical financial information of United Faith Investments Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II-4 to II-70, which comprises the combined statements of financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-70 forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 28 February 2018 (the "Circular") in connection with the proposed acquisition of the entire issued share capital of the Target Company by the Company.

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

The director of the Target Company is responsible for the preparation of Historical Financial Information 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 below, and for such internal control as the director of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information below in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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 Group's financial position as at 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017 and of the Target Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information below.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information").

The director of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information below. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information below.

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

Adjustments

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

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid or proposed by the Target Group in respect of the Track Record Period.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

28 February 2018

(I) HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The Historical Financial Information in this report was prepared based on financial statements of the Target Company and consolidated financial statements of Wincon Asset Management Limited ("HK Company") and its subsidiaries for the Track Record Period. These financial statements have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by HKICPA and were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA (the "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.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2014	**2015**	**2016**	**2016**	**2017**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	6	121,744	204,774	563,908	522,303	396,087
Cost of sales		(91,715)	(161,350)	(466,046)	(435,269)	(344,845)
Gross profit		30,029	43,424	97,862	87,034	51,242
Other operating income	7	3,459	1,854	673	281	764
Gain (loss) on disposal of held for trading investments		7,952	15,300	(174)	(289)	(1,195)
(Loss) gain arising from changes in fair value of held for trading investments		(3,977)	630	132	(661)	(3,317)
Selling and distribution expenses		(7,802)	(11,650)	(5,756)	(3,567)	(1,324)
Administrative expenses		(26,701)	(11,293)	(11,244)	(7,605)	(7,684)
Finance costs	8	(841)	(518)	(412)	(311)	(139)
Profit before tax		2,119	37,747	81,081	74,882	38,347
Income tax expenses	9	(6,833)	(7,881)	(23,928)	(21,125)	(8,530)
(Loss) profit for the year/period	10	(4,714)	29,866	57,153	53,757	29,817
Other comprehensive (expense) income for the year/period						
Items that may be reclassified subsequently to profit or loss:						
Exchange difference arising on translating of overseas operations		(9,395)	(18,028)	(39,697)	(10,781)	23,373
Total comprehensive (expense) income for the year/period		(14,109)	11,838	17,456	42,976	53,190

COMBINED STATEMENTS OF FINANCIAL POSITION

		The Target Group			
		As at 31 December			As at 30 September
		2014	2015	2016	2017
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Investment property	*14*	–	–	12,344	18,466
Property, plant and equipment	*15*	25,964	22,657	18,889	18,559
Prepaid lease payments	*16*	3,121	2,910	2,644	2,744
Deferred tax asset	*28*	4,186	4,595	328	–
		33,271	30,162	34,205	39,769
Current assets					
Prepaid lease payments	*16*	75	72	67	71
Properties under development	*17*	1,006,459	110,589	121,375	128,599
Properties held for sale	*18*	371,046	1,347,725	811,160	517,346
Other receivables, deposits and prepayments	*19*	37,828	44,345	108,740	163,852
Held for trading investments	*20*	39,413	20,336	11,277	6,307
Bank balances and cash	*21*	35,378	28,570	121,521	43,278
		1,490,199	1,551,637	1,174,140	859,453
Current liabilities					
Margin loan payable	*22*	5	–	–	–
Trade and other payables	*23*	241,556	440,054	292,711	37,388
Amount due to a shareholder/ related company	*24*	350,039	357,021	342,474	362,306
Amount due to a director	*25*	129,547	103,213	95,184	100,174
Obligations under finance leases	*26*	–	–	5,911	–
Tax payables		5,522	1,095	14,562	18,672
Bank and other borrowings	*27*	499,720	365,150	131,128	–
		1,226,389	1,266,533	881,970	518,540
Net current assets		263,810	285,104	292,170	340,913
Total assets less current liabilities		297,081	315,266	326,375	380,682
Capital and reserves					
Paid-up capital	*29*	88,630	88,630	88,630	88,630
Reserves		208,451	220,289	237,745	290,935
Total equity		297,081	308,919	326,375	379,565
Non-current liabilities					
Obligations under finance leases	*26*	–	6,347	–	–
Deferred tax liability	*28*	–	–	–	1,117
		–	6,347	–	1,117
		297,081	315,266	326,375	380,682

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Target Company				
	Paid-up capital	Other reserves *(note)*	Exchange reserve	(Accumulated losses) retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	44,313	323,882	9,471	(110,793)	266,873
Loss for the year	–	–	–	(4,714)	(4,714)
Other comprehensive expense for the year:					
Exchange differences arising on translation of overseas operations	–	–	(9,395)	–	(9,395)
Total comprehensive expenses for the year	–	–	(9,395)	(4,714)	(14,109)
Increase in paid-up capital	44,317	–	–	–	44,317
At 31 December 2014 and 1 January 2015	88,630	323,882	76	(115,507)	297,081
Profit for the year	–	–	–	29,866	29,866
Other comprehensive expense for the year:					
Exchange differences arising on translation of overseas operations	–	–	(18,028)	–	(18,028)
Total comprehensive (expenses) income for the year	–	–	(18,028)	29,866	11,838
At 31 December 2015 and 1 January 2016	88,630	323,882	(17,952)	(85,641)	308,919
Profit for the year	–	–	–	57,153	57,153
Other comprehensive expense for the year:					
Exchange differences arising on translation of overseas operations	–	–	(39,697)	–	(39,697)
Total comprehensive (expenses) income for the year	–	–	(39,697)	57,153	17,456
At 31 December 2016 and 1 January 2017	88,630	323,882	(57,649)	(28,488)	326,375
Profit for the period	–	–	–	29,817	29,817
Other comprehensive income for the period:					
Exchange differences arising on translation of overseas operations	–	–	23,373	–	23,373
Total comprehensive income for the period	–	–	23,373	29,817	53,190
At 30 September 2017	88,630	323,882	(34,276)	1,329	379,565

	Attributable to owner of Target Company				
	Paid-up capital	Other reserves *(note)*	Exchange reserve	(Accumulated losses) retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2016	88,630	323,882	(17,952)	(85,641)	308,919
Profit for the period	–	–	–	53,757	53,757
Other comprehensive expense for the period:					
Exchange differences arising on translation of overseas operations	–	–	(10,781)	–	(10,781)
Total comprehensive (expenses) income for the period	–	–	(10,781)	53,757	42,976
At 30 September 2016 (unaudited)	88,630	323,882	(28,733)	(31,884))	351,895

Note: Other reserves represent the deemed capital contribution from the then shareholder by way of transferring the land of 公園一號 (One Parkview*) to 湛江鑫泰投資有限公司 (Zhanjiang Xintai Investment Co., Ltd*) ("Zhanjiang Xintai") at nil consideration at its incorporation in 2008.

* *English name for identification purpose only.*

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before tax	2,119	37,747	81,081	74,882	38,347
Adjustments for:					
Loss (gain) arising from changes in fair value of held for trading investments	3,977	(630)	(132)	661	3,317
Impairment loss on other receivables and deposits	11,377	–	–	–	–
Amortisation for prepaid lease payments	76	74	70	53	53
Finance costs	841	518	412	311	139
Depreciation of property, plant and equipment	2,699	2,533	2,408	1,795	1,425
Depreciation of investment property	–	–	–	–	728
Written off of property, plant and equipment	–	–	49	–	–
Dividend income	(3,078)	(136)	(50)	(45)	–
Bank interest income	(233)	(179)	(279)	(192)	(169)
Operating cash flows before movements in working capital	17,778	39,927	83,559	77,465	43,840
(Increase) decrease in properties under development	(694,470)	935,363	(4,987)	1,450	(197)
Decrease (increase) in properties held for sale	97,361	(1,027,273)	478,353	336,123	344,845
(Increase) decrease in other receivables, deposits and prepayments	(29,207)	(8,465)	(70,766)	9,557	(49,298)
(Decrease) increase in trade and other payables	(66,448)	216,100	(123,343)	(125,558)	(275,653)
Decrease in held for trading investments	31,706	19,707	9,191	5,983	1,653
Cash (used in) from operations	(643,280)	175,359	372,007	305,020	65,190
Income tax paid	(23,552)	(12,717)	(5,583)	(10,939)	(3,742)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	(666,832)	162,642	366,424	294,081	61,448
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(362)	(270)	–	–	(15)
Construction cost of investment properties	–	–	(12,960)	–	(7,070)
Dividend received	3,078	136	50	45	–
Interest received	233	179	279	192	169
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	2,949	45	(12,631)	237	(6,916)

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
FINANCING ACTIVITIES					
New bank and other borrowings raised	499,720	–	245,156	270,747	142,915
Obligations under finance leases raised	–	6,347	–	–	–
Repayments of bank and other borrowings	–	(116,625)	(468,044)	(432,069)	(280,746)
Repayments of obligations under finance leases	–	–	–	–	(6,213)
Repayments of margin loan	(47,609)	(5)	–	–	–
Advanced from a director	35,522	7,678	3,025	–	124
Repayments to a director	–	(29,360)	(8,148)	(3,647)	–
Interest paid	(20,138)	(55,747)	(26,627)	(23,724)	(951)
Advanced from a shareholder/related company	199,456	19,552	–	–	2,324
Repayments to a shareholder/related company	–	–	(3,659)	(2,014)	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	666,951	(168,160)	(258,297)	(190,707)	(142,547)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,068	(5,473)	95,496	103,611	(88,015)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	33,495	35,378	28,570	28,570	121,521
Effect of changes in foreign exchange rate	(1,185)	(1,335)	(2,545)	(2,714)	9,772
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	35,378	28,570	121,521	129,467	43,278
Represented by:					
– Bank balances and cash	35,378	28,570	121,521	129,467	43,278

(II) NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. Corporate Information

The Target Company was established with limited liability in the British Virgin Islands on 2 December 2016. The registered office and principal place of business of the Target Company are Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Island and Units 2703-06, 27/F., Convention Plaza-Office Tower, 1 Harbour Road, Wanchai, Hong Kong respectively.

The principal activity of the Target Company is investment holding while the activities of its principal subsidiaries are engaged in securities trading and property development.

2. Basis of Preparation

Pursuant to a group reorganisation, the Target Company became the holding company of the companies now comprising the Target Group upon the completion of the Reorganisation. The Target Group has been under the control of and beneficially owned by Mr. Li Kwong Yuk throughout the Track Record Period or since their respective dates of incorporation or establishment up to 30 September 2017, where it is a shorter period. The Target Group comprising the Target Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information of the Target Group has been prepared on the basis as if the Target Company had always been the holding company of the companies now comprising the Target Group throughout the Track Record Period, using the principles of merger accounting as set out in note 4 below.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results and cash flows of the companies now comprising the Target Group have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective date of incorporation or establishment up to 30 September 2017 whichever is the shorter period. The combined statements of financial position of the Target Group as at 31 December 2014, 2015, 2016 and 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence as at those dates.

The Historical Financial Information is presented in HK$, which is the same as the functional currency of the Target Company and all values are rounded to the nearest thousand except when otherwise indicated.

3. Application of HKFRSs

The Historical Financial Information set out in this report has been prepared in accordance with all applicable HKFRSs, which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations, issued by the HKICPA which are effective for annual periods beginning on 1 January 2017 consistently through the Track Record Period.

At the date of this report, the Target Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements 2014-2016 Cycle [1]
Amendments to HKFRSs	Annual Improvements 2015-2017 Cycle [3]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions [1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures [3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to HKFRS 15	Clarifications to HKFRS 15 [1]
Amendments to HKAS 40	Transfers of Investment Property [1]
HKFRS 9 (2014)	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 16	Leases [3]
HKFRS 17	Insurance Contracts [4]
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration [1]
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments [3]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective date not yet been determined.*

[3] *Effective for annual periods beginning on or after 1 January 2019.*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

The director of the Target Company anticipates that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Target Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The director of the Target Company has performed a preliminary analysis of the Target Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The director of the Target Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The director of the Target Company expects to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The director of the Target Company anticipates that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit losses or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Target Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses.

The director of the Target Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the director of the Target Company expects that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Target Group's combined financial statements.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 "Revenue from Contracts with Customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. The new standard is not expected to apply until the financial year of 2018. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

As the majority of the Target Group's revenue is derived from arrangements in which the transfer of risks and rewards coincides with the fulfilment of performance obligations, no material changes in respect of timing and amount of revenue currently recognised by the Target Group are expected.

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16. As at the end of each Track Record Period, the Target Group has non-cancellable operating lease commitments of approximately HK$5,449,000, HK$3,097,000, HK$745,000 and HK$7,223,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Target Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Target Group performs a detailed review.

4. Significant Accounting Policies

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marketed participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability except for the Target Group's leasing transactions if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of combination

The Historical Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the Historical Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the Historical Financial Information to ensure conformity with the Target Group's accounting policies.

Control is achieved where the Target Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Target Group's returns. When the Target Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Target Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Target Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Target Group obtains control of the subsidiary and cease when the Target Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the combined statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Target Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or for administrative purposes (other than construction in progress as described below) are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for administrative purposes. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Investment property

Investment property is property held to earn rental income.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the land cost, construction costs, borrowing costs capitalised and other direct development expenditure. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises the land cost, construction costs, borrowing costs capitalised and other direct development expenditure attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses at the end of the reporting period, or by management estimates based on prevailing market conditions.

Cash and cash equivalents

Bank balances and cash in the combined statements of financial position comprise cash at banks and on hand. For the purpose of the combined statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Prepaid lease payments

Payment for obtaining land use right is considered as operating lease payment. Land use rights are stated at cost less accumulated amortisation and accumulated impairments losses, if any. Amortisation is charged to the combined statements of profit or loss and other comprehensive income over the lease term using the straight-line method.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets

Target Group's financial assets are classified as financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gain or loss.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss excludes any dividend or interest earned on the financial assets and recognised in profit or loss is included in the "gain (loss) arising from changes in fair value of held for trading investments" in the combined statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in note 31(c).

Loans and receivables

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

Impairment of financial assets

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

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as other receivables and deposits, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

The Target Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade and other payables, bank and other borrowings, margin loan payables, obligations under finance leases, amount due to a shareholder/related company and a director are subsequently measured at the amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Financial guarantee contracts

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

A financial guarantee contract issued by the Target Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Subsequent to initial recognition, the Target Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

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

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

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

Impairment losses on tangible assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash generating units ("CGUs") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

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

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

Revenue recognition

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Deposits and instalments received from buyers prior to meeting the above criteria for recognition are included in the combined statement of financial position under current liabilities.

Rental income received under operating leases is recognised in the income statement in equal instalments over the periods covered by the lease term.

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

Dividend income from investments is recognised when the shareholder's right to receive payment have been established (provided that it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably).

Leasing

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

The Target Group as lessee

Assets held under finance leases are recognised as assets of the Target Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Target Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Sale and leaseback transactions

When a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount in accordance with HKAS 36.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

For the purposes of presenting the combined financial statements, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each Track Record Period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

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 added to 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.

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefit costs

Payments to a state-managed retirement benefit scheme in the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

5. Key Sources of Estimation Uncertainty

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

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

The following are 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.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amounts of property, plant and equipment are approximately HK$25,964,000, HK$22,657,000, HK$18,889,000 and HK$18,559,000 respectively.

Impairment losses of property, plant and equipment

In considering the impairment losses that may be required for certain of the Target Group's assets which include plant and equipment, recoverable amounts of the assets need to be determined if there is indication that those assets may subject to impairment loss. The recoverable amount is the greater of the fair value less costs of disposal and the value-in-use. It is difficult to determine the fair value less cost of disposal because quoted market prices of these assets may not be readily available. In determining the value-in-use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price, amount of operating costs and discount rates. The Target Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price, amount of operating costs and discount rates. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of property, plant and equipment are approximately HK$25,964,000, HK$22,657,000, HK$18,889,000 and HK$18,559,000 respectively. No accumulated impairment loss was recognised for property, plant and equipment during the Track Record Period.

Estimated net realisable value of properties under development

In determining whether allowances should be made to the Target Group's properties under development, the director of the Target Company takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value of properties under development is less than expected as a result of a change in market condition and/or significant variation in the budgeted development cost, material provision for impairment losses may result. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of properties under development were approximately HK$1,006,459,000, HK$110,589,000, HK$121,375,000 and HK$128,599,000 respectively.

Estimated net realisable value of properties held for sale

The management of the Target Group determines the net realisable value of properties held for sale by using prevailing market data such as most recent sales transactions and individual property basis. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales), the legal and regulatory framework and general market conditions. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of properties held for sale were approximately HK$371,046,000, HK$1,347,725,000, HK$811,160,000 and HK$517,346,000 respectively.

Impairment losses of other receivables and deposits

When there is objective evidence of impairment loss, the Target Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of other receivables and deposits were approximately HK$31,536,000, HK$33,146,000, HK$11,895,000 and HK$53,810,000 respectively and net of accumulated impairment losses on other receivables and deposits were approximately HK$11,505,000, HK$10,989,000, HK$10,234,000 and HK$10,375,000 respectively.

PRC Land Appreciation Tax ("LAT")

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible allowance and expenditures including sales charges, borrowing costs and all property development expenditures.

The Target Group is subject to LAT in the PRC. The details of implementation have been announced by local tax bureau in Guandong in the PRC. The Target Group has not yet reached the stage to finalise its LAT calculation and payments with local tax bureau in Guandong in accordance with relevant local tax regulations. Accordingly, significant judgements are required in determining the amount of land appreciation and its related taxes. The Target Group recognises these liabilities based on the management's best estimates according to the understanding of the tax rules. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of LAT payables are HK$1,491,000, HK$332,000, HK$10,290,000 and HK$10,256,000 respectively.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Target Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of the PRC Enterprise Income Tax ("EIT") payables are HK$4,031,000, HK$763,000, HK$4,272,000 and HK$8,416,000 respectively.

6. Revenue

Revenue represents the amounts received and receivable for properties, shops and car parks sold in the normal course of business, net of sales related taxes.

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sales of properties, shops and car parks	121,744	204,774	563,908	522,303	396,087

7. Other Operating Income

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Dividend income	3,078	136	50	45	–
Income from forfeited deposits	30	1,399	327	27	494
Bank interest income	233	179	279	192	169
Exchange gain	118	17	17	17	–
Rental income from investment property	–	–	–	–	101
Others	–	123	–	–	–
	3,459	1,854	673	281	764

8. Finance Costs

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Interest on:					
Bank borrowings	19,297	55,519	26,627	23,723	951
Obligations under finance leases	–	290	412	311	139
Margin loan payable	841	228	–	–	–
Total borrowing costs	20,138	56,037	27,039	24,034	1.090
Less: amounts capitalised *(note 17)*	(19,297)	(55,519)	(26,627)	(23,723)	(951)
	841	518	412	311	139

Borrowing costs capitalised during the Track Record Period and nine months ended 30 September 2016 arose from specific bank borrowings for qualifying assets.

9. Income Tax Expenses

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
The income tax expenses comprises:					
Current tax					
– The PRC EIT	1,689	5,918	17,626	17,673	10,002
– PRC LAT	6,998	2,260	330	167	947
	8,687	8,178	17,956	17,840	10,949
(Over)/under provision in respect of prior year					
– The PRC EIT	(1,689)	319	1,822	720	(3,899)
Deferred tax (note 28)	(165)	(616)	4,150	2,565	1,480
	6,833	7,881	23,928	21,125	8,530

(i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Track Record Period. No provision for taxation in Hong Kong has been made as the Target Group has no assessable profits arising from Hong Kong for the Track Record Period.

(ii) Pursuant to the rules and regulations of the BVI, the Target Group is not subject to any income tax in the BVI.

(iii) Under the Law of the PRC on EIT and implementation regulation of the EIT Law, the tax rate of all subsidiaries established in the PRC is 25% during the Track Record Period and nine months ended 30 September 2016.

(iv) The provision of PRC LAT is calculated according to the requirements set forth in the relevant PRC tax laws and regulations. The PRC LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

The income tax expense for the Track Record Period and nine months ended 30 September 2016 can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before tax	2,119	37,747	81,081	74,882	38,347
Tax at the domestic income tax rate of 25%	530	9,437	20,270	18,720	9,586
Effect of different tax rate of subsidiaries operating in other jurisdiction	(161)	(927)	396	386	166
Tax effect of expenses not deductible for tax purpose	3,021	515	65	45	33
Tax effect of income not taxable for tax purpose	(862)	(583)	(133)	(91)	(31)
(Over)/under provision in respect of prior year	(1,689)	319	1,822	720	(3,899)
Utilisation of tax loss previously not recognised	–	(2,575)	–	–	–
Tax effect of tax losses not recognised	746	–	1,261	1,220	1,965
LAT	6,998	2,260	330	167	947
EIT effect of LAT	(1,750)	(565)	(83)	(42)	(237)
Income tax expense for the year/period	6,833	7,881	23,928	21,125	8,530

As at 31 December 2014, 2015 and 2016, 30 September 2016 and 2017, the Target Group had unused tax losses of approximately HK$102,941,000, HK$92,641,000, HK$97,685,000, HK$97,521,000 and HK$105,545,000 respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

10. (Loss) Profit for the year/period

(Loss) profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Director's emoluments	759	139	112	84	99
Other staff cost (excluding director's emoluments)	3,279	3,779	2,321	1,824	2,184
Retirement benefit scheme contributions	218	259	303	222	236
Total staff costs	4,256	4,177	2,736	2,130	2,519
Auditors' remuneration	39	59	35	–	–
Depreciation of property, plant and equipment	2,699	2,533	2,408	1,795	1,425
Cost of inventories recognised as expenses	91,715	161,350	466,046	435,269	344,845
Amortisation of prepaid lease payments	76	74	70	53	53
Depreciation of investment property	–	–	–	–	728
Impairment loss on other receivables and deposits	11,377	–	–	–	–
Loss on written off of property, plant and equipment	–	–	49	–	–
Operating lease charges in respect of properties	1,945	2,372	2,300	1,772	1,930

11. Employees' emoluments

Of the five individuals with highest emoluments in the Target Group for the year ended 31 December 2014 and nine months ended 30 September 2016 and 2017, one was the director of the Target Company.

No director and chief executive were included in the five highest paid individuals of the Target Group for the years ended 31 December 2015 and 2016. The emoluments of the remaining highest paid individuals were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries, allowances and other benefits	1,654	1,530	1,384	1,285	652
Retirement benefit scheme contributions	32	50	47	39	41
	1,686	1,580	1,431	1,324	693

Their emoluments fall within the following bands:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
				(Unaudited)	
Nil to HK$1,000,000	4	5	5	4	4

No emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensations for loss of office during the Track Record Period and nine months ended 30 September 2016.

12. Earnings per share

No earnings per share information are presented as its inclusion, for purpose of this report, is not meaningful.

13. Dividends

The director of the Target Company does not recommend the payment of any dividend in respect of the Track Record Period.

14. Investment property

	Completed investment property	Investment property under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2014, 31 December 2014 and 31 December 2015	–	–	–
Additions	–	12,960	12,960
Exchange difference	–	(616)	(616)
At 31 December 2016	–	12,344	12,344
Additions	–	7,070	7,070
Transfer from investment property under construction	19,414	(19,414)	–
Exchange difference	(228)	–	(228)
At 30 September 2017	19,186	–	19,186
ACCUMULATED DEPRECIATION			
At 1 January 2014, 31 December 2014, 31 December 2015 and 31 December 2016	–	–	–
Charge for the year	728	–	728
Exchange difference	(8)	–	(8)
At 30 September 2017	720	–	720

	Completed investment property	Investment property under construction	Total
	HK$'000	*HK$'000*	*HK$'000*
CARRYING VALUES			
At 31 December 2014	–	–	–
At 31 December 2015	–	–	–
At 31 December 2016	–	12,344	12,344
At 30 September 2017	18,466	–	18,466

The fair value of the Target Group's investment property at 31 December 2016 and 30 September 2017 were HK$15,113,000 and HK$23,277,000 respectively. The fair value has been arrived at based on a valuation carried out by an independent valuer, CHFT Advisory And Appraisal Ltd.

The fair value was determined based on the comparison approach with reference to the realised price or current asking prices for the comparable properties and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment property. There has been no change from the valuation technique used during the Track Record Period.

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2016 and 30 September 2017.

In estimating the fair value of the properties, the highest and best use of the property is their current use.

Details of the Target Group's investment property and information about the fair value hierarchy as at the end of the reporting period are as followings:

		Fair value
		As at
		30 September
	Level 3	2017
	HK$'000	*HK$'000*
Kindergarten located in the PRC	23,277	23,277

		Fair value
		As at
		31 December
	Level 3	2016
	HK$'000	*HK$'000*
Kindergarten located in the PRC	15,113	15,113

The above investment property is depreciated on a straight-line basis over the term of the lease over 20 years.

15. Property, plant and equipment

	Buildings	Machineries	Office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 January 2014	20,837	5,474	846	2,788	1,659	31,604
Additions	–	–	318	44	–	362
Transfer from construction in progress	–	271	1,359	–	(1,630)	–
Exchange difference	(510)	(137)	(32)	(69)	(29)	(777)
At 31 December 2014	20,327	5,608	2,491	2,763	–	31,189
Additions	–	–	270	–	–	270
Exchange difference	(911)	(251)	(120)	(123)	–	(1,405)
At 31 December 2015	19,416	5,357	2,641	2,640	–	30,054
Written off	(49)	–	–	–	–	(49)
Exchange difference	(1,331)	(368)	(174)	(181)	–	(2,054)
At 31 December 2016	18,036	4,989	2,467	2,459	–	27,951
Additions	–	–	15	–	–	15
Exchange difference	1,044	289	136	142	–	1,611
At 30 September 2017	19,080	5,278	2,618	2,601	–	29,577
ACCUMULATED DEPRECIATION						
At 1 January 2014	–	938	669	1,008	–	2,615
Charge for the year	1,299	534	320	546	–	2,699
Exchange difference	(13)	(28)	(18)	(30)	–	(89)
At 31 December 2014	1,286	1,444	971	1,524	–	5,225
Charge for the year	973	555	570	435	–	2,533
Exchange difference	(108)	(93)	(69)	(91)	–	(361)
At 31 December 2015	2,151	1,906	1,472	1,868	–	7,397
Charge for the year	954	543	595	316	–	2,408
Exchange difference	(243)	(185)	(155)	(160)	–	(743)
At 31 December 2016	2,862	2,264	1,912	2,024	–	9,062
Charge for the period	587	386	445	7	–	1,425
Exchange difference	170	134	110	117	–	531
At 30 September 2017	3,619	2,784	2,467	2,148	–	11,018
CARRYING VALUES						
At 31 December 2014	19,041	4,164	1,520	1,239	–	25,964
At 31 December 2015	17,265	3,451	1,169	772	–	22,657
At 31 December 2016	15,174	2,725	555	435	–	18,889
At 30 September 2017	15,461	2,494	151	453	–	18,559

The above items of property, plant and equipment other than the investment property are depreciated on a straight-line basis, after taking into account their estimated residual values, over their estimated useful lives as follows:

Buildings	20 years
Machineries	10 years
Office equipment	3 years
Motor vehicles	4 years

As at 31 December 2014, 2015, 2016 and 30 September 2017, the net carrying values of property, plant and equipment includes an amount of approximately nil, HK$4,741,000, HK$3,099,000 and nil respectively in respect of assets held under finance leases as disclosed in note 26.

16. Prepaid lease payments

The carry amount of prepaid lease payments of the Target Group analysed for reporting purposed as:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land held under medium-term lease in the PRC and are analysed for reporting purposes as follows:				
Current asset	75	72	67	71
Non-current asset	3,121	2,910	2,644	2,744
	3,196	2,982	2,711	2,815

17. Properties under development

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	318,259	1,006,459	110,589	121,375
Additions	701,384	253,261	4,987	197
Interest capitalised *(note 8)*	19,297	55,519	26,627	951
Transferred to properties held for sale	(6,914)	(1,188,624)	–	–
Exchange difference	(25,567)	(16,026)	(20,828)	6,076
At the end of the year/period	1,006,459	110,589	121,375	128,599

18. Properties held for sale

The Target Group's properties held for sale are situated on leasehold land in the PRC. All the properties held for sale are stated at lower of cost and net realisable value.

19. Other receivables, deposits and prepayments

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables and deposits	43,041	44,135	22,129	64,185
Less: accumulated impairment losses recognised	(11,505)	(10,989)	(10,234)	(10,375)
Other receivables (net of accumulated impairment losses recognised)	31,536	33,146	11,895	53,810
Prepayments	3,161	2,965	96,845	110,042
Other tax receivables	3,131	8,234	–	–
	37,828	44,345	108,740	163,852

i) The movements in impairment loss on other receivables and deposits of the Target Group are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year / period	128	11,505	10,989	10,234
Impairment loss recognised on other receivables	11,377	–	–	–
Exchange difference	–	(516)	(755)	141
At the end of the year / period	11,505	10,989	10,234	10,375

As at 31 December 2014, 2015, 2016 and 30 September 2017, included in the impairment loss on other receivables and deposits are individually impaired other receivables with an aggregate balances of approximately HK$11,505,000, HK$10,989,000, HK$10,234,000 and HK$10,375,000 respectively due to long outstanding, and the director of the Target Company considers their recoverability is doubtful. The Target Group does not hold any collateral over these balances.

20. Held for trading investments

Held for trading investments include:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Listed securities held for trading, at fair value				
– Equity securities listed in Hong Kong	39,413	19,388	10,900	5,910
– Equity securities listed in the PRC	–	388	284	327
– Equity securities listed in the United States	–	560	93	70
	39,413	20,336	11,277	6,307

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange at the end of each reporting period.

Included in the held for trading investments are the following amounts denominated in a currency other than the functional currency of relevant group entities:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar	–	560	93	70

As at 31 December 2014, 2015 and 2016, and 30 September 2017, the carrying amount of held for trading investment which have been pledged as security for the margin loans payable is approximately HK$11,448,000, HK$2,329,000, HK$330,000 and nil respectively.

21. Bank balances and cash

Bank balances and cash comprise cash held at bank and in hand.

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0.01% to 0.05% per annum.

22. Margin Loans Payables

The interest rate of margin loans payable carried a fixed interest rate at 3% per annum and repayable on demand throughout the Track Record Period.

During the Track Record Period, the margin loans payable was secured by the Target Group's listed equity investments, with total market value and carrying value of approximately HK$11,448,000, HK$2,329,000, HK$330,000 and nil respectively in note 33.

23. Trade and other payables

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	1,854	1,341	4,858	709
Receipt in advance	106,359	292,571	204,290	16,470
Other tax payables	–	–	17,937	13,356
Other payables and accruals	133,343	146,142	65,626	6,853
	241,556	440,054	292,711	37,388

The following is an aged analysis of trade payable presented based on the invoice date at the end of each reporting period.

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	958	–	2,740	–
31 to 60 days	–	–	–	–
61 to 90 days	2	465	–	–
91 to 180 days	1	3	–	–
Over 180 days	893	873	2,118	709
	1,854	1,341	4,858	709

The average credit period on trade payables is 180 days. The Target Group has financial risk management policies in place to ensure that all trade payables are settled within the credit timeframe.

As at 31 December 2014, 2015 and 2016, and 30 September 2017, the balance of trade payables with age over 180 days include retention money of approximately HK$794,000, HK$788,000, HK$2,084,000 and HK$709,000 respectively to the sub-contractors of property development projects, which represents approximately 5% of the contract prices.

According to the construction contracts, the retention money is interest-free and would be paid to the sub-contractors in 1 to 2 years upon completion of development of the properties.

24. Amount due to a shareholder/related company

Amount due to a shareholder/related company during the Track Record Period represented advance from 深圳市金色藍灣房地產開發有限公司 (Shenzhen Jinse Lanwan Properties Development Company Limited*) ("Jinse Lanwan"), which is non-interest bearing, unsecured and is repayable on demand. Jinse Lanwan is wholly owned by Mr. Li Kwong Yuk, the director of the Target Company, during the Track Record Period.

Pursuant to the reorganisation of the Target Group, Jinse Lanwan ceased to be the shareholder of Zhanjiang Xintai and became a related company of the Target Group on 25 July 2017 when Jinse Lanwan transferred its entire interest in Zhanjiang Xintai to 吳川市聖安投資諮詢有限公司 (Wuchuan Shengan Investment Advisory Company Limited*) ("Wuchuan Shengan"), the immediate holding company of Zhanjiang Xintai upon the completion of the reorganisation.

* *English name for identification purpose only*

25. Amount due to a director

Amount due to a director during the Track Record Period represented advance from Mr. Li Kwong Yuk, the director of the Target Company, which is non-interest bearing, unsecured and repayable on demand.

26. Obligations under finance leases

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
Analysed as:				
Current	–	–	5,911	–
Non-current	–	6,347	–	–
	–	6,347	5,911	–

During the years ended 31 December 2015 and 2016, the Target Group entered into sales and leaseback arrangements in respect of certain of its property, plant and equipment for construction or general business purposes with total carrying amount of approximately HK$4,741,000 and HK$3,099,000 respectively. Finance leases were denominated in RMB. Interest rates underlying obligations under finance leases are fixed at contract date at fixed rate of 6.61% per annum. No other addition of obligation under finance leases was entered into during the Track Record Period.

	Minimum lease payment				Present value of minimum lease payment			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2014	2015	2016	2017	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
Amounts payable under finance leases:								
Within one year	–	420	6,107	–	–	–	5,911	–
In more than one year but not more than two years	–	6,557	–	–	–	6,347	–	–
	–	6,977	6,107	–	–	6,347	5,911	–
Less: Future finance charges	–	(630)	(196)	–	–	–	–	–
Present value of lease obligations	–	6,347	5,911	–	–	6,347	5,911	–
Less: Amount due within one year included under current liabilities					–	–	(5,911)	–
Amount due for settlement after twelve months					–	6,347	–	–

27. Bank and other borrowings

The borrowings were repayable as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings	499,720	365,150	–	–
Other borrowing	–	–	131,128	–
	499,720	365,150	131,128	–
Secured	499,720	365,150	131,128	–
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	–	365,150	131,128	–
After one year but within two years	499,720	–	–	–
	499,720	365,150	131,128	–
Carrying amount of bank borrowing that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause	499,720	–	–	–
Carrying amount repayable within one year	–	365,150	131,128	–
Amount shown under current liabilities	499,720	365,150	131,128	–
Amount shown under non-current liabilities	–	–	–	–
	499,720	365,150	131,128	–

The effective interest rates per annum on the Target Group's borrowings at the end of Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September
	2014	**2015**	**2016**	**2017**
Fixed rate borrowings	11.62%	11.62%	7.84%	–

Notes:

(a) Target Group's borrowings were all fixed-rate borrowings and denominated in RMB.

(b) As at 31 December 2016, the Target Group's secured other loan represented a borrowing amount of HK$131,128,000 for the purpose of general working capital from an independent third party. The secured other loan was guaranteed by the director of the Target Company.

(c) The amounts of banking facilities and the utilisation at the end of the Track Record Period are set out as follows:

	Year ended 31 December			Nine months ended 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Facility amount	499,720	365,150	131,128	–
Utilisations at 31 December/ 30 September				
– Secured bank loans	499,720	365,150	–	–
– Secured other loan	–	–	131,128	–
	499,720	365,150	131,128	–

As at 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017, banking facilities were secured by assets pledged as set out in note 33.

28. Deferred taxation

The following is the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	LAT
	HK$'000
At 1 January 2014	4,124
Charged to income statement for the year	165
Exchange difference	(103)
At 31 December 2014 and 1 January 2015	4,186
Charged to income statement for the year	616
Exchange difference	(207)
At 31 December 2015 and 1 January 2016	4,595
Credited to income statement for the year	(4,150)
Exchange difference	(117)
At 31 December 2016	328
Credited to income statement for the period	(1,480)
Exchange difference	35
At 30 September 2017	(1,117)

29. Paid-up capital

The reorganisation has not completed as at 30 September 2017. For the purpose of Historical Financial Information, the paid-up capital in the combined statements of financial position as at 31 December 2014, 2015, 2016 and 30 September 2017 represented the combined paid-up capital of the HK Company, 廣州廣冠投資管理有限公司 (Guangguan Investment Management Company Limited*) ("Guangguan") and Zhanjiang Xintai.

On 17 March 2014, the registered capital and paid-up capital of Zhanjiang Xintai was increased from RMB15,000,000 to RMB50,000,000 by way of capitalisation of the amount of RMB35,000,000 due to its shareholder, Jinse Lanwan.

* *English name for identification purpose only*

30. Capital risk management

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

The capital structure of the Target Group consists of net debt, which includes the secured bank and other borrowings, obligations under finance leases, amount due to a shareholder/related company and amount due to a director, bank balances and cash and equity attributable to owners of the Target Company, comprising paid-up capital and reserves.

The director of the Target Company reviews the capital structure on a regular basis. As part of this review, the director of the Target Company considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the director of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the raising of new debts.

31. Financial instruments

(a) Categories of financial instruments

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Financial assets at FVTPL				
Held for trading investments	39,413	20,336	11,277	6,307
Loans and receivables (including cash and cash equivalents)	66,914	61,716	133,416	97,088
	106,327	82,052	144,693	103,395
Financial liabilities				
Financial liabilities at amortised costs	1,114,508	979,214	645,181	470,042

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables, bank balances and cash, trade and other payables, held for trading investments, amount due to a shareholder/related company, amount due to a director, margin loans payables, obligations under finance leases and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Other price risk

The Target Group is exposed to equity price risk through its investments in listed equity securities. The Target Group's equity price risk is mainly concentrated on equity instruments quoted in the Hong Kong Stock Exchange, the Shanghai Stock Exchange and the New York Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Target Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Other price risk sensitivity analysis

The following table shows the sensitivity to equity price risk on the held-for-trading investments which are carried at fair value at the end of each Track Record Period. Sensitivity rate of 10% represents management's assessment of the reasonably possible change in equity price while all other variables were held constant.

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Held for trading investments				
Increase (decrease) in post-tax profit for the year/period				
– as a result of increase in equity price	3,291	1,698	942	526
– as a result of decrease in equity price	(3,291)	(1,698)	(942)	(526)

(ii) Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to fixed rate bank and other borrowings, margin loans payables and obligations under finance leases during the Track Record Period. The Target Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Target Group cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB base deposit / lending rate stipulated by the People's Bank of China arising from the Target Group's RMB denominated bank balances and secured bank borrowings; and floating-rate bank and other borrowings carried at prevailing market rates.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank balances, and variable-rate bank and other borrowings at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 1% increase or decrease is used for each reporting period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Increase (decrease) in post-tax profit for the year/period				
– as a result of increase in interest rate	265	224	911	326
– as a result of decrease in interest rate	(265)	(224)	(911)	(326)

Credit risk

At the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Target Group are arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Target Group as disclosed in note 38.

In order to minimise the credit risk, the management of the Target Group has imposed various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the director of the Target Company considers that its credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. Specifically, secured bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables includes both interest and principal cash flows.

Liquidity risk tables

	On demand or within one year	More than one year but not exceeding two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014				
Non-derivative financial liabilities				
Margin loan payable	5	–	5	5
Trade and other payables	135,197	–	135,197	135,197
Amount due to a shareholder/ related company	350,039	–	350,039	350,039
Amount due to a director	129,547	–	129,547	129,547
Bank and other borrowings	557,787	–	557,787	499,720
	1,172,575	–	1,172,575	1,114,508

	On demand or within one year	More than one year but not exceeding two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Non-derivative financial liabilities				
Trade and other payables	147,483	–	147,483	147,483
Amount due to a shareholder/ related company	357,021	–	357,021	357,021
Amount due to a director	103,213	–	103,213	103,213
Bank and other borrowings	382,829	–	382,829	365,150
Obligations under finance leases	420	6,557	6,977	6,347
	990,966	6,557	997,523	979,214

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	70,484	–	70,484	70,484
Amount due to a shareholder/ related company	342,474	–	342,474	342,474
Amount due to a director	95,184	–	95,184	95,184
Bank and other borrowings	131,229	–	131,229	131,128
Obligations under finance leases	6,107	–	6,107	5,911
Financial guarantee contract	41,118	–	41,118	–
	686,596	–	686,596	645,181

	On demand or within one year *HK$'000*	More than one year but not exceeding two years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 30 September 2017				
Non-derivative financial liabilities				
Trade and other payables	7,562	–	7,562	7,562
Amount due to a shareholder/ related company	362,306	–	362,306	362,306
Amount due to a director	100,174	–	100,174	100,174
Financial guarantee contract	43,497	–	43,497	–
	513,539	–	513,539	470,042

The amount of financial guarantee contract included above for financial guarantee contract is the maximum amount the Target Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterpart to the guarantee. Based on expectation at the end of the reporting period, the Target Group considers that such amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterpart which are guaranteed suffer credit losses.

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2014, 2015, 2016 and 30 September 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$499,720,000, HK$365,150,000, nil and nil respectively. Taking into account the Target Group's financial position, the director of Target Company does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The director of Target Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$557,787,000, HK$382,829,000, nil and nil respectively for the years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value measurements recognised in the combined statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each Track Record Period for recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Target Group's accounting policy.

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	Level 1	**Level 1**	**Level 1**	**Level 1**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVTPL				
Held for trading investments				
– Listed equity investments	39,413	20,336	11,277	6,307

32. Retirement benefits scheme

Hong Kong

The Target Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, each of the Target Group companies (the "employer") in Hong Kong and its employees are required to make contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Legislation. The contributions from each of the employer and employees are subject to a cap of HK$1,250 per month before 1 June 2014 and HK$1,500 per month, since 1 June 2014 onwards. During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the total amount contributed by the Target Group to this scheme and charged to the combined statements of profit or loss and other comprehensive income was approximately HK$32,000, HK$50,000, HK$47,000, HK$39,000 and HK$41,000 respectively.

The PRC

The employees of the Target Group are members of a state-managed retirement benefit scheme operated by the government in the PRC. The Target Group is required to contribute certain percentage of applicable payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions. The total costs charged to the combined statements of profit or loss and other comprehensive income amounted to approximately HK$186,000, HK$209,000, HK$256,000, HK$183,000 and HK$195,000 for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 respectively.

33. Pledge of assets

At the end of the reporting period, the Target Group pledged the following property, plant and equipment, properties held for sale and held for trading investments to financial institutions for bank and other borrowings, obligations under finance leases and margin loan payable respectively granted to the Target Group.

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of properties held for sale pledged for bank borrowings	369,818	308,773	137,010	–
Carrying amount of held for trading investment pledged for margin loan payable	11,448	2,329	330	–
	381,266	311,102	137,340	–

As at 31 December 2014 and 31 December 2015, the HK Company has provided corporate guarantee for maximum of HK$40,000,000 in relation to Target Group's bank borrowings.

The director of the Target Company has provided personal guarantee for the grant of other borrowings to the Target Company as disclosed in note 27.

34. Commitments

(a) *Operating lease commitments*

The Target Group as lessee

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

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,352	2,352	745	2,814
In the second to fifth year inclusive	3,097	745	–	4,409
	5,449	3,097	745	7,223

Operating lease payments represent rentals payable by the Target Group for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years throughout the Track Record Period.

The Target Group as lessor

All of the properties held have committed tenants for the next 20 years.

At the end of each reporting period, the Target Group had contracted with tenants for the following future minimum lease payments:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	–	–	189
In the second to fifth year inclusive	–	–	–	757
After five years	–	–	–	2,675
	–	–	–	3,621

(b) Capital commitments

At the end of each reporting period, the Target Company had the following capital commitments:

Contracted for but not provided in the combined financial statements

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
For properties under development	773,793	726,115	6,723	7,284

35. Related party transactions

Saved as disclosed elsewhere in the Historical Financial Information, the related party transactions are as follow:

Compensation of key management personnel

The key management personnel of the Target Group comprise one director of the Target Company.

Banking facilities

The director of the Target Company has provided personal guarantee for the grant of bank and other borrowings to the Target Company as disclosed in note 27.

Amounts due from related parties

Name of Company	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*
深圳市鼎億金拓投資有限公司 (Shenzhen Dingyi Jinta Investment Limited*) ("**Dingyi Jinta**")*(Note a)*	–	310	289	306
深圳市泰紳實業股份有限公司 (Shenzhen Taishen Industrial Company Limited*) ("**Taishen**") *(Note a)*	8,966	8,564	7,975	8,437
	8,966	8,874	8,264	8,743

Note:

(a) These companies are the companies of which the director of the Target Company is the director or beneficial shareholder. The amounts were included in other receivables and represented non-trade current accounts.

* *English name for identification purpose only*

The maximum outstanding balances

Name of Company	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 September 2017 HK$'000
Dingyi Jinta	–	310	310	306
Taishen	8,966	8,966	8,564	8,437

Amounts due to related parties

	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 September 2017 HK$'000
深圳市鼎億資本投資企業(有限合夥) (Shenzhen Dingyi Venture Capital Investment (Limited Partner)*) *(Note a)*	8,323	7,950	7,403	5,975
Dingyi Jinta *(Note a)*	2,249	–	–	–
鼎億寶銀(深圳)融資租賃有限公司 (Dingyi Bao Yin (Shenzhen) Financial Leasing Limited)*) ("DY Bao Yin") *(Note a)*	–	280	652	689
	10,572	8,230	8,055	6,664

Note:

(a) These companies are the companies of which the director of the Target Company is the director or beneficial shareholder. The amounts were included in other payables and represented non-trade current accounts.

Financial guarantee contract

Name of Company	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 30 September 2017 HK$'000
Dingyi Jinta	–	–	41,118	43,497

* *English name for identification purpose only*

Amount due to a director

Details of amount due to a director are set out in note 25.

Amount due to a shareholder/related company

Details of amount due to a shareholder/related company are set out in note 24.

Held for trading investments

The Target Group has held approximately 11,475,000 shares of Dingyi Group Investment Limited with a carrying amount of approximately HK$8,492,000, HK$9,180,000 and HK$5,852,000 respectively as at 31 December 2015, 31 December 2016 and 30 September 2017. Such amount will be offset with the amount due to a director pursuant to the acquisition agreement.

Obligations under finance leases

On 25 March 2015, DY Bao Yin an indirect non wholly-owned subsidiary of the Target Group, and Zhanjiang Xintai entered into a finance lease agreement (the "Finance Lease Agreement") in respect of the lease assets (the "Lease Assets"), which are machinery and equipment and vehicles, to be transferred and leased under the Finance Lease Agreement. The lease consideration consists of the principal amount of RMB7,870,000, equivalent to approximately HK$9,817,000 (the "Lease Consideration") and the annual lease interest rate is 6.61% for the period of 2 years and commencing from 31 March 2015 and which will be paid by Zhanjiang Xintai in four instalments on a six-month basis. Details of the Finance Lease Agreement are set out in the Company's announcement dated 25 March 2015.

As at 31 December 2015, 31 December 2016 and 30 September 2017, the outstanding balances are approximately HK$6,347,000, HK$5,911,000 and nil respectively. For the years ended 31 December 2015 and 2016, and nine months ended 30 September 2016 and 2017, the interest for the finance lease are approximately HK$290,000, HK$412,000, HK$311,000 and HK$139,000 respectively.

36. Investment in subsidiaries

Upon the completion of the reorganisation, the Target Company will have direct and indirect interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/operation	Issued and fully paid share capital/paid-up capital at the date of this report	Percentage of equity interest attributable to the Target Company		Principal activities
			Direct	Indirect	
HK Company	Hong Kong 19 October 2006	HK$10,000	100%	–	Securities trading
Guangguan	PRC 1 July 2003	HK$20,000,000	–	100%	Investment holding
Wuchuan Shengan	PRC 30 November 2016	RMB10,000,000	–	100%	Investment holding
Zhanjiang Xintai	PRC 27 September 2008	RMB50,000,000	–	100%	Property development

The statutory financial statements of the HK Company for the years ended 30 June 2014, 2015, 2016 and 2017 were prepared in accordance with HKFRSs issued by the HKICPA.

The statutory financial statements of Guangguan for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with "Accounting Standards for Business Enterprises" issued by the Ministry of Finance (the "MOF") of the PRC and other relevant regulations in the PRC (collectively known as the "PRC GAAP") (the "PRC Accounting Standard Financial Statements").

The statutory auditor of the above subsidiary during the Track record Period is as follows:

Name of subsidiary	Periods Covered	Certified Public Accountant
The HK Company	Year ended 30 June 2014 Year ended 30 June 2015 Year ended 30 June 2016 Year ended 30 June 2017	Tommy Yeung & Co., Certified Public Accountants
Guangguan	Year ended 31 December 2014 Year ended 31 December 2015 Year ended 31 December 2016	Guangzhou Shi Guanglin Ltd., Certified Public Accountants

No audited statutory financial statements have been prepared for Wuchuan Shengan and Zhanjiang Xintai since their respective dates of incorporation as there are no statutory audit requirements under the relevant rules and regulations in their respective jurisdiction of incorporation.

37. Major non-cash transactions

On 17 March 2014, the registered capital and paid-up capital of Zhanjiang Xintai was increased from RMB15,000,000 to RMB50,000,000 by way of capitalisation of the amount of RMB35,000,000 due to Jinse Lanwan.

38. Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for what cash flow were, or future cash flow will be, classified in the combined statement of cash flow as cash flow from financing activities.

	Amount due to a shareholder/ related company	Amount due to a director	Obligations under finance leases	Bank and other borrowings	Margin loan
	HK$'000	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*
As at 1 January 2014	178,272	111,314	–	–	56,369
Non-cash movements	(27,689)	(17,289)	–	–	(8,755)
Cash flows in	199,456	35,522	–	499,720	
Cash flows out	–	–	–	–	(47,609)
As at 31 December 2014	350,039	129,547	–	499,720	5
Non-cash movements	(12,570)	(4,652)	–	(17,945)	–
Cash flows in	19,552	7,678	6,347	–	–
Cash flows out	–	(29,360)	–	(116,625)	(5)
As at 31 December 2015	357,021	103,213	6,347	365,150	–
Non-cash movements	(10,888)	(2,906)	(436)	(11,134)	–
Cash flows in	–	3,025	–	245,156	–
Cash flows out	(3,659)	(8,148)	–	(468,044)	–
As at 31 December 2016	342,474	95,184	5,911	131,128	–
Non-cash movements	17,508	4,866	302	6,703	–
Cash flows in	2,324	124	–	142,915	–
Cash flows out	–	–	(6,213)	(280,746)	–
As at 30 September 2017	362,306	100,174	–	–	–

	Amount due to a shareholder/ related company	Amount due to a director	Obligations under finance leases	Bank and other borrowings	Margin loan
	HK$'000	*HK$'000*	*HK'000*	*HK$'000*	*HK$'000*
(Unaudited)					
As at 31 December 2015	357,021	103,213	6,347	365,150	–
Non-cash movements	(7,201)	(2,046)	(164)	(7,365)	–
Cash flows in	–	–	–	270,747	–
Cash flows out	(2,014)	(3,647)	–	(432,069)	–
As at 30 September 2016	347,806	97,520	6,183	196,463	–

39. Contingent liabilities

	At 31 December			At 30 September
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial guarantee given to banks in respects of a facility granted to a related party – Dingyi Jinta	–	–	41,118	43,497

(III) SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, its subsidiaries and the Target Group in respect of any period subsequent to 30 September 2017.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of Dingyi Group Investment Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') and United Faith Investments Limited (the ''Target Company'') and its subsidiaries (together referred to as the ''Target Group'') (the Group including the Target Group hereinafter referred to as the ''Enlarged Group'') (the ''Unaudited Pro Forma Financial Information''), which has been prepared by the directors of the Company (the ''Directors'') to illustrate the effect of the proposed acquisition of the Target Group (the ''Acquisition''), as if it has taken place on (i) 1 April 2016 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 September 2017 in respect of the unaudited pro forma statement of financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information are prepared based on the condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the Group's corresponding interim report, the combined statement of financial position of the Target Group as at 30 September 2017 as set out in the Accountants' Report as set out in Appendix II to the circular; the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2017 as set out in the Group's corresponding annual report, the combined statement of profit or loss and other comprehensive income of the Target Group for the year ended 31 December 2016 as set out in Appendix II to the circular; the consolidated statement of cash flows of the Group for the year ended 31 March 2017 as set out in the Group's corresponding annual report and the combined statement of cash flows of the Target Group for the year ended 31 December 2016 as set out in Appendix II of the circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that is (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual results of operation, financial position or cash flow of the Enlarged Group that would have been attained has the Acquisition been completed on (i) 1 April 2016 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 September 2017 in respect of the unaudited pro forma statement of financial position of the Enlarged Group, nor purport to predict the Enlarged Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Company's published interim report and annual report for the six months ended 30 September 2017 and the year ended 31 March 2017 and the historical financial information of the Target Company sets out in Appendix II to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 September 2017	The Target Group as at 30 September 2017		Pro forma adjustments	Unaudited pro forma of the Enlarged Group as at 30 September 2017
	HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Non-current assets					
Property, plant and equipment	4,978	18,559			23,537
Investment property	–	18,466			18,466
Prepaid lease payments	–	2,744			2,744
Interests in associates	281,626	–			281,626
Available-for-sale financial assets	66,807	–			66,807
Non-current deposits and prepayments	3,213	–			3,213
	356,624	39,769			396,393
Current assets					
Prepaid lease payments	–	71			71
Properties under development	–	128,599			128,599
Properties held for sale	–	517,346			517,346
Inventories	7,593	–			7,593
Other debtors, deposits and prepayments	16,784	163,852			180,636
Loan and interest receivables	890,755	–			890,755
Finance lease receivable	91,468	–			91,468
Held for trading investments	126,162	6,307	*(c), (e)*	(6,307)	126,162
Derivative financial instruments	109,639	–			109,639
Cash and cash equivalents	27,668	43,278			70,946
	1,270,069	859,453			2,123,215
Current liabilities					
Margin loan payable	40,658	–			40,658
Creditors, deposits and accruals	47,419	37,388	*(a), (b)*	1,766	86,573
Amount due to a shareholder/ related company	–	362,306	*(c), (e)*	(362,306)	–
Amount due to a director	–	100,174	*(c), (e)*	(100,174)	–
Tax payable	8,778	18,672			27,450
	96,855	518,540			154,681
Net current assets	1,173,214	340,913			1,968,534
Total assets less current liabilities	1,529,838	380,682			2,364,927

	The Group as at 30 September 2017 *HK$'000* *(Note 1)*	The Target Group as at 30 September 2017 *HK$'000* *(Note 2)*		Pro forma adjustments *HK$'000* *(Note 3)*	Unaudited pro forma of the Enlarged Group as at 30 September 2017 *HK$'000*
Capital and reserves					
Share Capital	53,026	88,630	*(c)*	(88,630)	53,026
Reserve	747,694	290,935	*(a), (b), (c), (e)*	(193,419)	845,210
Non-controlling interest	(4)	–			(4)
Total equity	800,716	379,565			898,232
Non-current liabilities					
Convertible bonds	729,122	–	*(a), (e)*	736,456	1,465,578
Deferred income tax liability	–	1,117			1,117
	729,122	1,117			1,466,695
	1,529,838	380,682			2,364,927

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2017	The Target Group for the year ended 31 December 2016		Pro forma adjustments	Unaudited pro forma of the Enlarged Group for the year ended 31 March 2017
	HK$'000	*HK$'000*		*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*		*(Note 3)*	
Revenue	54,119	563,908			618,027
Cost of sales	(1,167)	(466,046)			(467,213)
Gross profit	52,952	97,862			150,814
Other income	13,731	673			14,404
Gain (loss) on disposal of held for trading investments	26,019	(174)			25,845
(Loss) gain arising from changes in fair value of held for trading investments	(39,751)	132			(39,619)
Gain arising from changes in fair value of derivative financial assets, net	4,811	–			4,811
Realised gain on settlement of derivative financial assets	907	–			907
Loss arising from changes in fair value of derivative financial liabilities	(279,448)	–			(279,448)
Impairment loss on available-for-sale financial assets	(8,161)	–			(8,161)
Selling and distribution costs	(3,049)	(5,756)			(8,805)
General and administrative expenses	(209,059)	(11,244)	(b)	(1,666)	(221,969)
Finance costs	(17,048)	(412)	(d)	(46,405)	(63,865)
(Loss) profit before tax	(458,096)	81,081			(425,086)
Income tax expense	(12,185)	(23,928)			(36,113)
(Loss) profit for the period	(470,281)	57,153			(461,199)
Other comprehensive expense for the year/period					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translating of overseas operations	(7,339)	(39,697)			(47,036)
Total comprehensive (expense) income for the year	(477,620)	17,456			(508,235)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	The Group for the year ended 31 March 2017 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2016 HK$'000 (Note 2)		Pro forma adjustments HK$'000 (Note 3)	Unaudited pro forma of the Enlarged Group for the year ended 31 March 2017 HK$'000
OPERATING ACTIVITIES					
(Loss) profit before taxation	(458,096)	81,081	(b), (d)	(48,071)	(425,086)
Adjustments for:					
Bank interest income	(234)	(279)			(513)
Dividend income	–	(50)			(50)
Finance costs	17,048	412	(d)	46,405	63,865
Depreciation of property, plant and equipment	3,545	2,408			5,953
Loss arising from changes in fair value of derivative financial liabilities	279,448	–			279,448
Gain arising from changes in fair value of derivative financial assets, net	(4,811)	–			(4,811)
Loss (gain) arising from changes in fair value of held for trading investments	39,751	(132)			39,619
Amortisation for prepaid lease payments	–	70			70
Written off of property, plant and equipment	–	49			49
Impairment loss on available-for-sale financial assets	8,161	–			8,161
Share-based payments expenses	162,750	–			162,750
Operating cash flows before movements in working capital	47,562	83,559			129,455
Increase in properties under development	–	(4,987)			(4,987)
Decrease in properties held for sale	–	478,353			478,353
Decrease in inventories	114	–			114
Decrease (increase) in debtors, deposits and prepayments	1,863	(70,766)			(68,903)
Increase in loan and interest receivables	(250,248)	–			(250,248)
Decrease in finance lease receivable	509	–			509
Decrease in held for trading investments	237,616	9,191			246,807
Decrease in derivative financial assets	711	–			711
Increase (decrease) in creditors, deposits and accruals	13,307	(123,343)	(b)	1,666	(108,370)
Increase in amounts due to related companies	2,279	–			2,279
Cash generated from operations	53,713	372,007			425,720
Income tax refund (paid)	78	(5,583)			(5,505)
NET CASH GENERATED FROM OPERATING ACTIVITIES	53,791	366,424			420,215
INVESTING ACTIVITIES					
Purchases of plant and equipment	(3,454)	–			(3,454)
Construction cost of investment properties	–	(12,960)			(12,960)
Dividend received	–	50			50
Interest received	234	279			513

	The Group for the year ended 31 March 2017 *HK$'000* *(Note 1)*	The Target Group for the year ended 31 December 2016 *HK$'000* *(Note 2)*		Pro forma adjustments *HK$'000* *(Note 3)*	Unaudited pro forma of the Enlarged Group for the year ended 31 March 2017 *HK$'000*
NET CASH USED IN INVESTING ACTIVITIES	(3,220)	(12,631)			(15,851)
FINANCING ACTIVITIES					
Proceeds from issuance of convertible bonds	279,500	–			279,500
New bank and other borrowings raised	–	245,156			245,156
Repayments of bank and other borrowings	–	(468,044)			(468,044)
Repayments to related companies	(20,928)	–	(f)	(3,659)	(24,587)
Advance from related companies	50,000	–			50,000
Repayments to a shareholder	–	(3,659)	(f)	3,659	–
New margin loans raised	256,797	–			256,797
Repayment of margin loans	(455,373)	–			(455,373)
Advance from a director	–	3,025			3,025
Repayment to a director	(9)	(8,148)			(8,157)
Proceeds from exercise of share options	30,395	–			30,395
Repayment of obligation under a finance lease	(1,374)	–			(1,374)
Interest paid	(8,190)	(26,627)			(34,817)
Payment on acquisition of additional interests in a subsidiary	(45,056)	–			(45,056)
Payment on repurchase of shares	(77,300)	–			(77,300)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	8,462	(258,297)			(249,835)
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,033	95,496			154,529
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	18,312	28,570			46,882
Effect of changes in foreign exchange rates	(443)	(2,545)			(2,988)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	76,902	121,521			198,423

Notes:

1. The financial information of the Group is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2017 as set out in the Company's published interim report for the six months ended 30 September 2017, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 March 2017 as set out in the Company's published annual report for the year ended 31 March 2017.

2. The financial information of the Target Group is extracted from combined statement of financial position of the Target Group as at 30 September 2017, combined statement of profit or loss and other comprehensive income and combined statement of cash flows for the year ended 31 December 2016 as set out in Appendix II to the circular.

3. The pro forma adjustment represents the combined effect of the Acquisition:

a) Pursuant to the Acquisition Agreement dated 21 June 2017, the Company has conditionally agreed to acquire for and Mr. Li Kwong Yuk (the "Vendor") has conditionally agreed to dispose of the entire equity interest of the Target Company and the amount due to the Vendor for a consideration of HK$1,000 million, which shall be satisfied by the issuance of the zero coupon convertible bonds in the aggregate principal amount of HK$1,000 million at an initial conversion price of HK$0.80 each with the Maturity Date (as defined in the announcement of the Company dated 21 June 2017) (subject to adjustment) (the "Convertible Bonds") by the Company to the Vendor upon Completion.

For the purpose of preparation of unaudited pro forma statement of comprehensive income and unaudited pro forma statement of cash flows, the directors of the Company assumed the convertible bonds were issued upon the completion of Acquisition as if it has taken place on 1 April 2016.

For the purpose of preparation of unaudited pro forma statement of financial position, the directors of the Company assumed the convertible bonds were issued upon the completion of Acquisition as if it has taken place on 30 September 2017.

The fair value of the Convertible Bonds is determined based on the valuation conducted by an independent valuer, CHFT Advisory And Appraisal Ltd. ("CB Valuation") upon the completion of Acquisition as if it has taken place on 30 September 2017.

The Convertible Bonds are considered as compound instruments with liability component, the zero coupon bonds, and the equity component, the conversion features. The fair value of the Convertible Bonds as a whole is determined by using the Binomial Option Pricing Model. The fair value of the liability component of the Convertible Bonds is calculated using cash flows discounted at a rate of 6.30% based on an equivalent market interest rate for equivalent non-convertible bonds using market comparable approach. The discount rate of 6.30% was based on (i) the risk-free rate of 1.30%; (ii) credit spread of 5.00%. Risk-free rate is determined with reference to the market yields of Hong Kong Government Bonds. The credit spread is determined with reference to the comparable corporate bonds with similar credit rating.

The estimated legal and professional fee for issue of Convertible Bonds of approximately HK$100,000 is borne by the Group, which will be allocated to the liability and equity components in proportion to the allocation of the gross proceeds. The adjustment has no continuing effect to the Enlarged Group.

The pro forma fair value of the Convertible Bonds assuming the Acquisition had taken place on 30 September 2017 is summarised as follows:

	HK$'000
Pro forma fair value of convertible bonds	1,014,840
Less: Legal and professional fee for issue of Convertible Bonds	(100)
	1,014,740
Liability component on initial recognition	736,456
Fair value of equity component recognised in reserves	278,284
	1,014,740

The fair value of the Convertible Bonds will have to be reassessed as at the date of completion which may be different from that presented above.

b) The estimated legal and professional fee directly for the Acquisition of approximately HK$1,666,000 is borne by the Group, which will be recognised in profit or loss and as a payable upon completion of Acquisition. The adjustment has no continuing effect to the Enlarged Group.

c) Upon completion of the Acquisition, the assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group using the merger accounting as the Company and the Target Company are both under the control of Mr. Li Kwong Yuk ("Mr. Li"), the controlling shareholder of the Group and ultimate shareholder of the Target Group before and after the date of acquisition, and that control is not transitory. The adjustment represents the recognition of deemed contribution from Mr. Li under merger accounting, the differences amongst the investment cost, the Sales Loan and Director's Loan (as defined in the announcement of the Company dated 21 June 2017), and elimination of the share capital of the Target Company.

The Target Group is indebted to the Vendor and the Vendor's wholly owned subsidiary, i.e. of Zhanjiang Xintai amounts of approximately HK$100,174,000 (the "Director's Loan") and approximately HK$362,306,000 (the "Shareholder's Loan").

Pursuant to the Acquisition Agreement, the Director's Loan due by the Target Group to the Vendor shall be repaid by Certain held for trading investments in the Target Group prior to completion of the Acquisition. In the event that the amount of such assets is less than the Director's Loan, the remaining outstanding Director's Loan shall be unconditionally and irrevocably waived in full by the Vendor.

Pursuant to the Acquisition Agreement, the amount due to Jinse Lanwan of approximately HK$362,306,000 as at 30 September 2017 (the "Sales Loan"), shall be reclassified as intercompany balance upon completion of the Acquisition. The intercompany balance will be eliminated upon consolidation as if the completion of the Acquisition had taken place on 30 September 2017.

d) The pro forma adjustment represents the imputed interest expenses on Convertible Bond of approximately HK$46,405,000 charged to profit or loss, as if the Acquisition had been completed on 1 April 2016. In preparation of the Unaudited Pro Forma Financial Information, it is assumed that the effective interest rate of the Convertible Bond was approximately 6.3%. These interest expenses will have the continuing effect on the consolidated financial statements of the Enlarged Group in subsequent years.

The effective interest rate shall be reassessed on the completion date with reference to the valuation to be carried out by an independent valuer on that day and is therefore subject to change upon completion of the Acquisition.

e) For the purpose of the Unaudited Pro Forma Financial Information, given that the Group and the Target Group are under common control of Mr. Li both before and after the Acquisition, the Acquisition will be accounted for as business combinations under common control and will be accounted for using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. The amount of approximately HK$470,037,000, between the difference between the fair value of the Convertible Bonds, Shareholder's loan, Director's Loan, certain held for trading investments and the share capital of the Target Group as at 30 September 2017 has been debited to merger reserve of the Group.

f) The adjustment represents the reclassification of the repayments to Jinse Lanwan as repayments to a shareholder recorded by the Target Group to repayments to a related company of the Enlarged Group upon the completion of the Acquisition.

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

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

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

The Board of Directors
Dingyi Group Investment Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dingyi Group Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and United Faith Investments Limited (the "Target Company") and its subsidiaries (hereafter collectively referred to as the "Target Group") (together with the Group and the Target Group hereafter referred to as the "Enlarged 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 statement of financial position as at 30 September 2017, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017, the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2017 (the "Unaudited Pro Forma Financial Information") and related notes as set out on pages III-5 to III-12 of the circular in connection with the proposed acquisition of the entire equity share of United Faith Investments Limited (the "Proposed Acquisition"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Notes 1 to 3 to the unaudited pro forma financial information.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 September 2017 and its financial performance and cash flows for the year ended 31 March 2017 as if the Proposed Acquisition had taken place on (i) 1 April 2016 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group; and (ii) 30 September 2017 in respect of the unaudited pro forma statement of financial position of the Enlarged Group. As part of this process, information about the Group's financial position as at 30 September 2017 has been extracted by the Directors from the Group's interim report for the period ended 30 September 2017, while the information about the Group's financial performance and cash flows have been extracted by the Directors from the Group's annual report for the year ended 31 March 2017. Information about the financial position as at 30 September 2017 and the financial performance and cash flows for the year ended 31 December 2016 of the Target Group have been extracted by the Directors from the "Accountants' Report on the Target Group" as set out in Appendix II to the Circular.

Directors' Responsibility for the Unaudited pro forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 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" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 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 the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 30 September 2017 or year ended 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' 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 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589
Hong Kong

28 February 2018

Capitalised terms used in this Appendix IV shall have the same meanings as defined in the relevant reports.

1. FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Set out below is a reproduction of the text contained in the section headed "Management Discussion and Analysis" of the Company's interim report for the six months ended 30 September 2017.

Business Review

The Group's revenue increased from HK$36 million during the six months ended 30 September 2016 to HK$39 million during that of the period in 2017, mainly due to the increase in the revenue from the loan financing business. There was a loss attributable to the Company's owners of HK$138 million, compared to a profit of HK$4 million in last period. The loss during the period was mainly due to the increase in fair value loss on derivative financial assets, the increase in fair value loss on derivative financial liabilities, the increase in the loss arising from changes in fair value of held for trading investments and the realised loss on the disposal of held for trading investments during the period.

The basic and diluted loss per share amounted to HK2.60 cents during the six months ended 30 September 2017, compared with earnings per share of HK0.09 cents for the same period in last year.

Securities Trading

During the period, the Group has actively involved in the securities trading business. The majority of the Group's held for trading investments are the shares under Hang Seng Index or China Enterprises Index or H shares. Most of these shares are of China large corporations ("**Entities**") with high trading volumes and large market capitalization. The Group had realized loss on the disposal of these shares held for trading investments amounting to HK$5 million (2016: realized gain of HK$14 million) during the period under review. The unrealized loss of HK$9 million (2016: HK$23 million) arising from changes in the fair value of the shares still held for trading investments was greatly reduced as compared with that of last year. As a result, the Group reported a segment loss of HK$8 million (2016: a segment profit of HK$9 million) during the period under review. The Group considers that the prospects in respect of the shares still held for trading investments are healthy. The unrealized loss as recorded at period end was due to market fluctuation rather than any problem with the Entities' fundamentals. The Board understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimize the possible financial risks. Also, the Board will closely monitor the performance progress of the investment portfolio from time to time.

As at 30 September 2017 and 31 March 2017, the Group's held for trading investments were represented as follows:

Company Name/Stock Code	% of shareholding as at 30 September 2017	Fair value (loss) gain for the six months ended 30 September 2017	Fair value as at 30 September 2017	% of total assets of the Group as at 30 September 2017	% of shareholding as at 31 March 2017	Fair value as at 31 March 2017	% of total assets of the Group as at 31 March 2017
		HK$'000	*HK$'000*			*HK$'000*	
Securities listed in Hong Kong							
COFCO Meat Holdings Limited (1610) *(Note (a))*	0.897%	(8,728)	65,800	4.04%	0.897%	65,800	5.83%
China Reinsurance (Group) Corporation (1508) *(Note (b))*	0.350%	(1,404)	40,461	2.49%	1.145%	136,845	12.13%
Superb Summit International Group Limited (1228) *(Note (c))*	1.270%	–	18,629	1.15%	1.270%	18,629	1.65%
China Galaxy Securities Co., Ltd. (6881) *(Note (d))*	–	–	3	–	0.098%	25,862	2.29%
CITIC Securities Company Limited (6030) *(Note (e))*	–	–	–	–	0.087%	31,745	2.82%
China Eastern Airlines Corporation Limited (670) *(Note (f))*	–	–	–	–	0.113%	24,196	2.14%
China Southern Airlines Company Limited (1055) *(Note (g))*	–	–	–	–	0.079%	11,836	1.05%
Others *(Note (h))*		1,556	1,269	0.08%		37,630	3.34%
		(8,576)	126,162	7.76%		352,543	31.25%

Notes:

(a) The principal activities of the company and its subsidiaries are investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and import of meat products. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to its owners of RMB226 million for the period ended 30 June 2017. With regards to the future prospects of the company, the Directors noted that the board of directors of the company will create more impressive performance, establish a national renowned brand and become a role model in China's meat industry.

(b) The company and its subsidiaries are mainly engaged in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to equity shareholders of the parent of RMB2.9 billion for the period ended 30 June 2017. With regards to the future prospects of the company, the Directors noted that the company and its subsidiaries will adhere to the spirt of the National Financial Work Conference based on its own actual operation, give play to its advantages and expertise, expedite its deployment and grasp new development opportunities.

(c) The company and its subsidiaries are principally engaged in the exploitation and management of timber resources and sales of coal products and other bulk commodities in the PRC. As disclosed in the unaudited interim report of the company for the six months ended 30 June 2015, it recorded an unaudited net loss attributable to its owners of HK$56.8 million for the six months ended 30 June 2015. With regards to the future prospects of the company, the Directors noted that the management of the company will continue to focus on the implementation of development plans for energy resource products and business. Trading of shares of the company has been suspended since 9:00 a.m. on 15 December 2015.

(d) The company and its subsidiaries are principally engaged in securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, equity investment management. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to its owners of RMB2.3 billion for the period ended 30 June 2017. With regards to the future prospects of the company, the Directors noted that the company will adhere to its strategic objective of "building up a flagship securities brokerage, establishing a modern investment bank". Based on the listing of A Shares and supported by internal system reform, the company will develop its brokerage, investment banking, asset management, investment and internet business, as well as carry out acquisition and merger in overseas market in order to maximize operation results.

(e) The company and its subsidiaries were involved in securities and futures brokerage; securities investment fund distribution and introducing brokerage business for futures companies; agency sale of financial products; securities underwriting and sponsorship; investment advisory and consultancy services; proprietary securities activities; asset management and fund management; margin financing and securities lending; and stock option market-making. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to its owners of the parent of RMB4.9 billion for the period ended 30 June 2017. With regards to the future prospects of the company, the Directors noted that the company will strengthen the development of its communist party committee, enlarge its client market, reinforce and enhance its market position, enhance its trading and investment capabilities, raise capabilities in integrated services, further promote domestic and foreign integration and interaction as well as firmly improve management.

(f) The company and its subsidiaries are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery, tour operations and other extended transportation services. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to its equity holders of RMB4,486 million for the period ended 30 June 2017. With regards to the future prospects of the company, the Directors noted that in view of a relatively complicated external environment and intense market competition, the company and its subsidiaries will actively embrace challenges by focusing on safe operation, marketing, customer services, reform and transformation, streamlining management and party building areas and steadily promote the materialization of all work plans.

(g) The company and its subsidiaries are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services. As disclosed in the interim report of the company for the period ended 30 June 2017, it recorded an unaudited net profit attributable to its equity shareholders of RMB2,772 million for the period ended 30 June 2017. With regards to the business plan of the company, the Directors noted that the company and its subsidiaries will hold on to the safety bottom line, enhance operational efficiency through a variety of measures, insist on offering sincere services, continue to improve "China Southern e-Travel" and step up efforts in hub construction, with an aim to achieve better operating results for the year and bring greater return for their shareholders.

(h) None of these investments represented more than 1% of the total assets of the Group as at 30 September 2017.

Loan Financing

During the period, the Group recorded a revenue of HK$32 million (2016: HK$14 million) and the segment profit was HK$27 million (2016: HK$14 million). The Group will further develop in this segment in order to earn a higher interest income.

Financial Leasing

During the period, the Group has recorded HK$1 million (2016: HK$2 million) of interest income from financial leasing business. The Group will also further develop in this segment in order to earn a high interest income.

Food and Beverages

The food and beverages segment generated a revenue of HK$1 million during the period under review (2016: HK$1 million). The segment reported a loss of HK$1 million (2016: HK$1 million) for the six months period ended 30 September 2017. The revenue and loss were contributed by the restaurant in Beijing, PRC which was acquired on 1 January 2014.

Trading of Wine

The Group has kept certain quantities of fine wines. The stocks will be offered to sell when the market prices are favorable such that the Group can obtain a good return on the trading. At present, the stocks are kept in the wine cellar situated in Hong Kong.

Investment in Shares in Kore

Kore Potash Limited ("**Kore**") (formerly known as "Elemental Minerals Limited") is a mineral exploration and development company listed on the Australian Stock Exchange. It is currently developing the Sintoukola potash project located in the Republic of Congo.

As at the date of this interim report, the Group holds an aggregate of 75,285,511 shares of Kore, representing approximately 9.8% of the entire issued share capital of Kore.

Capital Structure

As at 30 September 2017, the total number of issued shares of the Company was 5,361,448,952 (31 March 2017: 5,397,638,952) of HK$0.01 each (the "**Shares**") and its issued share capital was HK$53,614,490 (31 March 2017: HK$53,976,390). During the period, the details of changes of the capital structure of the Company were set out below:

(i) On 3 April 2017, a total of 350,000 share options were exercised at an exercise price of HK$0.375 per Share and these 350,000 Shares were allotted and issued on 3 April 2017;

(ii) On 11 April 2017, a total of 10,000,000 share options were exercised at an exercise price of HK$0.477 per Share and these 10,000,000 Shares were allotted and issued on 12 April 2017;

(iii) On 23 April 2017, a total of 2,375,000 share options were exercised at an exercise price of HK$0.375 per Share and these 2,375,000 Shares were allotted and issued on 10 May 2017;

(iv) On 25 April 2017, a total of 1,165,000 share options were exercised at an exercise price of HK$0.375 per Share and these 1,165,000 Shares were allotted and issued on 10 May 2017;

(v) On 25 April 2017, a total of 600,000 share options were exercised at an exercise price of HK$0.375 per Share and these 600,000 Shares were allotted and issued on 18 May 2017;

(vi) On 26 April 2017, a total of 715,000 share options were exercised at an exercise price of HK$0.375 per Share and these 715,000 Shares were allotted and issued on 10 May 2017;

(vii) On 26 April 2017, a total of 715,000 share options were exercised at an exercise price of HK$0.375 per Share and these 715,000 Shares were allotted and issued on 18 May 2017;

(viii) On 8 May 2017, a total of 79,825,000 repurchased Shares were cancelled;

(ix) On 12 May 2017, a total of 10,000,000 share options were exercised at an exercise price of HK$0.738 per Share and these 10,000,000 Shares were allotted and issued on 18 May 2017;

(x) On 26 May 2017, a total of 12,715,000 share options were exercised at an exercise price of HK$0.375 per Share and these 12,715,000 Shares were allotted and issued on 29 May 2017;

(xi) On 14 June 2017, a total of 2,000,000 share options were exercised at an exercise price of HK$0.738 per Share and these 2,000,000 Shares were allotted and issued on 15 June 2017;

(xii) On 3 July 2017, a total of 1,000,000 share options were exercised at an exercise price of HK$0.738 per Share and these 1,000,000 Shares were allotted and issued on 4 July 2017;

(xiii) On 7 July 2017, a total of 1,000,000 share options were exercised at an exercise price of HK$0.738 per Share and these 1,000,000 Shares were allotted and issued on 10 July 2017; and

(xiv) On 25 July 2017, a total of 1,000,000 share options were exercised at an exercise price of HK$0.738 per Share and these 1,000,000 Shares were allotted and issued on 27 July 2017.

Save as disclosed above, there was no change in the capital structure of the Company during the period under review.

Letter of Intent for Establishment of Joint Venture Company

On 17 June 2016, the Company entered into a non-legally binding letter of intent with D&R Asset Management Group Co., Ltd. ("**D&R**") to establish a joint venture company. The total commitment of capital contribution to be made to the joint venture company is estimated to be RMB200 million, of which RMB98 million is proposed to be contributed by the Company and RMB102 million is proposed to be contributed by D&R. As at the date of this interim report, the parties to the letter of intent are still negotiating for the possible cooperation. Further announcement in relation to the letter of intent will be made by the Company as and when appropriate. Details of the transaction were disclosed in the announcement of the Company dated 17 June 2016.

Issue and Completion of Convertible Bonds under General Mandate

On 23 December 2016 (after trading hours), the Company entered into the subscription agreements (the "**Subscription Agreements**") with each of Toplist Investments Limited ("**Toplist**"), CFC Group Limited ("**CFC Group**"), Safe Arena Limited ("**Safe Arena**"), Ms. Song Ning ("**Ms. Song**") and Ms. Mei Yuanyuan ("**Ms. Mei**") in relation to the issue of convertible bonds (the "**Convertible Bonds**") in an aggregate principal amount of HK$850 million. The Convertible Bonds will mature in the third anniversary of the issue of the Convertible Bonds. The initial conversion price of the Convertible Bonds is HK$0.85 per conversion share. The gross proceeds from the issue of the Convertible Bonds will be HK$850 million. The net proceeds from the issue of the Convertible Bonds of approximately HK$849.5 million are intended to be used to fund the Group's business development including, in particular, the setup of the Group's medical management company utilising advanced medical technologies and equipment to focus on the field of oncology treatment and operation management and to replenish the working capital of the Group. The net price per conversion share to be issued is approximately HK$0.8495. The conversion shares will be issued by the Company pursuant to the general mandate (the "**General Mandate**") granted to the Directors at the annual general meeting held on 2 September 2016. Under the General Mandate, the Company is authorised to issue up to 1,070,277,790 Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of the Subscription Agreements.

On 17 February 2017, all conditions precedent under the CFC Group Subscription Agreement had been fulfilled. Completion of the CFC Group Subscription Agreement took place and the CFC Group Convertible Bonds in the principal amount of HK$220 million were issued to CFC Group on 17 February 2017.

On 3 March 2017 (after trading hours), the Company entered into an extension letter with each of Safe Arena, Ms. Song and Ms. Mei (the "**Remaining Subscribers**") to extend the completion date from the 45th business day to the 105th business day following the date of the Remaining Subscription Agreements, or such other date as the Company and the Remaining Subscribers may agree in writing. Save and except for the extension of the completion date, all other terms and provisions of the Remaining Subscription Agreements shall remain the same and unchanged and the Remaining Subscription Agreements shall remain in full force and effect.

On 3 March 2017 (after trading hours), the Company and Toplist had mutually agreed to enter, and had entered, into the deed of termination to terminate the Toplist Subscription Agreement and hence the issue of Convertible Bonds in the principal amount of HK$400 million to Toplist shall not proceed.

On 3 March 2017 (after trading hours), the Company and Gala Blossom Limited ("**Gala Blossom**") had mutually agreed to enter, and had entered, into the Gala Blossom Subscription Agreement in relation to the issue of the Gala Blossom Convertible Bonds under General Mandate in the principal amount of HK$400 million. The Gala Blossom Convertible Bonds will mature in the third anniversary of the issue of the Gala Blossom Convertible Bonds. The initial conversion price of the Gala Blossom Convertible Bonds is HK$0.85 per conversion share. The gross proceeds from the issue of the Gala Blossom Convertible Bonds amounted to HK$400 million. The net proceeds from the issue of the Gala Blossom Convertible Bonds of approximately HK$399.9 million are intended to be used to set up medical management company in the PRC, which includes some small scale acquisitions of medical companies and hospitals. The net price per Gala Blossom Conversion Share is approximately HK$0.8498.

On 20 March 2017, the Company decided to change the use of not exceeding HK$250 million out of the net proceeds of approximately HK$849.5 million raised from the issue of Convertible Bonds under the General Mandate would temporarily be used for short-term loan financing business, rather than for the intended medical business, of the outstanding subscription agreements.

On 28 April 2017, all conditions precedent under the Safe Arena Subscription Agreement and Ms. Mei Subscription Agreement have been fulfilled. Partial completion of the Safe Arena Subscription Agreement and completion of Ms. Mei Subscription Agreement took place and the Safe Arena Issued Convertible Bonds in the principal amount of HK$68.5 million and Ms. Mei Convertible Bonds in the principal amount of HK$20 million were issued on 28 April 2017.

On 11 May 2017 (after trading hours), the Company entered into an extension letter with Gala Blossom to extend the completion date from the 45th business day to the 80th business day following the date of the Gala Blossom Subscription Agreement, or such other date as the Company and Gala Blossom may agree in writing. Save and except for the aforesaid extension of the completion date, all other terms and provisions of the Gala Blossom Subscription Agreement shall remain the same and unchanged and the Gala Blossom Subscription Agreement shall remain in full force and effect.

On 5 June 2017, all conditions precedent under the Safe Arena Subscription Agreement and Ms. Song Subscription Agreement have been fulfilled. Completion of the Safe Arena Subscription Agreement and completion of Ms. Song Subscription Agreement took place and the Safe Arena Issued Convertible Bonds in the principal amount of HK$91.5 million and Ms. Song Convertible Bonds in the principal amount of HK$50 million were issued on 5 June 2017.

On 28 June 2017, all conditions precedent under the Gala Blossom Subscription Agreement of the Gala Blossom Convertible Bonds had been fulfilled. Partial completion of the Gala Blossom Convertible Bonds took place and the Gala Blossom Convertible Bonds in the principal amount of HK$170 million were issued to Gala Blossom on 28 June 2017.

On 30 June 2017, all conditions precedent under the Gala Blossom Subscription Agreement of the Gala Blossom Convertible Bonds had been fulfilled. Completion of the Gala Blossom Convertible Bonds has taken place and the Gala Blossom Convertible Bonds in the principal amount of HK$230 million were issued to Gala Blossom on 30 June 2017.

On 29 September 2017, the Company decided to change the use of not exceeding HK$276.09 million out of the net proceeds of total approximately HK$549.9 million raised from the issue of Convertible Bonds under the General Mandate would be used for short-term loan financing business, to avoid funding idle.

Details of the above transactions were disclosed in the announcements of the Company dated 23 December 2016, 20 February 2017, 3 March 2017, 20 March 2017, 28 April 2017, 11 May 2017, 5 June 2017, 28 June 2017, 30 June 2017 and 29 September 2017 respectively.

As at the date of this interim report, the Company received the net proceeds from the Subscription Agreements and the Gala Blossom Subscription Agreement of total approximately HK$849.6 million, of which (i) HK$526.09 million was used for short-term loans financing business; (ii) HK$101.6 million was used for setup the joint venture company in the PRC for the investment advisory services, wholesale and retails of pharmaceutical; (iii) HK$170 million was fully used for setup the Joint Venture 2 Company in the PRC for the investment in hospitals and medical projects especially in proton medical center projects, medical technology research and development including proton accelerator; and (iv) the remaining amount of around HK$51.91 million was used as working capital.

Further Issue and Completion of Convertible Bonds under General Mandate

On 21 February 2017 (after trading hours), the Company entered into the subscription agreement (the "**CFC Group Subscription Agreement 2**") with CFC Group in relation to the issue of the convertible bonds (the "**CFC Group Convertible Bonds 2**") in the principal amount of HK$59.5 million. The gross proceeds from the issue of the CFC Group Convertible Bonds 2 will be HK$59.5 million. The CFC Group Convertible Bonds 2 will mature in the third anniversary of the issue of the CFC Group Convertible Bonds 2. The initial conversion price of the CFC Group Convertible Bonds 2 is HK$0.85 per conversion share. The net proceeds from the issue of the CFC Group Convertible Bonds 2 of approximately HK$59.4 million are intended to be used as general working capital of the Group. The net price per conversion share to be issued is approximately HK$0.849. The conversion shares will be issued by the Company pursuant to the General Mandate.

On 3 March 2017 (after trading hours), the Company and CFC Group had mutually agreed to enter, and had entered, into a supplemental agreement to clarify the rights of CFC Group if the Company is to conduct any consolidation or subdivision of the Shares before the maturity date of the convertible bonds which may be issued to CFC Group under the CFC Group Subscription Agreement 2 dated 21 February 2017.

On 14 March 2017, all conditions precedent under the CFC Group Subscription Agreement 2 had been fulfilled. Completion of the CFC Group Subscription Agreement 2 took place and the CFC Group Convertible Bonds 2 in the principal amount of HK$59.5 million were issued to CFC Group on 14 March 2017.

Details of the above transactions were disclosed in the announcements of the Company dated 21 February 2017, 3 March 2017 and 15 March 2017 respectively.

As at the date of this interim report, the Company received the net proceeds from the CFC Group Subscription Agreement 2 of approximately HK$59.4 million has been utilized as working capital.

Discloseable Transaction – Formation of Joint Ventures

On 12 May 2017, 和佳醫療投資管理(浙江)有限公司 (Hoping Medical Investment Limited (Zhejiang)*) ("**Hoping Medical**"), an indirectly wholly-owned subsidiary of the Company, entered into the joint venture agreement (the "**JV Agreement**") with an independent third party, 中核新能投資有限公司 (China CNNE Investment Limited*) ("**CCIL**"), and the joint venture company (the "**Joint Venture Company**") to form a joint venture for the investment advisory services, wholesale and retails of pharmaceutical, the development, transfer, advices and services on the field on pharmaceutical technologies (the "**Transaction**"). Before the Transaction, the entire issued share capital of the Joint Venture Company is held by CCIL. Upon completion of the Transaction, the Joint Venture Company will be owned as to 70% by CCIL and 30% by Hoping Medical. The parties expect that they will invest up to an aggregate of RMB250,000,000 (equivalent to approximately HK$282,250,000) into the Joint Venture Company, of which RMB90,000,000 (equivalent to approximately HK$101,610,000) will be contributed by the Company.

Details of the Transaction were disclosed in the announcement of the Company dated 12 May 2017.

On 14 June 2017, Hoping Medical entered into the joint venture agreement (the "**JV Agreement 2**") with CCIL and the joint venture company (the "**Joint Venture 2 Company**") to form a joint venture for the investment in hospitals and medical projects especially in proton medical center projects; medical technology research and development including proton accelerator and supporting scientific laboratory equipment; medical network technology development; medical robot research and development; hospital management; medical equipment technology development, advice and services (the "**Second Transaction**"). Upon completion of the Second Transaction, the Joint Venture 2 Company will be owned as to 76.92% by CCIL and 23.08% by Hoping Medical. The parties expect that they will invest up to an aggregate of RMB650,000,000 (equivalent to approximately HK$746,200,000) into the Joint Venture 2 Company, of which RMB150,000,000 (equivalent to approximately HK$172,200,000) will be contributed by the Company.

As the JV Agreement and the JV Agreement 2 were entered into by Hoping Medical with the same party, CCIL, in relation to the formation of Joint Venture Company and Joint Venture 2 Company respectively. The Transaction and Second Transaction should be determined as an aggregated transactions of the Company under Rules 14.22 and 14.23 of the Listing Rules. Therefore, as the highest of the applicable percentage ratios of the Second Transaction is expected to exceed 25% but each of the applicable percentage ratios is less than 100%, the Second Transaction constitute a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Details of the Second Transaction were disclosed in the announcements of the Company dated 14 June 2017, 13 July 2017, 26 July 2017, 28 August 2017, 20 September 2017, 29 September 2017 and 31 October 2017 respectively.

Very Substantial Acquisition and Connected Transaction

On 21 June 2017 (after trading hours), the Company as the purchaser and Mr. Li Kwong Yuk, being a controlling shareholder, an Executive Director and the Chairman of the Company, as the vendor ("**Mr. Li**" or the "**Vendor**") entered into the acquisition agreement (the "**Acquisition Agreement**") pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest in United Faith Investments Limited (the "**Target Company**"), which is wholly-owned by the Vendor, for the consideration of HK$1,000 million. Pursuant to the Acquisition Agreement, the consideration of HK$1,000 million shall be satisfied by the issuance of the convertible bonds ("**Mr. Li Convertible Bonds**") in the aggregate principal amount of HK$1,000 million to be issued by the Company to the Vendor under the specific mandate to be sought from the independent shareholders (the "**Independent Shareholders**") (other than Mr. Li, Mr. Su Xiaonong, an Executive Director and the Chief Executive Officer of the Company, and their respective associates who are required to abstain from voting at the special general meeting) at the special general meeting of the Company to be convened to allot and issue the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to Mr. Li Convertible Bonds. The initial conversion price of Mr. Li Convertible Bonds is HK$0.8 per conversion share.

The Target Company and its subsidiaries are undergoing the reorganization. Upon completion of the reorganization, the Target Company will indirectly hold 100% equity interest in 湛江鑫泰投資有限公司 (Xintai Investment Company Limited*) ("**Xintai**"). Xintai is principally engaged in the development, operation and investment of property. Xintai also holds 公園一號 (One Parkview*), a complex land use development which is located at No. 218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC (the "**Properties**"). Xintai holds the Existing Land Use Right Certificates (with a total site area of approximately 106,140 square meters) in respect of the Properties. The Properties comprises of three phases, (i) phase I comprises of two blocks of residential buildings with a number of retail shops, car parks and facilities; (ii) phase II comprises of four blocks of residential buildings with a number of car parks and facilities; and (iii) phase III is a vacant land.

This transaction has not yet been completed up to the date of this interim report.

Details of the transaction were disclosed in the announcements of the Company dated 21 June 2017, 12 July 2017, 31 August 2017, 29 September 2017 and 31 October 2017 respectively.

Events after Reporting Period

Grant and exercise of share options

On 19 October 2017, the Board granted and the grants were accepted by the eligible participants as defined in the Share Option Scheme in respect of 536,000,000 share options at an exercise price of HK$0.488 per Share.

On 30 October 2017, the Company received the exercise notice from the grantee to exercise a total of 48,000,000 share options at an exercise price of HK$0.488 per Share and 48,000,000 Shares were issued on 30 October 2017.

On 31 October 2017, the Company received the exercise notices from the grantees to exercise an aggregate of 383,000,000 share options at an exercise price of HK$0.488 per Share and 383,000,000 Shares were issued on 31 October 2017.

On 31 October 2017, the Company received the exercise notices from the grantees to exercise an aggregate of 26,500,000 share options at an exercise price of HK$0.477 per Share and 26,500,000 Shares were issued on 31 October 2017.

On 31 October 2017, the Company received the exercise notice from a Director to exercise a total of 13,300,000 share options at an exercise price of HK$0.375 per Share and 13,300,000 Shares were issued on 31 October 2017.

Strategy and Outlook

The Company has been selected as a constituent stock of Hang Seng Global Composite Index and Hang Seng Composite Index and its subdivisions of: Hang Seng Composite SmallCap Index, Hang Seng Composite MidCap & SmallCap Index and Hang Seng Composite Industry Index – Financials, by the Hang Seng Indexes Company Limited, with effect on 4 September 2017. The Board is of the view that the Company's inclusion in the market benchmark index represents capital market's recognition of the Company, and is expected to expand shareholder base and trading liquidity of the Company, resulting in realization of the value of investment in the Company and enhancement of the Company's reputation in the capital market.

Apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing and financial leasing, the Group will continue to explore other potential investment opportunities with reasonable returns that meet the Company's criteria. This will not only strengthen our core business but also increase the shareholders' values. The Group has been exploring some investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects and investment and asset management. Also the Company is setting up medical management companies utilising advanced medical technologies and equipment to focus on the field of proton medical treatment in the PRC.

2. FOR THE YEAR ENDED 31 MARCH 2017

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of the Company's annual report for the year ended 31 March 2017.

Business Review

The Group's revenue from its continuing operations during the year under review amounted to approximately HK$54 million or HK$13 million more than that during the previous year. There was a loss for the year attributable to the Company's owners of approximately HK$470 million (2016: HK$511 million) which included a fair value loss on derivative financial liabilities amounted to approximately HK$279 million (2016: HK$213 million), loss arising from changes in fair value of held for trading investments amounted to approximately HK$40 million (2016: HK$171 million) and the share-based payment expenses of approximately HK$163 million (2016: HK$111 million).

The basic and diluted loss per share was HK9.06 cents, as compared with loss per share of HK11.54 cents last year.

Securities Trading

During the year, the Group has actively involved in the securities and futures contracts trading business. The majority of the Group's held for trading investments are those shares under Hang Seng Index or China Enterprises Index or H shares. Most of these shares are of China large corporations ("**Entities**") with high trading volumes and large market capitalization. The Group had achieved realised gain on the disposal of these shares held for trading investments amounting to approximately HK$26 million (2016: HK$37 million) during the year under review. The loss of approximately HK$40 million (2016: HK$171 million) arising from changes in the fair value of the shares still held for trading investments was greatly reduced as compared with that of last year. As a result, the Group reported a segment gain of approximately HK$6 million (2016: segment loss of approximately HK$131 million) during the year under review. Given the realised gain and segment gain during the year, the Group had shown a good performance in the trading investments. The Group considers that the prospects in respect of the shares still held for trading investments are healthy. The unrealised loss as recorded at the year end was due to market fluctuation rather than any problem with the Entities' fundamentals. The Board understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimize the possible financial risks. Also, the Board will monitor the performance progress of the investment portfolio closely from time to time.

As at 31 March 2017 and 2016, the Group's held for trading investments were represented as follows:

Company Name/Stock Code	% of shareholding as at 31 March 2017	Fair value gain (loss) for the year ended 31 March 2017 *HK$'000*	Fair value as at 31 March 2017 *HK$'000*	% of total assets of the Group as at 31 March 2017	% of shareholding as at 31 March 2016	Fair value as at 31 March 2016 *HK$'000*	% of total assets of the Group as at 31 March 2016
Securities listed in Hong Kong							
China Reinsurance (Group) Corporation (1508) *(note (a))*	1.145%	(22,171)	136,845	12.13%	1.145%	159,015	14.70%
COFCO Meat Holdings Ltd. (1610) *(note (b))*	0.897%	(4,905)	65,800	5.83%	–	–	–
CITIC Securities Company Limited (6030) *(note (c))*	0.087%	(4,325)	31,745	2.82%	0.190%	78,602	7.26%
China Galaxy Securities Co., Ltd. (6881) *(note (d))*	0.098%	(1,371)	25,862	2.29%	0.235%	65,466	6.05%
China Eastern Airlines Corporation Limited (670) *(note (e))*	0.113%	1,315	24,196	2.14%	0.218%	44,240	4.09%
Superb Summit International Group Limited (1228) *(note (f))*	1.270%	(8,250)	18,629	1.65%	1.270%	26,879	2.48%
China Southern Airlines Company Limited (1055) *(note (g))*	0.079%	1,078	11,836	1.05%	–	–	–
Quam Limited (952) *(note (h))*	0.501%	1,363	8,706	0.77%	0.818%	11,989	1.11%
China Construction Bank Corporation (939) *(note (i))*	0.001%	96	462	0.04%	0.014%	166,191	15.36%
Industrial and Commercial Bank of China Limited (1398)	–	–	–	–	0.007%	26,040	2.41%
Bank of China Ltd (3988)	–	–	–	–	0.005%	12,880	1.19%
Others *(note (j))*		(2,581)	28,462	2.53%		38,608	3.57%
		(39,751)	352,543	31.25%		629,910	58.22%

Notes:

(a) The company and its subsidiaries are mainly engaged in property and casualty reinsurance, life and health reinsurance, primary property and casualty insurance, asset management and other businesses. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to equity shareholders of the parent of RMB5.2 billion for the year ended 31 December 2016. With regards to the future prospects of the company, the Directors noted that the company and its subsidiaries will speed up its development and expand its scale on the basis of strict risk control and stable business profitability and will adhere to the "One-Three-Five" strategy, accelerate optimization of business layout, actively nurture new growth opportunities, continue to expand the scopes of serving economic and social development and social securities.

(b) The principal activities of the company and its subsidiaries are investment holding, hog production, livestock slaughtering, poultry husbandry, sales of fresh and frozen meats, manufacture and sales of meat products, and import of meat products. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to its owners from continuing and discontinued operations of RMB952 million for the year ended 31 December 2016. With regards to the future prospects of the company, the Directors noted that the board of directors of the company is confident to continue to create impressive performance, establish a national renowned brand and become a role model in China's meat industry.

(c) The company and its subsidiaries were involved in securities and futures brokerage; securities investment fund distribution and introducing brokerage business for futures companies; agency sale of financial products; securities underwriting and sponsorship; investment advisory and consultancy services; proprietary securities activities; asset management and fund management; margin financing and securities lending; and stock option market-making. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to its owners of the parent of RMB10.4 billion for the year ended 31 December 2016. With regards to the future prospects of the company, the Directors noted that the company will strengthen the development of its communist party committee, enlarge its client market, reinforce and enhance its market position, enhance its trading and investment capabilities, raise capabilities in integrated services, further promote domestic and foreign integration and interaction as well as firmly improve management.

(d) The company and its subsidiaries are principally engaged in securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, equity investment management. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to its owners of RMB5.2 billion for the year ended 31 December 2016. With regards to the future prospects of the company, the Directors noted that the company will grasp the currently rare opportunities in the securities industry and actively respond to the fierce competition to adapt to the new normal in economic growth and the new trend in the development of the securities market. It will promote the coordinated development of big brokerage, big investment banking, big asset management, big investment, Internet and overseas M&As businesses based on the listing of A Shares with the reform of the internal mechanisms as the guarantee to improve the capacities of the company in serving national strategies and real economies.

(e) The company and its subsidiaries are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery, tour operations and other extended transportation services. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to its equity holders of RMB4,498 million for the year ended 31 December 2016. With regards to the future prospects of the company, the Directors noted that the company and its subsidiaries will seize the opportunities arising from the steady implementation of national strategies such as "One Belt One Road" and supply-side structural reforms, the rising tourism and consumption demand, the market-oriented pricing in civil aviation and the advantages of Shanghai as a hub, and focus on the seven areas in order to achieve better operating results.

(f) The company and its subsidiaries are principally engaged in the exploitation and management of timber resources and sales of coal products and other bulk commodities in the PRC. As disclosed in the unaudited interim report of the company for the six months ended 30 June 2015, it recorded an unaudited net loss attributable to its owners of HK$56.8 million for the six months ended 30 June 2015. With regards to the future prospects of the company, the Directors noted that the management of the company will continue to focus on the implementation of development plans for energy resource products and business. Trading of shares of the company has been suspended since 9:00 a.m. on 15 December 2015.

(g) The company and its subsidiaries are principally engaged in the operation of civil aviation, including the provision of passenger, cargo, mail delivery and other extended transportation services. As disclosed in the annual report of the company for the year ended 31 December 2016, it recorded an audited net profit attributable to its equity shareholders of RMB5,044 million for the year ended 31 December 2016. With regards to the business plan of the company, the Directors noted that the company will focus on (i) continuously improve the level of safety management; (ii) continuously optimize the fleet structure based on the market environment; (iii) create a first-class international service brand with sincere service; (iv) accelerate adaptation to new changes and further raise the capability in operation assurance; (v) vigorously strengthen the hub construction and continuously expand the effectiveness of transition; (vi) expedite the construction of the "China Southern e-Travel" and consolidate the competitive advantages; and (vii) fully utilize the important functions of financial management, and focus on cost control.

(h) The company and its subsidiaries are principally engaged in discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; corporate finance advisory and general advisory services; fund management, discretionary portfolio management and portfolio management advisory services; investor relation, online advertising and financial information services; and investment holding and securities trading. As disclosed in the annual results announcement of the company for the year ended 31 March 2017, it recorded an audited net loss attributable to owners of the company of HK$57.9 million for the year ended 31 March 2017. With regards to the future prospects of the company, the Directors noted that the company intended to expand its reach into structured financing covering both general offers, block trades and in house products while seeding new funds. The company expects to develop closer relationships with Oceanwide Holdings Co., Ltd. and its subsidiaries and its client base by offering assistance in Hong Kong and the international market involving mergers and acquisitions.

(i) The principal activities of the bank and its subsidiaries are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. As disclosed in the annual report of the bank for the year ended 31 December 2016, it recorded an audited net profit attributable to its equity shareholders of RMB231.5 billion for the year ended 31 December 2016. With regards to the future prospects of the bank, the Directors noted that the bank will focus on the real economy service and supply-side structural reform with right insight on the macro trend, constantly consolidate the foundation for further development and deliver transformation bonus so as to bring good returns to its shareholders and customers.

(j) None of these investments represented more than 1% of the total assets of the Group as at 31 March 2017.

Loan Financing

During the year, the Group recorded a revenue of HK$28 million (2016: HK$25 million) and the segment profit was HK$27 million (2016: HK$24 million). The Group will further develop in this segment in order to earn a higher interest income.

Financial Leasing

During the year, the Group has recorded HK$2 million (2016: HK$4 million) of interest income and HK$2 million (2016: HK$4 million) of segment profit from financial leasing business.

Food and Beverages

The food and beverages segment generated a revenue of HK$4 million during the year under review (2016: HK$8 million). The segment reported a loss of HK$1 million (2016: HK$1 million) for the current year due to the decrease in turnover and the increase in gross margin. The profit and loss were contributed by the restaurant in Beijing, PRC which was acquired on 1 January 2014.

Trading of Wine

The Group has kept certain quantities of fine wines. The stocks will be offered to sell when the market prices are favorable such that the Group can obtain a good return on the trading. At present, the stocks are kept in the wine cellar situated in Hong Kong.

Investment in Shares in Kore

Kore Potash Limited ("**Kore**") (formerly known as "Elemental Minerals Limited") is a mineral exploration and development company listed on the Australian Stock Exchange. It is currently developing the Sintoukola potash project located in the Republic of Congo.

As at the date of this annual report, the Group holds an aggregate of 75,141,924 shares of Kore, representing approximately 9.78% of the entire issued share capital of Kore.

Capital Structure

As at 31 March 2017, the total number of issued shares of the Company was 5,397,638,952 (31 March 2016: 4,977,281,528) of HK$0.01 each (the "**Shares**") and its issued share capital was HK$53,976,390 (31 March 2016: HK$49,772,815). During the year, the details of changes of the capital structure of the Company were set out below:

(i) On 19 May 2016, a total of 8,430,000 share options were exercised at an exercise price of HK$0.375 per Share and these 8,430,000 Shares were allotted and issued on 20 May 2016;

(ii) On 16 May 2016, a total of 10,000,000 share options were exercised at an exercise price of HK$0.375 per Share and these 10,000,000 Shares were allotted and issued on 23 May 2016;

(iii) On 8 June 2016, a total of 72,100,000 repurchased Shares were cancelled;

(iv) On 6 July 2016, Wincon Capital Investment Limited exercised the rights attaching to the convertible bonds to subscribe 424,242,424 Shares at conversion price of HK$0.33 per conversion share and these 424,242,424 Shares were allotted and issued on the same date;

(v) On 8 July 2016, a total of 1,660,000 share options were exercised at an exercise price of HK$0.375 per Share and these 1,660,000 Shares were allotted and issued on 11 July 2016;

(vi) On 26 July 2016, a total of 1,875,000 share options were exercised at an exercise price of HK$0.375 per Share and these 1,875,000 Shares were allotted and issued on 29 July 2016;

(vii) On 12 January 2017, a total of 2,375,000 share options were exercised at an exercise price of HK$0.375 per Share and these 2,375,000 Shares were allotted and issued on 18 January 2017;

(viii) On 15 January 2017, a total of 2,375,000 share options were exercised at an exercise price of HK$0.375 per Share and these 2,375,000 Shares were allotted and issued on 18 January 2017;

(ix) On 15 March 2017, a total of 1,200,000 share options were exercised at an exercise price of HK$0.375 per Share and these 1,200,000 Shares were allotted and issued on 21 March 2017;

(x) On 30 March 2017, a total of 41,500,000 share options were exercised at an exercise price of HK$0.477 per Share and these 41,500,000 Shares were allotted and issued on 31 March 2017; and

(xi) On 31 March 2017, a total of 1,200,000 repurchased Shares were cancelled.

Save as disclosed above, there was no change in the capital structure of the Company during the year under review.

Major Transaction – Participation in Cooperation Agreement

On 25 September 2015, 鼎億金匯(深圳)投資咨詢有限公司 ("**Dingyi Jinhui**"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "**Cooperation Agreement**") committing to provide 38% funding for the acquisition (the "**Xibu Yungu's Acquisition**") by a joint venture company, 深圳市西部雲谷投資有限責任公司 ("**Xibu Yungu**"), and the acquisition (the "**Xumao Ventures' Further Acquisition**") by Xumao Ventures Limited ("**Xumao Ventures**"), as a nominee of Xibu Yungu. Xibu Yungu then entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire 80% equity interest in 金時代投資顧問(深圳)有限公司 ("**Jinshidai**") and related shareholders' loans (the "**Acquisition**") from the vendors of Jinshidai (the "**Jinshidai Vendors**"), whereas Xumao Ventures entered into a sale and purchase agreement (the "**Sales and Purchase Agreement**") to acquire 100% equity interest in Think Right Developments Limited. The Cooperation Agreement was entered into to provide cash funding for the total acquisition consideration of RMB1,060,800,000 for Xibu Yungu's Acquisition and Xumao Ventures' Further Acquisition. The Group will provide its portion (i.e. Dingyi Jinhui's 38%) of the funding by its internal resources and/or through other financing methods. The Cooperation Agreement has provided that the maximum commitment by Dingyi Jinhui towards the acquisitions is capped at RMB403,104,000.

The Company has been informed by Xibu Yungu that, despite of repeated reminders by Xibu Yungu to the Jinshidai Vendors, the Jinshidai Vendors have not performed in accordance with the terms of the Acquisition Agreement. On 29 January 2016, Xibu Yungu submitted an application for arbitration to the Shenzhen Arbitration Commission(深圳仲裁委員會)(the "**Commission**") seeking specific performance of the Acquisition Agreement and damages against the Jinshidai Vendors. The application has been accepted by the Commission on the same date.

The Company had been informed by Xibu Yungu that on 11 April 2016, Jinshidai Vendors, Parkwill Group Limited, Xibu Yungu and Xumao Ventures entered into a settlement agreement (the "**Settlement Agreement**") to settle the arbitration claim by Xibu Yungu to the commission seeking specific performance of the Acquisition Agreement and damages against the Jinshidai Vendors (the "**Arbitration**").

Under the Settlement Agreement, the Jinshidai Vendors agreed to make a payment of RMB38,000,000 to settle the Arbitration and related proceedings. Xibu Yungu had received the payment during the year.

The Group had only provided the funding of RMB38,000,000 to Xibu Yungu as capital injection and such funding has been refunded to the Group in view of the cessation of the Acquisition.

After deducting the costs and expenses in relation to the Acquisition Agreement, the Sale and Purchase Agreement and the Settlement Agreement from the settlement of RMB38,000,000 by the Jinshidai Vendors, the Group received a share of 38% of the remaining balance, approximately HK$9 million, as other income.

Details of the transaction were disclosed in the announcements of the Company dated 25 September 2015, 29 September 2015, 2 October 2015, 9 October 2015, 30 November 2015, 9 December 2015, 29 January 2016, 12 April 2016 and 27 April 2016.

Letter of Intent for Establishment of Joint Venture Company

On 17 June 2016, the Company entered into a non-legally binding letter of intent with D&R Asset Management Group Co., Ltd. ("**D&R**") to establish a joint venture company. The total commitment of capital contribution to be made to the joint venture company is estimated to be RMB200 million, of which RMB98 million is proposed to be contributed by the Company and RMB102 million is proposed to be contributed by D&R. As at the date of this annual report, the parties to the letter of intent are still negotiating for the possible cooperation. Further announcement in relation to the letter of intent will be made by the Company as and when appropriate. Details of the transaction were disclosed in the announcement of the Company dated 17 June 2016.

Grant of Share Options

The share option scheme was adopted by the Company on 21 September 2012 (the "**Share Option Scheme**").

On 19 December 2016, the Board granted and the grants were accepted by the eligible participants as defined in the Share Option Scheme in respect of 535,000,000 share options at an exercise price of HK$0.738 per Share.

Details of the above grant of share options were disclosed in the announcement of the Company dated 19 December 2016.

Issue and Completion of Convertible Bonds under General Mandate

On 23 December 2016 (after trading hours), the Company entered into the subscription agreements (the "**Subscription Agreements**") with each of Toplist Investments Limited ("**Toplist**"), CFC Group Limited ("**CFC Group**"), Safe Arena Limited ("**Safe Arena**"), Ms. Song Ning ("**Ms. Song**") and Ms. Mei Yuanyuan ("**Ms. Mei**") in relation to the issue of convertible bonds (the "**Convertible Bonds**") in an aggregate principal amount of HK$850 million. The Convertible Bonds will mature in the third anniversary of the issue of the Convertible Bonds. The initial conversion price of the Convertible Bonds is HK$0.85 per conversion share. The gross proceeds from the issue of the Convertible Bonds will be HK$850 million. The net proceeds from the issue of the Convertible Bonds of approximately HK$849.5 million are intended to be used to fund the Group's business development including, in particular, the setup of the Group's medical management company utilising advanced medical technologies and equipment to focus on the field of oncology treatment and operation management and to replenish the working capital of the Group. The net price per conversion share to be issued is approximately HK$0.8495. The conversion shares will be issued by the Company pursuant to the general mandate (the "**General Mandate**") granted to the Directors at the annual general meeting held on 2 September 2016. Under the General Mandate, the Company is authorised to issue up to 1,070,277,790 Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the date of the Subscription Agreements.

On 17 February 2017, all conditions precedent under the CFC Group Subscription Agreement had been fulfilled. Completion of the CFC Group Subscription Agreement took place and the CFC Group Convertible Bonds in the principal amount of HK$220 million were issued to CFC Group on 17 February 2017.

On 3 March 2017 (after trading hours), the Company entered into an extension letter with each of Safe Arena, Ms. Song and Ms. Mei (the "**Remaining Subscribers**") to extend the completion date from the 45th business day to the 105th business day following the date of the Remaining Subscription Agreements, or such other date as the Company and the Remaining Subscribers may agree in writing. Save and except for the extension of the completion date, all other terms and provisions of the Remaining Subscription Agreements shall remain the same and unchanged and the Remaining Subscription Agreements shall remain in full force and effect.

On 3 March 2017 (after trading hours), the Company and Toplist had mutually agreed to enter, and had entered, into the deed of termination to terminate the Toplist Subscription Agreement and hence the issue of Convertible Bonds in the principal amount of HK$400 million to Toplist shall not proceed.

On 3 March 2017 (after trading hours), the Company and Gala Blossom Limited ("**Gala Blossom**") had mutually agreed to enter, and had entered, into the Gala Blossom Subscription Agreement in relation to the issue of the Gala Blossom Convertible Bonds under General Mandate in the principal amount of HK$400 million. The Gala Blossom Convertible Bonds will mature in the third anniversary of the issue of the Gala Blossom Convertible Bonds. The initial conversion price of the Gala Blossom Convertible Bonds is HK$0.85 per conversion share. The gross proceeds from the issue of the Gala Blossom Convertible Bonds amounted to HK$400 million. The net proceeds from the issue of the Gala Blossom Convertible Bonds of approximately HK$399.9 million are intended to be used to set up medical management company in the PRC, which includes some small scale acquisitions of medical companies and hospitals. The net price per Gala Blossom Conversion Share is approximately HK$0.8498.

On 20 March 2017, the Company decided to change the use of not exceeding HK$250 million out of the net proceeds of approximately HK$849.5 million raised from the issue of Convertible Bonds under the General Mandate would temporarily be used for short-term loan financing business, rather than for the intended medical business, of the outstanding subscription agreements.

On 28 April 2017, all conditions precedent under the Safe Arena Subscription Agreement and Ms. Mei Subscription Agreement have been fulfilled. Partial completion of the Safe Arena Subscription Agreement and completion of Ms. Mei Subscription Agreement took place and the Safe Arena Issued Convertible Bonds in the principal amount of HK$68.5 million and Ms. Mei Convertible Bonds in the principal amount of HK$20 million were issued on 28 April 2017.

On 11 May 2017 (after trading hours), the Company entered into an extension letter with Gala Blossom to extend the completion date from the 45th business day to the 80th business day following the date of the Gala Blossom Subscription Agreement, or such other date as the Company and Gala Blossom may agree in writing. Save and except for the aforesaid extension of the completion date, all other terms and provisions of the Gala Blossom Subscription Agreement shall remain the same and unchanged and the Gala Blossom Subscription Agreement shall remain in full force and effect.

On 5 June 2017, all conditions precedent under the Safe Arena Subscription Agreement and Ms. Song Subscription Agreement have been fulfilled. Completion of the Safe Arena Subscription Agreement and completion of Ms. Song Subscription Agreement took place and the Safe Arena Issued Convertible Bonds in the principal amount of HK$91.5 million and Ms. Song Convertible Bonds in the principal amount of HK$50 million were issued on 5 June 2017.

Details of the above transactions were disclosed in the announcements of the Company dated 23 December 2016, 20 February 2017, 3 March 2017, 20 March 2017, 28 April 2017, 11 May 2017 and 5 June 2017 respectively.

As at the date of this annual report, the Company received the net proceeds from the Subscription Agreements of approximately HK$449.6 million, of which (i) HK$250 million was used for short-term loans financing business; (ii) HK$101.6 million was used for setup the joint venture company in the PRC for the investment advisory services, wholesale and retails of pharmaceutical; and (iii) HK$98 million has not yet been utilized and remained in the bank.

Further Issue and Completion of Convertible Bonds under General Mandate

On 21 February 2017 (after trading hours), the Company entered into the subscription agreement (the "**CFC Group Subscription Agreement 2**") with CFC Group in relation to the issue of the convertible bonds (the "**CFC Group Convertible Bonds 2**") in the principal amount of HK$59.5 million. The gross proceeds from the issue of the CFC Group Convertible Bonds 2 will be HK$59.5 million. The CFC Group Convertible Bonds 2 will mature in the third anniversary of the issue of the CFC Group Convertible Bonds 2. The initial conversion price of the Convertible Bonds is HK$0.85 per conversion share. The net proceeds from the issue of the CFC Group Convertible Bonds 2 of approximately HK$59.4 million are intended to be used as general working capital of the Group. The net price per conversion share to be issued is approximately HK$0.849. The conversion shares will be issued by the Company pursuant to the General Mandate.

On 3 March 2017 (after trading hours), the Company and CFC Group had mutually agreed to enter, and had entered, into a supplemental agreement to clarify the rights of CFC Group if the Company is to conduct any consolidation or subdivision of the Shares before the maturity date of the convertible bonds which may be issued to CFC Group under the CFC Group Subscription Agreement 2 dated 21 February 2017.

On 14 March 2017, all conditions precedent under the CFC Group Subscription Agreement 2 had been fulfilled. Completion of the CFC Group Subscription Agreement 2 took place and the CFC Group Convertible Bonds 2 in the principal amount of HK$59.5 million were issued to CFC Group on 14 March 2017.

Details of the above transactions were disclosed in the announcements of the Company dated 21 February 2017, 3 March 2017 and 15 March 2017 respectively.

As at the date of this annual report, the Company received the net proceeds from the CFC Group Subscription Agreement 2 of approximately HK$59.4 million has not yet been utilized and remained in the bank.

Events after reporting period

Exercise of Share Options

On 3 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 350,000 share options at an exercise price of HK$0.375 per Share and 350,000 Shares were issued on 3 April 2017.

On 11 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 10,000,000 share options at an exercise price of HK$0.477 per Share and 10,000,000 Shares were issued on 12 April 2017.

On 23 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 2,375,000 share options at an exercise price of HK$0.375 per Share and 2,375,000 Shares were issued on 10 May 2017.

On 25 April 2017, the Company received the exercise notices from the grantees to exercise an aggregate of 1,165,000 share options at an exercise price of HK$0.375 per Share and 1,165,000 Shares were issued on 10 May 2017.

On 26 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 715,000 share options at an exercise price of HK$0.375 per Share and 715,000 Shares were issued on 10 May 2017.

On 25 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 600,000 share options at an exercise price of HK$0.375 per Share and 600,000 Shares were issued on 18 May 2017.

On 26 April 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 715,000 share options at an exercise price of HK$0.375 per Share and 715,000 Shares were issued on 18 May 2017.

On 12 May 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 10,000,000 share options at an exercise price of HK$0.738 per Share and 10,000,000 Shares were issued on 18 May 2017.

On 26 May 2017, the Company received the exercise notices from the grantees to exercise an aggregate of 12,715,000 share options at an exercise price of HK$0.375 per Share and 12,715,000 Shares were issued on 29 May 2017.

On 14 June 2017, the Company received the exercise notice from the grantee to exercise an aggregate of 2,000,000 share options at an exercise price of HK$0.738 per Share and 2,000,000 Shares were issued on 15 June 2017.

Cancellation of Repurchased Shares

On 8 May 2017, a total of 79,825,000 repurchased Shares were cancelled.

Discloseable Transaction – Formation of Joint Ventures

On 12 May 2017, 和佳醫療投資管理(浙江)有限公司 (Hoping Medical Investment Limited (Zhejiang)*) ("**Hoping Medical**"), an indirectly wholly-owned subsidiary of the Company, entered into the joint venture agreement with an independent third party, 中核新能投資有限公司(China CNNE Investment Limited*) ("**CCIL**"), and the joint venture company (the "**Joint Venture Company**") to form a joint venture for the investment advisory services, wholesale and retails of pharmaceutical, the development, transfer, advices and services on the field on pharmaceutical technologies (the "**Transaction**"). Before the Transaction, the entire issued share capital of the Joint Venture Company is held by CCIL. Upon completion of the Transaction, the Joint Venture Company will be owned as to 70% by CCIL and 30% by Hoping Medical. The parties expect that they will invest up to an aggregate of RMB250,000,000 (equivalent to approximately HK$282,250,000) into the Joint Venture Company, of which RMB90,000,000 (equivalent to approximately HK$101,610,000) will be contributed by the Company.

Details of the Transaction were disclosed in the announcement of the Company dated 12 May 2017.

On 14 June 2017, Hoping Medical entered into the joint venture agreement with CCIL and the joint venture company (the "**Joint Venture 2 Company**") to form a joint venture for the investment in hospitals and medical projects especially in proton medical center projects; medical technology research and development including proton accelerator and supporting scientific laboratory equipment; medical network technology development; medical robot research and development; hospital management; medical equipment technology development, advice and services (the "**Second Transaction**"). Upon completion of the Second Transaction, the Joint Venture 2 Company will be owned as to 76.92% by CCIL and 23.08% by Hoping Medical. The parties expect that they will invest up to an aggregate of RMB650,000,000 (equivalent to approximately HK$746,200,000) into the Joint Venture 2 Company, of which RMB150,000,000 (equivalent to approximately HK$172,200,000) will be contributed by the Company.

Details of the Second Transaction were disclosed in the announcement of the Company dated 14 June 2017.

Very Substantial Acquisition and Connected Transaction

On 21 June 2017 (after trading hours), the Company as the purchaser and Mr. Li Kwong Yuk, being a controlling shareholder, an Executive Director and the Chairman of the Company, as the vendor ("**Mr. Li**" or the "**Vendor**") entered into the acquisition agreement (the "**Acquisition Agreement**") pursuant to which the Company has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the entire equity interest in United Faith Investments Limited (the "**Target Company**"), which is wholly-owned by the Vendor, for the consideration of HK$1,000 million. Pursuant to the Acquisition Agreement, the consideration of HK$1,000 million shall be satisfied by the issuance of the convertible bonds ("**Mr. Li Convertible Bonds**") in the aggregate principal amount of HK$1,000 million to be issued by the Company to the Vendor under the specific mandate to be sought from the independent shareholders (the "**Independent Shareholders**") (other than Mr. Li, Mr. Su Xiaonong, an Executive Director and the Chief Executive Officer of the Company, and their respective associates who are required to abstain from voting at the special general meeting) at the special general meeting of the Company to be convened to allot and issue the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to Mr. Li Convertible Bonds. The initial conversion price of Mr. Li Convertible Bonds is HK$0.8 per conversion share.

The Target Company and its subsidiaries are undergoing the reorganization. Upon completion of the reorganization, the Target Company will indirectly hold 100% equity interest in 湛江鑫泰投資有限公司 (Xintai Investment Company Limited*) ("**Xintai**"). Xintai is principally engaged in the development, operation and investment of property. Xintai also holds 公園一號 (One Parkview*), a complex land use development which is located at No. 218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC (the "**Properties**"). Xintai holds the Existing Land Use Right Certificates (with a total site area of approximately 106,140 square meters) in respect of the Properties. The Properties comprises of three phases, (i) phase I comprises of two blocks of residential buildings with a number of retail shops, car parks and facilities; (ii) phase II comprises of four blocks of residential buildings with a number of car parks and facilities; and (iii) phase III is a vacant land.

This transaction has not yet been completed up to the date of this annual report.

Details of the transaction were disclosed in the announcement of the Company dated 21 June 2017.

Completion of Gala Blossom Convertible Bonds under General Mandate

On 28 June 2017, all conditions precedent under the Gala Blossom Subscription Agreement of the Gala Blossom Convertible Bonds had been fulfilled. Partial completion of the Gala Blossom Convertible Bonds took place and the Gala Blossom Convertible Bonds in the principal amount of HK$170 million were issued to Gala Blossom on 28 June 2017.

On 30 June 2017, all conditions precedent under the Gala Blossom Subscription Agreement of the Gala Blossom Convertible Bonds had been fulfilled. Completion of the Gala Blossom Convertible Bonds has taken place and the Gala Blossom Convertible Bonds in the principal amount of HK$230 million were issued to Gala Blossom on 30 June 2017.

Details of the above transactions were disclosed in the announcements of the Company dated 28 June 2017 and 30 June 2017.

As at the date of this annual report, the Company received proceeds from the Gala Blossom Subscription Agreement of HK$400 million, of which HK$170 million was fully used for setup the Joint Venture 2 Company in the PRC for the investment in hospitals and medical projects especially in proton medical center projects, medical technology research and development including proton accelerate and the remaining HK$230 million has not yet been utilized and remained in the bank.

Proposed Refreshment of General Mandate of Issue Shares at the SGM

The Board proposed to refresh the existing general mandate which approved by the shareholders (the "**Shareholders**") at the annual general meeting of the Company on 2 September 2016. The granting of the refreshed general mandate is subject to the Independent Shareholders' approval at the special general meeting of the Company (the "**SGM**") to be held on 18 July 2017.

Details of the above transaction were disclosed in the circular of the Company dated 30 June 2017.

Strategy and Outlook

The Company would be included by MSCI as a constituent of the MSCI Hong Kong Small Cap Index with effect from the close of 31 May 2017.

Apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing, metal trading and finance leasing, the Group will continue to explore other potential investment opportunities with reasonable returns that meet the Company's criteria. This will not only strengthen our core business but also increase the shareholders' values. The Group has been exploring some investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects, investment and asset management. In particular, the Group will setup medical management company utilising advanced medical technologies and equipment to focus on the field of proton medical treatment in the PRC.

3. FOR THE YEAR ENDED 31 MARCH 2016

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of the Company's annual report for the year ended 31 March 2016.

Business Review

The Group's revenue from its continuing operations during the year under review amounted to HK$41 million or HK$12 million more than that during the previous year. There was a loss for the year attributable to the Company's owners of HK$511 million (2015: HK$724 million) which included a fair value loss on derivative financial liabilities amounted to HK$213 million (2015: HK$619 million), unrealised loss arising from changes in fair value of held for trading investments amounted to HK$171 million (2015: HK$99 million) and the share-based payment expenses of HK$111 million (2015: HK$27 million).

The basic and diluted loss per share on ongoing operations was HK11.535 cents, as compared with loss per share of HK21.915 cents last year, while the overall loss per share for the year was also HK11.535 cents (2015: HK21.920 cents).

Food and Beverages

The food and beverages segment generated a revenue of HK$8 million during the year under review (2015: HK$11 million). The segment reported a loss of HK$1 million (2015: a profit of HK$1 million) for the current year due to the decrease in turnover and the increase in gross margin. The profit and loss were contributed by the restaurant in Beijing, PRC which was acquired on 1 January 2014.

Securities Trading

During the year, the Group has actively involved in the securities and futures contracts trading business. The majority of the Group's held for trading investments are those shares under Hang Seng Index or China Enterprises Index or H shares. Most of those shares are of China large corporations ("**Entities**") with high trading volumes and large market capitalization. The Group had achieved realised gain on the disposal of these shares held for investments amounting to HK$37 million (2015: HK$12 million) during the year under review. The unrealised loss of HK$171 million (2015: HK$99 million) arising from changes in the fair value of the shares still held for investments was recorded as at year end when the market prices were relatively low. As a result, the Group reported a segment loss of HK$131 million (2015: HK$90 million) during the year under review. As at 31 March 2016, the Hang Seng Index was closed at 20,776.70 which was almost the lowest during the year under review. Given the realised gain during the year, the Group had shown a good performance in the investments. The Group considers that the prospects in respect of the shares still held for investments are healthy. The unrealised loss as recorded at year end was due to market fluctuation rather than any problem with the Entities' fundamentals. The Board understands that the performance of the investments may be affected by the degree of volatility in the Hong Kong stock market and subject to other external factors that may affect their values. Accordingly, the Group will continue to maintain a diversified portfolio of investment of different segments of markets to minimize the possible financial risks. Also, the Board will monitor the performance progress of the investment portfolio closely from time to time.

As at 31 March 2016 and 2015, the Group's held for trading investments were represented as follows:

Company Name/Stock Code	% of shareholding as at 31 March 2016	Fair value loss for the year ended 31 March 2016 HK$'000	Fair value as at 31 March 2016 HK$'000	% of total assets of the Group as at 31 March 2016	% of shareholding as at 31 March 2015	Fair value as at 31 March 2015 HK$'000	% of total assets of the Group as at 31 March 2015
Securities listed in Hong Kong							
China Construction Bank Corporation (939)	0.014%	(38,016)	166,191	15.36%	–	–	–
China Reinsurance (Group) Corporation (1508)	1.145%	(52,350)	159,015	14.70%	–	–	–
CITIC Securities Company Limited (6030)	0.190%	(11,621)	78,602	7.26%	–	–	–
China Galaxy Securities Co., Ltd. (6881)	0.235%	(8,831)	65,466	6.05%	0.188%	28,247	5.51%
China Eastern Airlines Corporation Limited (670)	0.218%	(12,039)	44,240	4.09%	–	–	–
Industrial and Commercial Bank of China Limited (1398)	0.007%	(5,309)	26,040	2.41%	–	–	–
Superb Summit International Group Limited (1228)	1.270%	(3,031)	26,879	2.48%	1.290%	29,910	5.83%
Quam Limited (952)	0.818%	(9,215)	11,989	1.11%	–	–	–
Bank of China Ltd (3988)	0.005%	(4,520)	12,880	1.19%	–	–	–
AVIC International Holding (HK) Limited (232)	–	–	–	–	0.771%	30,650	5.97%
CSSC Offshore & Marine Engineering (Group) Company Limited (317)	–	–	–	–	0.094%	12,731	2.48%
Others (Note)		(26,364)	38,608	3.57%		17,407	3.39%
		(171,296)	629,910	58.22%		118,945	23.18%

Note: None of these investments represented more than 1% of the total assets of the Group as at 31 March 2016.

Trading of Wine

The Group has kept certain quantities of fine wines. The stocks will be offered to sell when the market prices are favorable such that the Group can obtain a good return on the trading. At present, the stocks are kept in the wine cellar situated in Hong Kong.

Loan Financing

During the year, the Group recorded a revenue of HK$25 million (2015: HK$17 million) and the segment profit was HK$24 million (2015: HK$15 million). The Group will further develop in this segment in order to earn a higher interest income.

Metal Trading

During the year, the Group did not record any turnover on metal trading. The Group will seek for more opportunities in this segment.

Finance Leasing

On 21 August 2014, the Company entered into the joint venture agreement to form a joint venture for the development and operation of the finance leasing business. During the year, the Group has commenced to record turnover on finance leasing and the Group has recorded HK$4 million (2015: nil) of interest income and HK$4 million (2015: nil) of segment profit from financial leasing business.

Further Acquisition of Shares in Elemental

Elemental Minerals Limited ("**Elemental**") is an advanced mining exploration and development company listed on the Australian Stock Exchange. It is currently developing the Sintoukola potash project located in the Republic of Congo.

The Group acquired on-market 49,548,744 shares of Elemental (the "**Elemental Shares**") in a series of transactions conducted during the period from 28 April 2014 to 24 April 2015 for an aggregate purchase price of approximately HK$61 million (exclusive of transaction costs). As at the date of this annual report, the Group holds an aggregate of 70,404,268 Elemental Shares, representing approximately 16.25% of the entire issued share capital of Elemental.

Details of the further acquisition of Elemental Shares were disclosed in the announcements of the Company dated 4 March 2015 and 17 April 2015 respectively.

Formation and Acquisition of the Interests in the Joint Venture on Finance Leasing Business

On 21 August 2014, the Company entered into the joint venture agreement (as supplemented by supplemental agreements dated 24 December 2014, 13 March 2015 and 19 May 2015) with an independent third party, Joy Well Investments Limited ("**JWIL**"), to form a joint venture (the "**2014 Joint Venture Company**") for the development and operation of the finance leasing business. Upon completion of the transaction, the 2014 Joint Venture Company will be owned as to 62.5% by the Company and 37.5% by JWIL. The parties had invested an aggregate of RMB200,000,000 (approximately HK$252 million) into the 2014 Joint Venture Company, of which RMB125,000,000 (approximately HK$158 million) was contributed by the Company according to its shareholding percentage.

On 5 January 2016, the Company entered into the share purchase agreement with JWIL, pursuant to which, the Company agreed to acquire and JWIL agreed to sell the 37.5% of the issued shares of the 2014 Joint Venture Company at a consideration of RMB75,000,000. The Completion took place on 11 January 2016. After that, the 2014 Joint Venture Company has become a wholly-owned subsidiary of the Company.

Details of the above transaction were disclosed in the announcements of the Company dated 21 August 2014, 10 September 2014, 30 September 2014, 17 October 2014, 25 November 2014, 24 December 2014, 13 March 2015, 19 May 2015 and 5 January 2016 respectively and the circular of the Company dated 5 January 2015.

Connected Transaction – Proposed Issue of Convertible Bonds under Specific Mandate

On 28 June 2013, after trading hours, Wincon Capital Investment Limited ("**Wincon**"), the controlling shareholder (as defined in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")) of the Company, as the subscriber and the Company as issuer entered into a subscription agreement (the "**Wincon Subscription Agreement**") in respect of the issue of and subscription for the convertible bonds in the aggregate principal amount not exceeding HK$620,000,000 at an initial conversion price of HK$0.33 per conversion share and the warrants in the aggregate principal amount of HK$155,000,000 at an exercise price of HK$0.35 per warrant share, respectively (the "**Proposed Issue of the New Wincon Convertible Bonds**"). On 12 December 2014, Wincon had confirmed to the Company in writing that it would not exercise or transfer any of the warrants which may be issued pursuant to the Wincon Subscription Agreement if such warrants are issued to it, and it would not pursue any action against the Company for damages or other remedies if the Company does not issue such warrants to it. In view of such written confirmation provided by Wincon, the Company would not seek to issue the warrants as contemplated under the Wincon Subscription Agreement. The Wincon Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the conversion shares under a specific mandate of the Company, were approved by the Independent Shareholders at the special general meeting of the Company held on 31 December 2014.

The estimated net proceeds of the issue of the convertible bonds (after deducting the fees and expenses) will be approximately HK$619.5 million. The total net proceeds are originally intended to be used for funding the partial payment of the proposed offer or other possible further investments. Although the proposed offer subsequently lapsed on 31 March 2014 and it might no longer be necessary for Wincon to maintain its status as the controlling shareholder following the lapse of the another proposed issue of the convertible bonds and the warrants, as the Shares have been suspended for trading since 2 July 2014, it is difficult for the Company to raise such substantial fund from third party investors through placing or issue of convertible notes without a prevailing trading price for pricing reference. As Wincon is still willing to inject such a substantial funding to the Company, the Directors consider that it is in the interest of the Company and the Shareholders to capture this funding so as to fuel the future development of the Group.

The estimated net proceeds of the Proposed Issue of the New Wincon Convertible Bonds (after deducting the fees and expenses) will be approximately HK$619.5 million, which are intended to be used as to approximately HK$472.5 million for funding the new financing and finance leasing business of the Group, as to approximately HK$60 million for the acquisition of further Elemental Shares and as to HK$87 million for other possible future investments.

On 8 January 2015, the convertible bonds in the principal amount of HK$20,000,000 was subscribed by Wincon.

On 8 January 2015, the Company and Wincon entered into a letter of extension to extend the closing date from 8 January 2015 to 8 July 2015 (or such later date as parties thereto may agree) (the "**New Closing Date**"). The remaining convertible bonds in the principal amount of HK$600,000,000 as contemplated under the Subscription Agreement will be subscribed by Wincon on or before the New Closing Date.

Pursuant to an ordinary resolution passed by the Independent Shareholders at the special general meeting held on 19 March 2015, the closing date was extended to 8 July 2015.

During the year, the net proceeds from the issue of the convertible bonds are approximately HK$600 million, in which approximately HK$215 million was used to finance the financing business of the Group, approximately HK$40 million was used for the acquisition of further Elemental Shares and the remaining proceeds were invested in the held for trading investments. The Directors confirmed that the net proceeds from the issue of the convertible bonds have been applied in accordance with its intended uses.

On 7 May 2015, 60,606,060 Shares has been converted by Wincon.

On 8 June 2015, the convertible bonds in the principal amount of HK$30,000,000 was subscribed by Wincon and on 9 June 2015, 90,909,090 Shares has been converted by Wincon.

On 16 June 2015, the convertible bonds in the principal amount of HK$35,000,000 was subscribed by Wincon and on 17 June 2015, 90,909,090 Shares has been converted by Wincon.

On 23 June 2015, the convertible bonds in the principal amount of HK$35,000,000 was subscribed by Wincon and on 24 June 2015, 121,212,121 Shares has been converted by Wincon.

On 25 June 2015, the convertible bonds in the principal amount of HK$60,000,000 was subscribed by Wincon.

On 30 June 2015, the convertible bonds in the principal amount of HK$20,000,000 was subscribed by Wincon.

On 2 July 2015, the convertible bonds in the principal amount of HK$20,000,000 was subscribed by Wincon.

On 3 July 2015, the convertible bonds in the principal amount of HK$50,000,000 was subscribed by Wincon.

On 6 July 2015, the convertible bonds in the principal amount of HK$70,000,000 was subscribed by Wincon.

On 7 July 2015, the convertible bonds in the principal amount of HK$120,000,000 was subscribed by Wincon.

On 8 July 2015, the convertible bonds in the principal amount of HK$160,000,000 was subscribed by Wincon.

On 13 July 2015, 515,151,515 Shares has been converted by Wincon.

On 14 December 2015, 575,757,575 Shares has been converted by Wincon.

As at the date of this annual report, the remaining convertible bonds in the principal amount of HK$140,000,000 have not yet been converted into Shares by Wincon.

Details of the Proposed Issue of the New Wincon Convertible Bonds were disclosed in the announcements of the Company dated 28 June 2013, 19 July 2013, 30 August 2013, 30 September 2013, 14 November 2013, 31 December 2013, 28 February 2014, 24 April 2014, 30 April 2014, 30 June 2014, 30 September 2014, 31 December 2014, 8 January 2015, 16 January 2015, 19 March 2015, 8 June 2015, 16 June 2015, 23 June 2015, 25 June 2015, 30 June 2015, 3 July 2015, 6 July 2015, 7 July 2015, 9 July 2015, 13 July 2015 and 14 December 2015 respectively and the circulars of the Company dated 15 December 2014 and 2 March 2015 respectively.

Grant and Exercise of Share Options

The share option scheme was adopted by the Company on 21 September 2012 (the "**Share Option Scheme**").

On 11 November 2015, the Board granted and the grants were accepted by the eligible participants as defined in the Share Option Scheme in respect of 50,000,000 share options at an exercise price of HK$0.638 per share.

On 28 December 2015, the Board granted and the grants were accepted by the director/eligible participants as defined in the Share Option Scheme in respect of 280,460,000 share options at an exercise price of HK$0.792 per share.

Details of the above grants of share options were disclosed in the announcements of the Company dated 11 November 2015, 28 December 2015 and 24 June 2016.

On 30 March 2015, a total of 2,000,000 share options were exercised at an exercise price of HK$0.375 per share and 2,000,000 Shares were issued on 1 April 2015.

On 4 June 2015, a total of 1,800,000 share options were exercised at an exercise price of HK$0.375 per share and 1,800,000 Shares were issued on 9 June 2015.

On 18 June 2015, a total of 15,000,000 share options were exercised at an exercise price of HK$0.477 per share and 15,000,000 Shares were issued on 18 June 2015.

Issue of Conversion Shares

On 22 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$30 million in full, at the conversion price of HK$0.22 per conversion share, pursuant to which a total number of 136,363,636 conversion shares were issued to that subscriber on 28 March 2013.

On 23 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$20 million in full, at the conversion price of HK$0.22 per conversion share, pursuant to which a total number of 90,909,090 conversion shares has been issued to that subscriber on 28 March 2013.

On 25 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$50 million in full, at the conversion price of HK$0.22 per conversion share, pursuant to which a total number of 227,272,727 conversion shares has been issued to that subscriber on 31 May 2013.

Details of the above transactions were disclosed in the announcements of the Company dated 12 October 2012, 17 October 2012, 20 November 2012, 31 December 2012, 31 January 2013, 28 March 2013, 31 May 2013 and 25 June 2015 and the circular of the Company dated 2 November 2012.

Major Transaction – Participation in Cooperation Agreement

On 25 September 2015, 鼎億金匯(深圳)投資咨詢有限公司 ("**Dingyi Jinhui**"), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement (the "**Cooperation Agreement**") committing to provide 38% funding for the acquisition (the "**Xibu Yungu's Acquisition**") by a joint venture company, 深圳市西部雲谷投資有限責任公司 ("**Xibu Yungu**"), and the acquisition (the "**Xumao Ventures' Further Acquisition**") by Xumao Ventures Limited ("**Xumao Ventures**"), as a nominee of Xibu Yungu. Xibu Yungu then entered into an acquisition agreement (the "**Acquisition Agreement**") to acquire 80% equity interest in 金時代投資顧問(深圳)有限公司 ("**Jinshidai**") and related shareholders' loans (the "**Acquisition**") from the vendors of Jinshidai (the "**Jinshidai Vendors**"), whereas Xumao Ventures entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") to acquire 100% equity interest in Think Right Developments Limited. The Cooperation Agreement was entered into to provide cash funding for the total acquisition consideration of RMB1,060,800,000 for Xibu Yungu's Acquisition and Xumao Ventures' Further Acquisition. The Group will provide its portion (i.e. Dingyi Jinhui's 38%) of the funding by its internal resources and/or through other financing methods. The Cooperation Agreement has provided that the maximum commitment by Dingyi Jinhui towards the acquisitions is capped at RMB403,104,000.

The Company has been informed by Xibu Yungu that, despite of repeated reminders by Xibu Yungu to the Jinshidai Vendors, the Jinshidai Vendors have not performed in accordance with the terms of the Acquisition Agreement. On 29 January 2016, Xibu Yungu submitted an application for arbitration to the Shenzhen Arbitration Commission (深圳仲裁委員會)(the "**Commission**") seeking specific performance of the Acquisition Agreement and damages against the Jinshidai Vendors. The application has been accepted by the Commission on the same date.

The Company had been informed by Xibu Yungu that on 11 April 2016, Jinshidai Vendors, Parkwill Group Limited, Xibu Yungu and Xumao Ventures entered into a settlement agreement (the "**Settlement Agreement**") to settle the arbitration claim by Xibu Yungu to the commission seeking specific performance of the Acquisition Agreement and damages against the Jinshidai Vendors (the "**Arbitration**").

Under the Settlement Agreement, the Jinshidai Vendors agreed to make a payment of RMB38,000,000 to settle the Arbitration and related proceedings. Xibu Yungu had received the payment subsequent to the balance sheet date.

The Group had only provided the funding of RMB38,000,000 to Xibu Yungu as capital injection and such funding has been refunded to the Group in view of the cessation of the Acquisition.

After deducting the costs and expenses in relation to the Acquisition Agreement, the Sale and Purchase Agreement and the Settlement Agreement from the settlement of RMB38,000,000 by the Jinshidai Vendors, the Group would receive a share of 38% of the remaining balance, approximately RMB10,000,000, as other income.

Details of the transaction were disclosed in the announcements of the Company dated 25 September 2015, 29 September 2015, 2 October 2015, 9 October 2015, 30 November 2015, 9 December 2015, 29 January 2016, 12 April 2016 and 27 April 2016.

Discloseable Transaction – Formation of Joint Venture for Overseas Infrastructure Projects

On 12 November 2015, the Company, China-Africa Development Fund* ("**CAD Fund**"), China Gezhouba Group Corporation International Ltd.* ("**CGGC**"), China Civil Engineering Construction Corporation* ("**CCECC**"), China Telecom Global Limited* ("**China Telecom Global**"), Chiangjiang Institute of Survey Planning Design and Research* ("**CISPDR**"), China ENFI Engineering Co. Ltd.* ("**China ENFI**") and China Overseas Infrastructure Development and Investment Corporation Limited entered into a shareholders agreement to form a joint venture (the "**Joint Venture Company 2**") for the construction of overseas infrastructure and preliminary development of operating projects. The parties expected that they would invest by share subscription up to an aggregate of US$259,999,999 (equivalent to approximately HK$2,014,999,992) into the Joint Venture Company 2, of which US$20,000,000 (equivalent to approximately HK$155,000,000) will be contributed by the Company. Upon completion of the transaction, the Joint Venture Company 2 will be owned as to 7.69% by the Company, 38.46% by CAD Fund, 19.23% by CGGC, 7.69% by China Telecom Global, 3.85% by CISPDR, 3.85% by China ENFI and 19.23% by CCECC.

The overseas infrastructure projects to be invested by the Joint Venture Company 2 will include projects in Africa, while the Joint Venture Company 2 may also identify suitable overseas infrastructure opportunities in other continents. The areas of potential investment would include transportation, airports, ports, bridges, telecommunications, waterworks and urban water supply and drainage, gas supply, electricity facilities and provision of intangible products or services to cater for the fixed asset needs for the science, education, cultural, healthcare and other sectors. As at the date of this annual report, the Company has not contributed any fund for the share subscription of the Joint Venture Company 2.

Details of the transaction were disclosed in the announcements of the Company dated 12 November 2015 and 13 November 2015.

Events after reporting period

On 19 May 2016, the Company received the exercise notices from the grantees to exercise an aggregate of 8,430,000 share options at an exercise price of HK$0.375 per share and 8,430,000 shares were issued on 20 May 2016.

On 20 May 2016, the Company received the exercise notices from the grantees to exercise an aggregate of 10,000,000 share options at an exercise price of HK$0.375 per share and 10,000,000 shares were issued on 23 May 2016.

Subsequent to the end of reporting period, the Company repurchased and cancelled 30,615,000 and 72,100,000 ordinary shares respectively.

On 17 June 2016, the Company entered into a non-legally binding letter of intent with D&R Asset Management Group Co., Ltd. ("**D&R**") to establish a joint venture company. The total commitment of capital contribution to be made to the joint venture company is estimated to be RMB200 million, of which RMB98 million is proposed to be contributed by the Company and RMB102 million is proposed to be contributed by D&R. Details of the transaction were disclosed in the announcement of the Company dated 17 June 2016.

Strategy and Outlook

Apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing, metal trading and finance leasing, the Group will continue to explore other potential investment opportunities with reasonable returns that meet the Company's criteria. This will not only strengthen our core business but also increase the shareholders' values. The Group has been exploring some investment opportunities in mining projects, resources projects, properties development projects, infrastructure development projects and investment and asset management.

4. FOR THE YEAR ENDED 31 MARCH 2015

Set out below is a reproduction of the text contained in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" of the Company's annual report for the year ended 31 March 2015.

Business Review

The Group's revenue from its continuing operations during the year under review amounted to HK$29 million or HK$14 million less than that during the previous year. There was a loss for the year attributable to the Company's owners of HK$724 million (2014: HK$140 million) which includes a fair value loss on derivative financial liabilities amounted to HK$619 million (2014: HK$84 million), loss arising from changes in fair value of held for trading investments amounted to HK$99 million (2014: nil) and the share-based payment expenses of HK$27 million (2014: HK$15 million).

The basic and diluted loss per share on ongoing operations was HK21.915 cents, compared with loss per share of HK4.471 cents last year, while the overall loss per share for the year was HK21.920 cents (2014: HK4.486 cents).

Food and Beverages

The continuing and discontinued food and beverages segment achieved a total revenue of HK$28 million during the year under review. This was 57% lower than the amount for last year. The segment reported a profit of HK$1 million for the current year (2014: loss of HK$7 million). Out of the total revenue, HK$17 million (2014: HK$62 million) was contributed by the discontinued operations of the restaurants and bars and kiosks of the Group which are operated by 3 subsidiaries ("**World Pointer Group**"). The remaining revenue of HK$11 million (2014: HK$1 million) was contributed by the restaurant in Beijing, PRC that was acquired on 1 January 2014.

As of 31 March 2015, the Group operated a company ("**Beijing Restaurant**") which is engaged in catering services including food and beverage in Beijing, PRC. The Beijing Restaurant offers luxury Chinese-style cuisine.

Securities Trading Business

During the year, the Group has maintained actively in the securities trading business. All the securities traded are shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). This segment recorded a realized gain on investments at fair value through profit or loss of HK$12 million (2014: HK$12 million) and reported a loss of HK$90.5 million (2014: a gain of HK$12.7 million) during the year under review due to an unrealised loss on investments of securities.

Trading of Wine

In order to diversify the food and beverages business, the Group had purchased certain quantities of fine wines amounted to HK$7 million. The stocks will be offered to sell when the market prices are favorable such that the Group can obtain a good return on the trading. At present, the stocks are kept in the wine cellar situated in Hong Kong.

Loan Financing

As the Group had surplus funds, in order to earn a higher interest income compared with the interest that may be earned by making Hong Kong dollar time deposits with banks in Hong Kong, the Group has advanced monies to independent third parties, which are unsecured and the interest rates on the loans receivable are raising from 10% to 24% per annum (2014: 5.6% to 30% per annum).

During the year, the interest income from provision of loan financing amounted to HK$17 million as compared to that of last year of HK$26 million.

Metal Trading

During the year under review, the Group has operated metal trading through a wholly-owned subsidiary in the PRC. The revenue from metal trading was amounted to HK$1 million (2014: HK$15 million). The goods traded were mainly steel and its components for construction purpose. The Group considered that such metal trading could enhance revenue generation in the PRC.

Connected transaction – Proposed Issue of Convertible Bonds under Specific Mandate

On 28 June 2013, after trading hours, Wincon Capital Investment Limited ("**Wincon**"), the controlling shareholder (as defined in the Listing Rules) of the Company, as the subscriber and the Company as issuer entered into a subscription agreement (the "**Wincon Subscription Agreement**") in respect of the issue of and subscription for the convertible bonds in the aggregate principal amount not exceeding HK$620,000,000 at an initial conversion price of HK$0.33 per conversion share and the warrants in the aggregate principal amount of HK$155,000,000 at an exercise price of HK$0.35 per warrant share, respectively (the "**Proposed Issue of the New Wincon Convertible Bonds**"). On 12 December 2014, Wincon had confirmed to the Company in writing that it would not exercise or transfer any of the warrants which may be issued pursuant to the Wincon Subscription Agreement if such warrants are issued to it, and it would not pursue any action against the Company for damages or other remedies if the Company does not issue such warrants to it. In view of such written confirmation provided by Wincon, the Company would not seek to issue the warrants as contemplated under the Wincon Subscription Agreement. The Wincon Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the conversion shares under a specific mandate of the Company, were approved by the Independent Shareholders at the special general meeting of the Company held on 31 December 2014.

The estimated net proceeds of the issue of the convertible bonds (after deducting the fees and expenses) will be approximately HK$619.5 million. The total net proceeds are originally intended to be used for funding the partial payment of the proposed offer or other possible further investments. Although the proposed offer subsequently lapsed on 31 March 2014 and it might no longer be necessary for Wincon to maintain its status as the controlling shareholder following the lapse of the another proposed issue of the convertible bonds and the warrants, as the Shares have been suspended for trading since 2 July 2014, it is difficult for the Company to raise such substantial fund from third party investors through placing or issue of convertible notes without a prevailing trading price for pricing reference. As Wincon is still willing to inject such a substantial funding to the Company, the Directors consider that it is in the interests of the Company and the Shareholders to capture this funding so as to fuel the future development of the Group.

The estimated net proceeds of the Proposed Issue of the New Wincon Convertible Bonds (after deducting the fees and expenses) will be approximately HK$619.5 million, which are intended to be used as to approximately HK$472.5 million for funding the new financing and financial leasing business of the Group, as to approximately HK$60 million for the acquisition of further Elemental Shares and as to HK$87 million for other possible future investments.

On 8 January 2015, the convertible bonds in the principal amount of HK$20,000,000 was subscribed by Wincon.

On 8 January 2015, the Company and Wincon entered into a letter of extension to extend the closing date from 8 January 2015 to 8 July 2015 (or such later date as parties thereto may agree) (the "**New Closing Date**"). The remaining convertible bonds in the principal amount of HK$600,000,000 as contemplated under the Subscription Agreement will be subscribed by Wincon on or before the New Closing Date.

Pursuant to an ordinary resolution passed by the Independent Shareholders at the special general meeting held on 19 March 2015, the closing date was extended to 8 July 2015.

During the year, the net proceeds from the issue of the convertible bonds are approximately HK$19.5 million, in which approximately HK$10 million was used to finance the financing business of the Group and approximately HK$10 million was used for the acquisition of further Elemental Shares (as defined below). The Directors confirmed that the net proceeds from the issue of the convertible bonds have been applied in accordance with its intended uses.

On 7 May 2015, 60,606,060 Shares has been converted by Wincon.

On 8 June 2015, the convertible bonds in the principal amount of HK$30,000,000 was subscribed by Wincon and on 9 June 2015, 90,909,090 Shares has been converted by Wincon.

On 16 June 2015, the convertible bonds in the principal amount of HK$35,000,000 was subscribed by Wincon and on 17 June 2015, 90,909,090 Shares has been converted by Wincon.

On 23 June 2015, the convertible bonds in the principal amount of HK$35,000,000 was subscribed by Wincon and on 24 June 2015, 121,212,121 Shares has been converted by Wincon.

On 25 June 2015, the convertible bonds in the principal amount of HK$60,000,000 was subscribed by Wincon.

Details of the Proposed Issue of the New Wincon Convertible Bonds were disclosed in the announcements of the Company dated 28 June 2013, 19 July 2013, 30 August 2013, 30 September 2013, 14 November 2013, 31 December 2013, 28 February 2014, 24 April 2014, 30 April 2014, 30 June 2014, 30 September 2014, 31 December 2014, 8 January 2015, 16 January 2015, 19 March 2015, 8 June 2015, 16 June 2015 and 23 June 2015 respectively and the circulars of the Company dated 15 December 2014 and 2 March 2015 respectively.

The Early Redemption for Elemental Convertible Notes and further acquisition of shares in Elemental

Pursuant to the Dingyi Convertible Note Facility entered by the Company and Elemental on 1 July 2013 (as defined and mentioned with details in the announcements of the Company dated 13 August 2013, 12 September 2013, 15 October 2013, 15 November 2013, 23 December 2013, 31 December 2013, 22 January 2014, 28 February 2014, 30 April 2014, 19 May 2014, 20 June 2014, 30 June 2014, 30 September 2014, 14 November 2014 and 31 December 2014 respectively and the circular of the Company dated 9 January 2015 (the "**Elemental Lead Investment Announcements**")), the Company agreed to make a lead investment in Elemental to provide Elemental with interim working capital for its business. On 22 January 2014, Elemental had drawn the Dingyi Convertible Note Facility for an aggregate amount of AUD10 million (approximately HK$70.7 million), following the satisfaction of the conditions precedent to the Dingyi Convertible Note Facility. Up to 29,351,335 new shares of Elemental ("**Elemental Shares**") will be allotted and issued if all of the Elemental Convertible Notes subscribed by Elemental are converted.

Elemental is an advanced mining exploration and development company listed on the Australian Stock Exchange. It is currently developing the Sintoukola potash project located in the Republic of Congo.

On 16 May 2014, the Company received an early redemption notice (the "**Early Redemption Notice**") from Elemental in accordance with the Dingyi Convertible Note Facility pursuant to which Elemental had given notice to the Company that after the expiration of 30 days from the date of the Early Redemption Notice, it would redeem 10,000,000 Elemental Convertible Notes and pay the amount outstanding on those notes together with any interest accrued up to the date of the Early Redemption Notice.

On 20 June 2014, the Company received from Elemental a sum of AUD10.3 million (approximately HK$75.1 million), being the amount outstanding on those notes together with the interest accrued and the Company no longer held any Elemental Convertible Notes.

In addition, the Group acquired on-market 49,548,744 Elemental Shares in a series of transactions conducted during the period from 28 April 2014 to 24 April 2015 for an aggregate purchase price of approximately HK$61 million (exclusive of transaction costs). As at the date of this annual report, the Group holds an aggregate of 70,404,268 Elemental Shares, representing approximately 18.44% of the entire issued share capital of Elemental.

Details of the further acquisition of Elemental Shares were disclosed in the announcements of the Company dated 4 March 2015 and 17 April 2015 respectively.

Exercise of the World Pointer Put Option

On 30 December 2013, World Pointer Limited ("**World Pointer**"), a wholly-owned subsidiary of the Company, exercised the option to sell all of the 51% interests in the issued share capital each of the World Pointer Group at an aggregate cash consideration of HK$25,000,000. The completion of the sale and purchase of the option shares took place on 4 July 2014 and the consideration was paid to the Company on the same day.

Details of the exercise of the World Pointer put option were disclosed in the circular of the Company dated 25 February 2011 and the announcements of the Company dated 30 December 2013 and 4 July 2014 respectively.

Formation of Joint Venture on Financial Leasing Business

On 21 August 2014, the Company entered into the joint venture agreement ("**Joint Venture Agreement**") with an independent third party, Joy Well Investments Limited ("**JWIL**"), to form a joint venture ("**2014 Joint Venture Company**") for the development and operation of the financial leasing business. Upon completion of the transaction, the 2014 Joint Venture Company will be owned as to 62.5% by the Company and 37.5% by JWIL. The parties would invest up to an aggregate RMB400,000,000 (approximately HK$504 million) into the 2014 Joint Venture Company, of which RMB250,000,000 (approximately HK$315 million) will be contributed by the Company according to its shareholding percentage.

Pursuant to the terms of the Joint Venture Agreement, each of the Company and JWIL shall subscribe for the new shares of the 2014 Joint Venture Company and contribute in cash of the remaining RMB200 million to the 2014 Joint Venture Company on or before 15 December 2014 (or such later date as agreed by the parties). On 24 December 2014, the parties have entered into a supplemental agreement pursuant to which they agree that the subscription and the contribution shall be made on a date on or before 15 March 2015. Save for the aforesaid change, all other terms of the Joint Venture Agreement remain unchanged.

On 13 March 2015, the parties have entered into a 2nd supplemental agreement pursuant to which they agree that the subscription and the contribution of the aggregate RMB200 million by the Company and JWIL to the 2014 Joint Venture Company shall be made on a date on or before 15 May 2015. Save for the change in the date of capital contribution, all other terms of the Joint Venture Agreement remain unchanged.

On 19 May 2015, the parties have entered into a 3rd supplemental agreement pursuant to which they agree that the subscription and the contribution of the aggregate RMB200 million by the Company and JWIL to the 2014 Joint Venture Company shall be made on a date on or before 30 June 2015. Save for the change in the date of capital contribution, all other terms of the Joint Venture Agreement remain unchanged.

Details of the above transaction were disclosed in the announcements of the Company dated 21 August 2014, 10 September 2014, 30 September 2014, 17 October 2014, 25 November 2014, 24 December 2014, 13 March 2015 and 19 May 2015 respectively and the circular of the Company dated 5 January 2015.

The Extension of Loan Repayment Date

On 3 September 2014, Easy Prestige Limited ("**Easy Prestige**"), an indirect wholly-owned subsidiary of the Company, entered into a supplemental agreement with Mr. Yang Dongjun ("**Mr. Yang**"), a third party independent of the Company and its connected persons (as defined in the Listing Rules), pursuant to which Easy Prestige agreed to extend the repayment date to 31 December 2014 under the previous loan agreement in relation to an advance amounted to HK$58,000,000 (the "**Loan**") and adjust the interest rate to 1% per month in consideration for the right to forfeit and cancel the convertible bonds issued by the Company to Mr. Yang in case of any default in payment.

On 8 January 2015, Easy Prestige, Mr. Yang and Dingyi Financial Services Investment Limited ("**DY Financial Services**") entered into a second supplemental agreement, pursuant to which Easy Prestige had assigned the Loan to DY Financial Services and agreed to extend the loan repayment date from 31 December 2014 to 30 June 2015. Save and except the above change in the lender and the extension of the loan repayment date, all other terms and provisions of the previous loan agreement and first supplemental agreement shall remain unchanged and in full force and effect.

Subsequent to the balance sheet date, the Loan has been repaid.

Details of the transactions were disclosed in the announcements of the Company dated 21 August 2014, 3 September 2014 and 8 January 2015 and the circular of the Company dated 5 January 2015.

Change of Auditors

On 30 October 2014, Messrs. PricewaterhouseCoopers ("**PricewaterhouseCoopers**") tendered their resignation as auditors of the Group. On 4 November 2014, SHINEWING (HK) CPA Limited has been appointed as the auditors of the Group to fill the vacancy left by the resignation of PricewaterhouseCoopers.

Details of the above change of auditors were disclosed in the announcements of the Company dated 30 October 2014 and 4 November 2014 respectively.

Grant and Exercise of Share Options

On 3 February 2015, the Board granted 132,000,000 share options to the eligible employees/eligible participants as defined in the share option scheme adopted by the Company on 21 September 2012 (the "**Share Option Scheme**") at an exercise price of HK$0.477 per share.

Details of the above grant of share options were disclosed in the announcement of the Company dated 3 February 2015.

On 30 March 2015, a total of 2,000,000 share options were exercised at an exercise price of HK$0.375 per share and the shares were issued on 1 April 2015.

On 4 June 2015, a total of 1,800,000 share options were exercised at an exercise price of HK$0.375 per share and the shares were issued on 9 June 2015.

On 18 June 2015, a total of 15,000,000 share options were exercised at an exercise price of HK$0.477 per share and the shares were issued on 18 June 2015.

Events after Reporting Period

On 22 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$30 million in full, pursuant to which a total number of 136,363,636 conversion shares has been issued to that subscriber.

On 23 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$20 million in full, pursuant to which a total number of 90,909,090 conversion shares has been issued to that subscriber.

On 25 June 2015, the Company received a conversion notice from a subscriber for the conversion of the convertible bonds in the aggregate amount of HK$50 million in full, pursuant to which a total number of 227,272,727 conversion shares has been issued to that subscriber.

Strategy and Outlook

Apart from the existing businesses of securities trading, food and beverages, wine trading, loan financing, metal trading and financial leasing, the Group will continue to explore other potential investment opportunities with reasonable returns that meet the Company's criteria. This will not only strengthen our core business but also increase the values of the Company's owners.

* *For identification purposes only*

The following is the management discussion and analysis of the Target Group for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017. The following financial information is based on the Accountants' Report on the Target Group as set out in Appendix II to this circular.

A. BUSINESS REVIEW

The Target Company is an investment holding company incorporated in BVI with limited liability, which upon Reorganisation, together with its subsidiaries, will be primarily engaged in the development, operation and investment of properties in the PRC. The Properties in which the Target Group has an interest mainly comprises three phases located in on No.218, Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, the PRC.

For the year ended 31 December 2014, the Target Group is principally engaged in the development, operation and investment of properties in the PRC. The major business of Xintai was the sale of the residential units, retail shops and car parks in Phase I. In addition, construction of Phase II was commenced in April 2014.

For the year ended 31 December 2015, the Target Group is principally engaged in the development, operation and investment of properties in the PRC. In addition to the sale of the remaining units of Phase I, Xintai completed the construction of two blocks of residential buildings under Phase II. Pre-sale permits of those two blocks of residential buildings were obtained during the period and the sales of such residential units were commenced.

For the year ended 31 December 2016, the Target Group is principally engaged in the development, operation and investment of properties in the PRC. Construction of the remaining two blocks of residential buildings of Phase II were completed during the period, their pre-sale permits were obtained and sales were conducted during the period. As such, all the Xintai's Phase II had been completed in construction during the period, and the main business was the sale of the residential units, retail shops and car parks in Phase I and Phase II.

For the nine months ended 30 September 2017, the Target Group is principally engaged in the development, operation and investment of properties in the PRC, and was continued to sell the vacant units of Phase I and Phase II in Xintai.

There are no material acquisitions and disposals of subsidiaries by the Target Group during each of the three years ended 31 December 2016 and the nine months ended 30 September 2017.

Subsequent to Completion, the Target Group will continue to focus on the development, operation and investment of properties in the PRC, in particular to continue the development of the third phase of the Properties, which is expected to be financed by (i) internal resources of the Target Group; (ii) proceeds from the sales of remaining property units of Phase I and Phase II; (iii) bank borrowings; and (iv) proceeds from the sales of new property units to be constructed under early stage of Phase III development (i.e. the high-end residential building).

B. FINANCIAL REVIEW

Financial performance

The Target Group is principally engaged in the development, operation and investment of properties in the PRC. For details of the segment information of the Group during the ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, please refer to note 7 of the Accountants' Report of the Target Group as set out in Appendix II to this circular.

Revenue

The breakdown of the revenue for the Target Group for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Sales of properties, shops and car parks	121,744	204,774	563,908	522,303	396,087

The revenue of the Target Group increased by approximately 68% from approximately HK$122 million in 2014 to approximately HK$205 million in 2015, and further increased by approximately 175% to approximately HK$564 million in 2016, mainly due to the completion of the construction of Phase I and Phase II and more residential units, retails shops and car parks were offered to sale.

The revenue of the Target Group for the nine months ended 30 September 2017 was approximately HK$396 million, which decreased by approximately 24% as compared with revenue for the nine months ended 30 September 2016 of approximately HK$522 million, mainly due to the completion of Phase II at end of year 2015 and more residential units were sold in 2016 than in 2017.

Gross profit margin

The gross profit margin for the Target Group decreased from approximately 25% in 2014 to approximately 21% in 2015 and then further decreased to approximately 17% in 2016 primarily due to the increase in construction costs as compared to previous years.

The gross profit margin for the Target Group for the nine months ended 30 September 2017 was approximately 13%, which had decreased as compared with the gross profit margin for the nine months ended 30 September 2016 of approximately 17%, mainly due to less margin units were sold in 2017 in order to maintain the sale in 2017.

Other operating income

The other operating income of the Target Group decreased from approximately HK$3,459,000 in 2014 to approximately HK$1,854,000 in 2015, which further decreased to approximately HK$673,000 in 2016 mainly due to the substantial dividend income from securities business in 2014 whereas in 2015 and 2016 substantial income from forfeited deposits was recorded.

The other operating income for the nine months ended 30 September 2017 was approximately HK$764,000, which had increased as compared with other operating income for the nine months ended 30 September 2016 of approximately HK$281,000, mainly due to more income from forfeited deposits in 2017 was recorded but less was noted in that of 2016.

Selling and distribution expenses

The selling and distribution expenses of the Target Group increased from approximately HK$8 million in 2014 to approximately HK$12 million in 2015, mainly contributed by the completion in the construction of Phase II and more advertising and promotion expenses were incurred accordingly.

The selling and distribution expenses of the Target Group decreased from approximately HK$12 million in 2015 to approximately HK$6 million in 2016, mainly contributed by the reduction in the advertising and promotion expenses to promote Phase II.

The selling and distribution expenses of the Target Group decreased from approximately HK$4 million for the nine months ended 30 September 2016 to approximately HK$1 million for the nine months ended 30 September 2017, mainly contributed by the reduction in the advertising and promotion expenses to promote Phase II.

Administrative expenses

The administrative expenses of the Target Group decreased from approximately HK$27 million in 2014 to approximately HK$11 million in 2015, mainly contributed by the debt provision in 2014. The administrative expenses of the Target Group then maintained stable at approximately HK$11 million in 2015 and 2016.

The administrative expenses of the Target Group maintained stable at approximately HK$8 million for the nine months ended 30 September 2016 and for the nine months ended 30 September 2017.

Finance costs

The breakdown of finance costs for the Target Group for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, is set out below:

	Year ended 31 December			Four months ended 30 April	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on:					
Finance lease	–	290	412	312	139
Margin loans payable	841	228	–	–	–
	841	518	412	312	139

The finance costs for the Target Group represented the interest expenses in relation to financial lease and margin loans payable of the Target Group, which decreased from approximately HK$841,000 in 2014 to approximately HK$518,000 in 2015 and further decreased to approximately HK$412,000 in 2016, mainly due to decrease in held for trading investments and the corresponding margin loans payable interest decrease.

The finance costs for the Target Group for the nine months ended 30 September 2017 were approximately HK$139,000, which had decreased slightly as compared with the finance costs for the Target Group for the nine months ended 30 September 2016 of approximately HK$312,000, mainly due to the decrease in the interest on finance lease.

Income tax expenses

The income tax expense mainly represents the PRC corporate income tax based on the assessable profits in the PRC of the Target Group and the PRC land appreciation tax. The income tax expense for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 was approximately HK$7 million, HK$8 million, HK$24 million and HK$9 million, respectively.

(Loss) profit for the year/period

As a result of the discussions above, the Target Group recorded loss for the year ended 31 December 2014 of approximately HK$5 million and profits for the years ended 31 December 2015 and 2016 and for the nine months ended 30 September 2017 of approximately HK$30 million, HK$57 million and HK$30 million, respectively.

Financial Position

As at 31 December 2014

The non-current assets and current assets of the Target Group as at 31 December 2014 were approximately HK$33 million and HK$1,490 million, respectively. The Target Group's non-current assets as at 31 December 2014 mainly comprised property, plant and equipment, and the Target Group's current assets as at 31 December 2014 mainly comprised properties under development.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2014 were nil and approximately HK$1,226 million, respectively. The Target Group's current liabilities as at 31 December 2014 mainly comprised trade and other payables, amount due to a shareholder and bank and other borrowings.

As at 31 December 2015

The non-current assets and current assets of the Target Group as at 31 December 2015 were approximately HK$30 million and HK$1,552 million, respectively. The Target Group's non-current assets as at 31 December 2015 mainly comprised property, plant and equipment and the Target Group's current assets as at 31 December 2015 mainly comprised properties held for sale.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2015 were approximately HK$6 million and HK$1,267 million, respectively. The Target Group's non-current liabilities as at 31 December 2015 mainly comprised obligations under finance leases, and the Target Group's current liabilities as at 31 December 2015 mainly comprised trade and other payables, amount due to a shareholder and bank and other borrowings.

As at 31 December 2016

The non-current assets and current assets of the Target Group as at 31 December 2016 were approximately HK$34 million and HK$1,174 million, respectively. The Target Group's non-current assets as at 31 December 2016 mainly comprised investment property and property, plant and equipment, and the Target Group's current assets as at 31 December 2016 mainly comprised properties held for sale.

The non-current liabilities and current liabilities of the Target Group as at 31 December 2016 were nil and approximately HK$882 million, respectively. The Target Group's current liabilities as at 31 December 2016 mainly comprised trade and other payables, amount due to a shareholder and bank and other borrowings.

As at 30 September 2017

The non-current assets and current assets of the Target Group as at 30 September 2017 were approximately HK$40 million and HK$859 million, respectively. The Target Group's non-current assets as at 30 September 2017 mainly comprised investment property and property, plant and equipment, and the Target Group's current assets as at 30 September 2017 mainly comprised properties held for sale.

The non-current liabilities and current liabilities of the Target Group as at 30 September 2017 were approximately HK$1,117 million and HK$519 million, respectively. The Target Group's non-current liabilities as at 30 September 2017 mainly comprised deferred tax liabilities, and the Target Group's current liabilities as at 30 September 2017 mainly comprised trade and other payables and amount due to a shareholder.

Liquidity and financial resources

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group had net current assets of approximately HK$264 million, HK$285 million, HK$292 million and HK$341 million, respectively. The increase in net current assets as at 31 December 2015 as compared with net current assets as at 31 December 2014 primarily because of the increase in properties held for sale due to the completion in construction of Phase II. The decrease in net current assets as at 31 December 2016 as compared with net current assets as at 31 December 2015 primarily because certain properties held for sale were sold during 2016. The increase in net current assets as at 30 September 2017 as compared with net current assets as at 31 December 2016 primarily reflected the profit for the period.

The Target Group recorded a net cash inflow of approximately HK$3 million for the year ended 31 December 2014, mainly contributed by cash inflow from bank borrowings raised and advance from shareholder and off set with cash outflow from operations. The Target Group recorded a net cash outflow of approximately HK$5 million for the year ended 31 December 2015, mainly contributed by cash inflow from sales and off set with repayment of bank borrowings. The Target Group recorded a net cash inflow of approximately HK$95 million for the year ended 31 December 2016, mainly contributed by cash inflow from sales. The Target Group recorded a net cash outflow of approximately HK$88 million for the nine months ended 30 September 2017, mainly contributed by repayment of bank and other borrowings.

The total bank and other borrowings of the Target Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately HK$500 million, HK$365 million, HK$131 million and HK$nil, respectively. As at 31 December 2016, other borrowings amounting to approximately HK$131 million were for the purpose of general working capital from an independent third party.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, all loans and borrowings of the Target Group were denominated in RMB, and the Target Group has no material balance of cash and cash equivalents dominated in currencies other than RMB.

The effective interest rates per annum on the Target Group's borrowings as at 31 December 2014, 2015 and 2016 and 30 September 2017 are as follows:

	Year ended 31 December			Nine months ended 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fixed rate borrowings	11.62%	11.62%	7.84%	–
				Loan prime rate
Variable-rate borrowings	–	–	–	–

The total equity of the Target Group as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately HK$297 million, HK$309 million, HK$326 million and HK$380 million, respectively.

Gearing ratio

The net gearing ratio of the Target Group, which is equal to net debt (being net bank and other borrowings and net obligations under finance leases) over equity attributable to the holders of the Target Company as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately 156%, 111%, 3% and nil, respectively. The gearing ratios reflect the improve in gearing ratios along the years when the revenues were generated from the operations

Capital commitments

The Target Group's commitments, as contracted but not provided for, in respect of property under development expenditure as at 31 December 2014, 2015 and 2016 and 30 September 2017 were approximately HK$774 million, HK$726 million, HK$7 million and HK$7 million, respectively.

For details of the capital commitments of the Target Group as at 31 December 2014, 2015 and 2016 and 30 September 2017, please refer to note 36(b) of the Accountants' Report of the Target Group as set out in Appendix II to this circular.

Operating lease commitments

The total future minimum lease payments payable under non-cancellable operating leases of the Target Group, as lessee, as at 31 December 2014, 2015 and 2016 and 30 September 2017 were approximately HK$5 million, HK$3 million, HK$1 million and HK$7 million, respectively. No provision for contingent rent and terms of renewal was established in the leases.

For more details on operating lease commitments of the Target Group, please refer to note 36(a) of the Accountants Report of the Target Group as set out in Appendix II to this circular.

Contingent liabilities

The Target Group did not have any significant contingent liabilities as at 31 December 2014, 2015 and 2016 and 30 September 2017.

Financial risk management

For the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, the Target Group was mainly exposed to market risk, interest rate risk, credit risk and liquidity risk. For details of the exposure to such risks and the relevant risk management policies and practices adopted by the Target Group, please refer to note 33(b) of the Accountants' Report of the Target Group as set out in Appendix II to this circular.

Significant investments

The details of the Target Group's held for trading investments as at 31 December 2014, 2015 and 2016 and 30 September 2017 are set out in note 22 of the Accountants' Report of the Target Group in Appendix II to this circular.

Employee and remuneration policies

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Target Group had approximately 50, 60, 52 and 49 employees, respectively. The total staff costs of the Target Group for the year ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 was approximately HK$4 million, HK$4 million, HK$3 million and HK$1 million, respectively.

The Target Group adopts a remuneration policy with equal emphasis on the market competitiveness of the remuneration and fairness among the employees.

For the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, the Target Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong, and the employees of the Target Group in the PRC are members of a state-managed retirement benefit scheme operated by the government in the PRC. The total costs charged to the combined statements of profit and loss and other comprehensive income for the year ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 was approximately HK$32,000, HK$50,000, HK$47,000, HK$39,000 and HK$41,000, respectively.

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from CHFT, the independent valuer, in connection with its valuation as at 30 November 2017 of the Target Property.

華坊諮詢評估有限公司
CHFT ADVISORY AND APPRAISAL LTD.

華坊諮詢評估有限公司
CHFT ADVISORY AND APPRAISAL LTD.
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Date: 28 February 2018

The Board of Directors
Dingyi Group Investment Limited
Unit 2708, 27/F.,
Convention Plaza-Office Tower,
1 Harbour Road,
Wanchai, Hong Kong

Dear Sirs,

RE: VALUATION OF PROPERTIES TO BE ACQUIRED BY DINGYI GROUP INVESTMENT LIMITED IN THE PEOPLE'S REPUBLIC OF CHINA

In accordance with an instruction for us to value certain property interests to be acquired by **Dingyi Group Investment Limited** (the "Company"), its subsidiaries, and/or associate (hereinafter together known as the "Group") in the People's Republic of China (the "PRC") with details stated in the valuation certificate attached, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of such property interests as at **30 November 2017** (the "Date of Valuation") for **public circular purpose of the Company** only in relation to the relevant transaction.

VALUATION BASIS

Our valuation is carried out on a Market Value basis, which is defined as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion."

This valuation is complied with The HKIS Valuation Standards published by the Hong Kong Institute of Surveyors ("HKIS"), the RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors ("RICS"), and the International Valuation Standards ("IVS") published by the International Valuation Standards Council. We have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Unless otherwise stated, our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

VALUATION METHODOLOGY

We have valued the property interests by the comparison approach. The property interests valued by the comparison approach consist of comparisons based on prices realized or current asking prices of comparable properties. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market values.

For the property which was held for future development, we have assumed that this property will be developed and completed in accordance with the Company's development scheme provided to us. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposal have been/could be obtained without onerous conditions or delays. We reserve the rights to change of the market values opinion if there is any material change of the state of the property interests concerned. The change of the approvals, including the development parameters approved, and any delay on getting the approvals from the relevant authorities are considered the potential risks that may render a material change on the state and the market value of the property interests.

SOURCE OF INFORMATION

In the course of valuation, we have relied on the legal opinion provided by the Company's PRC legal adviser, Dentons (Shenzhen) Law Office, and have been provided certain title documents relating to the property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Company and the owners of the properties, in particular, but not limited to, the sales records, the records of planning approvals, statutory notices, easements, tenancies, site areas, floor areas, development schemes, construction costs, historical performance, etc.. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspections of the properties were carried by Mr. Sean Wu (MRICS, about 10 years' experience in the valuation of properties in Hong Kong and the PRC) in December 2017. We have inspected the exterior, the common parts and, where possible, the interior of the properties. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for the proposed development and any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighboring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

In valuing the properties in the PRC, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the Company has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

LIMITATION OF LIABILITIES

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

The responsible valuer(s) is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation assignment. Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Date(s) of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer(s) accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement or HK$500,000, whichever the lower. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,
For and on behalf of
CHFT Advisory And Appraisal Ltd.

Leo MY Lo *MRICS MHKIS*

Mr. Leo MY Lo is a member of the Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has around 14 years' experience in valuing properties in the PRC.

SUMMARY OF VALUES

	Property	Market value in existing state as at 30 November 2017
Property held for sale		
1.	Unsold Portion of Phases I and II, One Parkview (公園一號), No. 218 Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, The PRC	RMB838,000,000
Property held for future development		
2.	Phase III, One Parkview (公園一號), No. 218 Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, The PRC	RMB678,000,000
	Total	**RMB1,516,000,000**

Property held for sale

VALUATION CERTIFICATE

	Property	Description and tenure	Occupancy details	Market value in existing state as at 30 November 2017
1.	Unsold Portions of Phases I and II, One Parkview (公園一號), No. 218 Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, The PRC	The property comprises various residential units located at Blocks 1 and 2 in Phase I and Blocks 4, 5, 6 and 7 in Phase II, retail shops, car park, clubhouse (sales office) and other ancillary areas in a large scale residential estate completed between 2013 and 2016. The total gross floor area of the property is approximately 40,361 sqm with 2,062 car park spaces. **Type** / **Gross Floor Area** *(sqm) (Approx.)* Residential 32,952 Retail 3,522 Clubhouse (sales office) 3,887 Car Park Spaces 2,062 (number) The land use rights of the property have been granted for retail, office and residential uses at terms expiring on 21 November 2047, 21 November 2057 and 21 November 2077 respectively.	As at the Date of Valuation, the property was vacant.	**RMB838,000,000** (RENMINBI EIGHT HUNDRED THIRTY-EIGHT MILLION)

Notes:

a) Pursuant to two Land Use Rights Certificates, the land use rights of two parcels of land with a total site area of approximately 106,140 sqm have been granted to Zhanjiang Xintai Investment Co., Ltd.（湛江鑫泰投資有限公司）(“Xintai”). A summary of the said certificates is as follows:

Certificate Number	**Site Area** *(sqm)*	**Usage**	**Land Use Term Expiry Date**
Zhan Guo Yong (2012) No. 20090	51,391.5	Retail	21 November 2047
		Office	21 November 2057
		Residential	21 November 2077
Zhan Guo Yong (2008) No. 20164	54,748.5	Retail	21 November 2047
		Office	21 November 2057
		Residential	21 November 2077
Total	**106,140.0**		

b) As advised by the Company, the property only comprises portion of the lands of the abovementioned certificates.

c) As advised by the Company, as at the Date of Valuation, portions of the property with a total gross floor area of approximately 21,354 sqm and 125 car parking spaces were contracted to be sold at a total consideration of about RMB282 million. Our valuation has taken the above consideration into account.

d) We have been provided with a legal opinion on the property interests by the Company’s PRC legal adviser, which contains, *inter alia*, the following:

   i) The land use rights of a kindergarten, with a gross floor area of about 2,643 sqm, in the development are not transferrable unless approval is obtained from the relevant Government authorities;

   ii) The construction work completion certified report of Blocks 4, 5, 6, 7 and the kindergarten have not yet been obtained within the required period though the construction work was completed and accepted by the relevant Government parties. Maximum penalty of aforesaid issue could be charged at RMB2,500,000; and

   iii) Except the aforesaid construction work completion certified report, Xintai has legal rights to possess, use, lease, transfer and mortgage the land use rights of the relevant property.

f) With the consideration of the above legal opinion, i) we have assumed the property, other than the aforesaid kindergarten, is free from encumbrances and is freely transferrable in the market without any additional land premium, grant fee or other onerous payment to the relevant authorities; and (ii) we has disregarded the value of the kindergarten in our valuation.

g) A summary of major certificates/approvals is shown as follows.

i)	State-owned Land Use Rights Grant Contract	Obtained
ii)	State-owned Land Use Rights Certificate	Obtained
iii)	Construction Land Use Planning Permit	Obtained
iv)	Construction Works Planning Permit	Obtained
v)	Construction Works Commencement Permit	Obtained
vi)	Construction Works Completion Certified Report	Obtained
vii)	Building Ownership Certificate	Partly Obtained

h) We have collected the following market evidences of comparable properties of similar size and character to the subject property in the vicinity for the valuation by Direct Comparison Method.

i) For the residential portions, over 100 residential unit transactions in Blocks 1, 2, 4, 5, 6 and 7 of the subject development have been considered. These transactions were all made within one year from the valuation date with transacted unit rates fetching from approximately RMB7,810 to 16,000/sqm;

ii) For the retail portions, three recent asking retail comparable properties in Chikan District have been considered. The unit rates of the comparable properties are in the range of RMB28,400 to 30,000/sqm. Besides, historical transactions of some retail units in the subject development have also been taken into account though the transactions were made in 2013 to 2014. The retail units were sold in the range of approximately RMB22,000 to 32,000/sqm; and

iii) For the car park portions, eight car parking spaces in the subject development were transacted in the second half of 2016 at prices fetching from approximately RMB145,000 to 200,000 each.

In arriving at the valuation of the subject, adjustments on above comparable properties have been made to reflect the differences between the comparable properties and the subject units in order to arrive at a fair comparison of market values.

Property held for future development

VALUATION CERTIFICATE

	Property	Description and tenure	Occupancy details	Market value in existing state as at 30 November 2017
2.	Phase III, One Parkview (公園一號), Ti Yu Nan Road, Chikan District, Zhanjiang, Guangdong Province, The PRC	The property comprises lands on which a composite development to be erected. The total site area of the property is approximately 29,037 sqm. The property is proposed to be for mixed commercial/ hotel/residential complex with a planned gross floor area of approximately 211,920 sqm. The land use rights of the property have been granted for of retail, office and residential uses at terms expiring on 21 November 2047, 21 November 2057 and 21 November 2077 respectively.	As at the Date of Valuation, the land was vacant.	**RMB678,000,000** (RENMINBI SIX HUNDRED SEVENTY-EIGHT MILLION)

Notes:

a) Pursuant to two Land Use Rights Certificates, the land use rights of two parcels of land with a total site area of approximately 106,140 sqm have been granted to Zhanjiang Xin Tai Investment Co., Ltd. (湛江鑫泰投資有限公司). A summary of the said certificates is as follows:

Certificate Number	**Site Area (sqm)**	**Usage**	**Land Use Term Expiry Date**
Zhan Guo Yong (2012) No. 20090	51,391.50	Retail	21 November 2047
		Office	21 November 2057
		Residential	21 November 2077
Zhan Guo Yong (2008) No. 20164	54,748.50	Retail	21 November 2047
		Office	21 November 2057
		Residential	21 November 2077
Total	**106,140.0**		

b) As advised by the Company, the property only comprises portion of the lands of the abovementioned certificates.

c) We have been provided with a legal opinion on the property interests by the Company's PRC legal adviser, which contains, *inter alia*, the following:

   i) There is a piece of land with a site area of approximately 352 sqm formerly proposed for Block 3. That 352-sqm land, according to the People's High Court of Guandong Province, is owned by third parties. Construction of Building No. 3 was suspended. Xintai is in negotiation with the land owners and the relevant government authorities for proceeding planning and development of this land; and

   ii) Xintai has legal rights to possess, use, lease, transfer and mortgage the land use rights of the subject lands.

d) Further to the legal opinion and the instruction from the Company,

   i) our valuation has excluded the aforesaid 352-sqm land; and

   ii) we have assumed the property is free from any additional land premium, grant fee, penalty on idle land, and other onerous payment to the relevant authorities. We have assumed the property is freely transferrable in the market.

f) A summary of major certificates/approvals is shown as follows.

i)	State-owned Land Use Rights Grant Contract	Obtained
ii)	State-owned Land Use Rights Certificate	Obtained
iii)	Construction Land Use Planning Permit	Obtained
iv)	Construction Works Planning Permit	Not Yet Obtained (1)
v)	Construction Works Commencement Permit	Not Yet Obtained (1)
vi)	Pre-sale Permit	Not Yet Obtained (2)
vii)	Construction Works Completion Certified Report	Not Yet Obtained (2)

Notes:

(1) expect to obtain around by mid of 2018.

(2) expect to obtain from 2019 to 2021 after the completion of each construction work.

g) In our valuation by Direct Comparison Method, three transacted land comparables in Chikan District and Xiashan District have been considered. The land comparable properties were transacted in the 4th quarters in 2016 and 2017 with accommodation values fetching from approximate RMB3,800 to 7,000/sqm. In arriving at the valuation of the subject, adjustments on above comparable properties have been made to reflect the differences between the comparable properties and the subject property in order to arrive at a fair comparison of market values.

RECONCILIATION STATEMENT

The Properties have been valued by CHFT, the independent professional valuer. The valuation of the Properties as at 30 November 2017 is set out in Appendix VI to this circular.

The statement below shows the reconciliation of the values of the Properties from 30 September 2017, referring to Appendix II, up to 30 November 2017.

	Property in Phases I & II, One Parkview （公園一號） that held for sale	**Property in Phase III, One Parkview （公園一號） that held for future development**
	RMB (million)	*RMB (million)*
Net Book Value as at 30 September 2017	440	109
Movement from 30 September 2017 to 30 November 2017		
Additions/(Sale)	(39)	–
Carrying amount as at 30 November 2017	401	109
Valuation Surplus/(Deficit)	437	569
Valuation as at 30 November 2017 as per Appendix VI	838	678

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The issued share capital of the Company as at the Latest Practicable Date and immediately after allotment and issue of the Conversion Shares (assuming the exercise of the conversion rights attaching to the Convertible Bonds in full at the initial Conversion Price) were and are expected to be as follows:

Authorised		*HK$*
10,500,000,000	Shares (of HK$0.01 each)	105,000,000
Issued and fully paid		
6,998,022,481	Shares in issue as at the Latest Practicable Date	69,980,225
1,250,000,000	Conversion Shares to be issued upon exercise of the conversion rights attaching to the Convertible Bonds in full at the initial Conversion Price	12,500,000
8,248,022,481	Shares	82,480,225

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or supervisors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares and underlying Shares of the Company:

Name of Directors	Capacity	Number of Shares	Number of underlying Shares	Total	Approximate percentage of total number of issued Shares of the Company *(%) (Note 1)*
Mr. Li Kwong Yuk (“**Mr. Li**”)	Interest of controlled corporation	3,591,480,405 *(Note 2)*	–	3,591,480,405	
	Beneficial owner	242,650,000	1,255,000,000 *(Note 3)*	1,497,650,000	
				5,089,130,405	72.72%
Mr. Su Xiaonong	Beneficial owner	5,580,000	29,075,000 *(Note 4)*	34,655,000	0.50%
Mr. Cheung Sze Ming	Beneficial owner	5,000,000	–	5,000,000	0.07%

Notes:

1. Based on 6,998,022,481 Shares of the Company issued as at the Latest Practicable Date.

2. These Shares held by WCIL as to 3,580,005,405 and Wincon Asset Management Limited (“**WAML**”) as to 11,475,000. Each of WCIL and WAML is wholly and beneficially owned by Mr. Li. Pursuant to the SFO, Mr. Li is deemed to be interested in these 3,591,480,405 Shares.

3. These underlying Shares comprise, (i) 5,000,000 share options granted by the Company on 28 December 2015 under the Share Option Scheme at the exercise price of HK$0.792 per share; and (ii) 1,250,000,000 conversion shares will be issued and allotted upon full conversion of the convertible bonds in the aggregate principal amount of HK$1,000 million at the initial conversion price of HK$0.8 under the acquisition agreement dated 21 June 2017 and the said convertible bonds will be issued to Mr. Li upon completion of the Acquisition.

4. All underlying Shares are share options granted by the Company under the Share Options Scheme, (i) 9,075,000 underlying Shares granted on 19 April 2013 at the exercise price of HK$0.375 per Share, and (ii) 20,000,000 underlying Shares granted on 3 February 2015 at the exercise price of HK$0.477 per Share.

(ii) Long positions in the issued share capital of the Company's associated corporations (as defined in the SFO):

Associated corporation	**Name of Director**	**Capacity**	**Total number of share held**	**Approximate percentage of total issued share capital of WCIL/WAML** *(%)*
WCIL	Mr. Li Kwong Yuk	Beneficial owner	1	100%
WAML	Mr. Li Kwong Yuk	Beneficial owner	1	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) 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 or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's total number of issued shares. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Name of Shareholders	Capacity	Total number of Shares held	Total number of underlying Shares held	Total	Approximate percentage of total number of issued Shares of the Company (%) (Note 1)
WCIL	Beneficial owner	3,580,005,405	–	3,580,005,405	51.16%
China Shipbuilding Capital Limited	Beneficial owner	905,625,000	–	905,625,000	12.94%
Champion Stone Group Limited ("**CSGL**")	Beneficial owner	–	599,411,764 *(Note 2)*	599,411,764	8.57%
China Huarong Overseas Investment Holdings Co., Limited ("**CHOIHCL**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
華融華僑資產管理股份有限公司 (Huarong Huaqiao Asset Management Company Limited*) ("**Huarong Huaqiao**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
華融致遠投資管理有限責任公司 (Huarong Zhiyuan Investment Management Company Limited*) ("**Huarong Zhiyuan**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
China Huarong Asset Management Co., Limited ("**CHAMCL**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
Ministry of Finance of the People's Republic of China ("**MFPRC**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%

Name of Shareholders	Capacity	Total number of Shares held	Total number of underlying Shares held	Total	Approximate percentage of total number of issued Shares of the Company (%) *(Note 1)*
廣東錦峰集團有限公司 (Guangdong Jinfeng Group Company Limited*) ("**Guangdong Jinfeng**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
香港錦峰集團有限公司 (Hong Kong Jinfeng Group Company Limited*) ("**HK Jinfeng**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%
Mr. Sun Siu Kit ("**Mr. Sun**")	Interest of controlled corporation	–	599,411,764 *(Note 2)*	599,411,764	8.57%

Notes:

1. The approximate percentage of shareholding is calculated based on 6,998,022,481 Shares in issue as at the Latest Practicable Date.

2. These underlying Shares being the total of 599,411,764 conversion shares at an initial conversion price of HK$0.85 per conversion share will be issued and allotted upon full conversion of the convertible bonds in the aggregate principal amount of HK$509.5 million. These 599,411,764 underlying Shares related to the same block of 328,823,529 underlying Shares held by CFC and the same block of 270,588,235 underlying Shares held by Gala Blossom Limited. Based on the notices of disclosure of interest filed by CSGL, CHOIHCL, Huarong Huaqiao, Huarong Zhiyuan, CHAMCL, MFPRC, Guangdong Jinfeng and Mr. Sun on 1 August 2017, CSGL is wholly-owned by CHOIHCL which is in turn indirect wholly-owned by Huarong Huaqiao. Huarong Huaqiao is 51% direct owned by Huarong Zhiyuan and 40% direct owned by Guangdong Jinfeng. Huarong Zhiyuan is direct wholly-owned by CHAMCL which is in turn 67.75% indirect owned by MFPRC. Guangdong Jinfeng is indirect wholly-owned by Mr. Sun through HK Jinfeng. By virtue of the SFO, CHOIHCL, Huarong Huaqiao, Huarong Zhiyuan, CHAMCL, MFPRC, Guangdong Jinfeng, HK Jinfeng and Mr. Sun are deemed to be interested in the underlying shares held by CSGL.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

6. MATERIAL INTERESTS

As at the Latest Practicable Date, Mr. Li is the Vendor and Mr. Su Xiaonong is a director of Xintai.

As at the Latest Practicable Date, save as and except for the above disclosed, none of the Directors had any direct or indirect interest in the assets which had been, since 31 March 2017, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

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

7. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against the Enlarged Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within two years immediately preceding the Latest Practicable Date and are or may be material:

a) the 2016 aircraft charter agreement dated 30 March 2016, entered into between Trillion Winner Investment Ltd. (the "**Owner**") and Dingyi Resources Limited, an indirect wholly-owned subsidiary of the Company (the "**Charteree**"), pursuant to which the Owner agreed to provide and the Charteree agreed to hire one (1) Falcon 7X Aircraft, bearing manufacturer's serial number 141, Cayman Islands Registration Number VP-CDY, equipped with three (3) Pratt & Whitney Canada model PW 307A aircraft engines, bearing manufacturer's serial numbers CH0441 (left), CH440 (center) and CH0439 (right) (the "**Aircraft**") at the charter price of US$2,000 per flight hour. The Charteree shall reimburse the Owner for all other costs and expenses in respect of hiring the Aircraft. Details of which are set out in the announcement of the Company dated 30 March 2016;

b) a non-legally binding letter of intent dated 17 June 2016 entered into between the Company and 達仁投資管理集團股份有限公司 (D&R Asset Management Group Co., Ltd.*) ("**D&R**") relating to the proposed establishment of a joint venture company which will be owned as to 49% by the Company and 51% by D&R. Details of which are set out in the announcement of the Company dated 17 June 2016;

c) the subscription agreements dated 23 December 2016 entered into between the Company and each of Toplist Investments Limited ("**Toplist**"), CFC Group Limited, Safe Arena Limited ("**Safe Arena**"), Ms. Song Ning ("**Ms. Song**") and Ms. Mei Yuanyuan ("**Ms. Mei**"), as subscribers, pursuant to which the subscribers have conditionally agreed to subscribe or procure the subscription by themselves or their nominee(s) for the convertible bonds in the aggregate principal amount of HK$850 million with the rights to convert into 999,999,998 conversion shares at initial conversion price of HK$0.85. On 3 March 2017, the Company entered into an extension letter with each of Safe Arena, Ms. Song and Ms. Mei to extend the completion date from the 45th business day to the 105th business day following the date of the subscription agreements, or such other date as the Company and each of Safe Arena, Ms. Song and Ms. Mei may agree in writing. On 3 March 2017, the Company and Toplist have mutually agreed to enter, and have entered, into a deed of termination to terminate the subscription agreement for the subscription of the convertible bonds in the principal amount of HK$400 million with the rights to convert into 470,588,235 conversion shares at initial conversion price of HK$0.85. Details of which are set out in the announcements of the Company dated 23 December 2016, 20 February 2017, 3 March 2017, 28 April 2017 and 5 June 2017, respectively;

d) a subscription agreement dated 21 February 2017 (as supplemented by supplemental agreement dated 3 March 2017) entered into between the Company and CFC Group Limited as subscriber, pursuant to which the subscriber has conditionally agreed to subscribe or procure the subscription by it and its nominee(s) for the convertible bonds in the principle amount of HK$59.5 million with the rights to convert into 70,000,000 conversion shares at initial conversion price of HK$0.85. Details of which are set out in the announcements of the Company dated 21 February 2017, 3 March 2017 and 15 March 2017, respectively;

e) a subscription agreement dated 3 March 2017 entered into between the Company and Gala Blossom Limited ("**Gala Blossom**") as subscriber, pursuant to which the subscriber has conditionally agreed to subscribe or procure the subscription by it and its nominee(s) for the convertible bonds in the principle amount of HK$400 million with the rights to convert into 470,588,235 conversion shares at initial conversion price of HK$0.85. On 11 May 2017, the Company and Gala Blossom entered into an extension letter to extend the completion date from the 45th business day to the 80th business day following the date of the subscription agreement, or such other date as the Company and Gala Blossom may agree in writing. Details of which are set out in the announcements of the Company dated 3 March 2017, 11 May 2017, 28 June 2017 and 30 June 2017, respectively;

f) the joint venture agreement dated 12 May 2017, entered into between 中核新能投資有限公司 (China CNNE Investment Limited*) ("**CCIL**"), 和佳醫療投資管理(浙江)有限公司(Hoping Medical Investment Limited (Zhejiang)*) ("**Hoping Medical**"), an indirect wholly-owned subsidiary of the Company and 中核新能醫葯有限公司 (China CNNE Pharmaceutical Company Limited*) ("**Joint Venture Company**") in respect of the formation of a joint venture for the investment advisory services, wholesale and retails of pharmaceutical, the development, transfer, advices and services on the field on pharmaceutical technologies. Upon completion of the transaction, the Joint Venture Company will be owned as to 70% by CCIL and 30% by Hoping Medical. The parties expect that they will invest up to an aggregate RMB250,000,000 (approximately HK$282,250,000) into the Joint Venture Company, of which RMB90,000,000 (approximately HK$101,610,000) will be contributed by the Company;

g) the joint venture agreement dated 14 June 2017, entered into between CCIL, Hoping Medical and 中核新能質子醫療投資控股有限公司 (China CNNE Proton Medical Investment Holdings Limited*) (the "**Second Joint Venture Company**") in respect of the formation of a joint venture for the investment in hospitals and medical projects especially in proton medical center projects; medical technology research and development including proton accelerator and supporting scientific laboratory equipment; medical network technology development; medical robot research and development; hospital management; medical equipment technology development, advice and services. Upon completion of the transaction, the Second Joint Venture Company will be owned as to 76.92% by CCIL and 23.08% by Hoping Medical. The parties expect that they will invest up to an aggregate RMB650,000,000 (equivalent to approximately HK$746,200,000) into the Second Joint Venture Company, of which RMB150,000,000 (equivalent to approximately HK$172,200,000) will be contributed by the Company;

h) the Acquisition Agreement;

i) a placing agreement dated 15 December 2017 entered into between the Company as the issuer and Sinomax Securities Limited ("**Sinomax Securities**") as the placing agent pursuant to which the Company conditionally agreed to place, through Sinomax Securities, on a best effort basis, a total of up to 1,072,000,000 new shares to not less than six independent placees at the placing price of HK$0.44 per placing share. On 18 December 2017, the Company and Sinomax Securities entered into a supplemental placing agreement to revise the placing price from HK$0.44 to HK$0.443 per placing share and revise the long stop date from 31 January 2018 to 5 January 2018. On 5 January 2018, the Company and Sinomax Securities entered into a supplemental placing agreement to extend the long stop date from 5 January 2018 to 10 January 2018 (or such later date as the Company and Sinomax Securities may agree in writing). Details of which are set out in the announcements of the Company dated 15 December 2017, 18 December 2017, 5 January 2018 and 16 January 2018, respectively; and

j) a placing agreement dated 23 January 2018 entered into between the Company as the issuer and Sinomax Securities as the placing agent pursuant to which the Company conditionally agreed to place, through Sinomax Securities, on a best effort basis, a total of up to 472,000,000 new shares to not less than six independent placees at the placing price of HK$0.69 per placing share. On 9 February 2018, the Company and Sinomax Securities entered into a supplemental placing agreement to extend the long stop date from 9 February 2018 to 14 February 2018 (or such later date as the Company and Sinomax Securities may agree in writing). Details of which are set out in the announcements of the Company dated 23 January 2018, 9 February 2018 and 21 February 2018 respectively.

9. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualification of the expert who has given its opinion or advice which are contained in this circular:

Name	**Qualification**
SHINEWING (HK) CPA Limited	Certified Public Accountants
Beijing Dentons Law Offices, LLP (Shenzhen)	Legal adviser as to the PRC laws
BaoQiao Partners Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
CHFT Advisory And Appraisal Ltd.	Independent Valuer

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 letters, reports and/or opinion, as the case may be, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above experts did not have, directly or indirectly, any interest in any assets which had since 31 March 2017 (being the date to which the latest published consolidated audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. MISCELLANEOUS

(i) The company secretary of the Company is Mr. Chan Kwong Leung, Eric. Mr. Chan is an associate member of both The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

(ii) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The head office and principal place of business of the Company is at Unit 2708, 27/F, Convention Plaza-Office Tower, 1 Harbour Road, Wanchai, Hong Kong.

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

(iv) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Unit 2708, 27/F, Convention Plaza-Office Tower, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the SGM:

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

(b) the annual reports of the Company for the two financial years ended 31 March 2016 and 31 March 2017;

(c) the letter from the Independent Board Committee, the text of which is set out on page 35 of this circular;

(d) the letter from the Independent Financial Adviser, the text of which is set out on page 36 to page 70 of this circular;

(e) the accountants' report on the Target Group as set out in Appendix II to this circular;

(f) the report from SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the valuation report of the Properties as set out in Appendix VI to this circular;

(h) the statement of reconciliation of appraised property value as set out in Appendix VII to this circular;

(i) the written consents referred to in the paragraph under the heading "Experts and Consents" in this appendix;

(j) the service contracts referred to in the paragraph under the heading "Service contracts" in this appendix;

(k) the material contracts referred to in the paragraph under the heading "Material contracts" in this appendix;

(l) the Acquisition Agreement;

(m) the letter of extension of the long stop date;

(n) all the agreements/contract as referred to in this circular;

(o) the circular of the Company dated 19 January 2018; and

(p) this circular.

* *For identification purposes only*

DINGYI GROUP INVESTMENT LIMITED
鼎億集團投資有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 508)

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of DINGYI GROUP INVESTMENT LIMITED (the "**Company**") will be held at Unit 2708, 27/F., Convention Plaza – Office Tower, 1 Harbour Road, Wanchai, Hong Kong on Thursday, 15 March 2018 at 3:00 p.m. for the purpose of considering, and if thought fit, passing, with or without amendments or modifications, the following as an ordinary resolution of the Company:–

ORDINARY RESOLUTION

"**THAT**:

1. the Acquisition Agreement dated 21 June 2017 (the "**Acquisition Agreement**") entered into between Mr. Li Kwong Yuk as vendor (the "**Vendor**") and the Company as purchaser in relation to the sale and purchase of the target company United Faith Investments Limited, at a consideration of HK$1,000 million, which shall be satisfied by the issue of the Convertible Bonds (as defined below) by the Company to the Vendor, a copy of the Acquisition Agreement marked "A" is tabled before the meeting and signed for identification purpose by the chairman of the meeting, as more particularly described in the circular to the shareholders of the Company dated 28 February 2018 of which this notice forms part and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and all previous acts done or documents executed by any director of the Company (the "**Director**") to give effect to or in connection with the Acquisition Agreement and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.

2. (a) the issue of the convertible bonds in the aggregate principal amount of HK$1,000 million (the "**Convertible Bonds**") pursuant to the Acquisition Agreement, be and is hereby approved, ratified and confirmed; and

   (b) the grant of specific mandate to allot and issue such number of conversion shares (the "**Conversion Shares**") upon exercise of the conversion rights attaching to the Convertible Bonds at the conversion price of HK$0.80 per share (subject to adjustments), in accordance with the terms and conditions of the Acquisition Agreement and the Convertible Bonds.

3. any Director be and is hereby authorised, for and on behalf of the Company, to exercise all the powers of the Company, take all steps and do all acts and things as he/she might in his/her absolute discretion considers to be necessary, appropriate or expedient in connection with or to implement or give effect to the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds to the Vendor, and to execute, amend, supplement, deliver, submit and implement all such other documents, instruments and agreements (including the affixation of the Company's common seal) deemed by him/her to be incidental to, ancillary to or in connection with the Acquisition Agreement and the transactions contemplated thereunder."

By order of the Board
DINGYI GROUP INVESTMENT LIMITED
CHEUNG Sze Ming
Executive Director

Hong Kong, 28 February 2018

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

Principal place of business in Hong Kong:
Unit 2708, 27/F.
Convention Plaza – Office Tower
1 Harbour Road
Wanchai, Hong Kong

Notes:

1. Any Shareholder entitled to attend and vote at the SGM is entitled to appoint one or, if he holds two or more Shares, more than one proxy to attend and vote in his/her/its stead. A proxy need not be a Shareholder.

2. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon.

3. To be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude the Shareholder from attending and voting in person at the SGM.

4. In the case of joint registered holders of any Share(s), the proxy form may be signed by any joint registered holder, but if more than one joint registered holders are present at the SGM, whether in person or by proxy, that one of the joint registered holders whose name stands first on the register of Shareholders in respect of the relevant jointly registered Shares(s) shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint registered holders.

5. The register of members of the Company will be closed from Monday, 12 March 2018 to Thursday, 15 March 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending the SGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 9 March 2018.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the SGM, the SGM will not be held on that day and will be adjourned. The Company will publish an announcement on the website of Company at http://www.dingyi.hk/ and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the adjourned meeting.

As at the date hereof, the Board comprises Mr. LI Kwong Yuk (Chairman), Mr. SU Xiaonong (Chief Executive Officer), Mr. CHEUNG Sze Ming and Mr. ZHENG Xiantao as Executive Directors; and Mr. CHOW Shiu Ki, Mr. CAO Kuangyu and Mr. IP Chi Wai as Independent Non-executive Directors.