THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Heritage International Holdings Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or transferee(s), or to the bank, stockbroker or other agent through which the sale or transfer was effected for transmission to the purchaser or transferee.

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

HERITAGE INTERNATIONAL HOLDINGS LIMITED
漢基控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HONG KONG LEASING LIMITED INVOLVING ISSUE OF NEW SHARES
(2) NOTICE OF SPECIAL GENERAL MEETING
AND
(3) CLOSURE OF REGISTER OF MEMBERS

Financial adviser to the Company

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

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

A letter from the Board is set out on pages 6 to 30 of this circular.

A notice convening the SGM to be held at YUE – Function Room, V234, 1/F., City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Tuesday, 18 August 2015, together with the reply slip and form of proxy are enclosed herein. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 13 August 2015. The register of members of the Company will be closed from Friday, 14 August 2015 to Tuesday, 18 August 2015, both days inclusive, for determination of entitlements to attend and vote at the SGM during which period no transfer of Listco Shares will be registered.

A form of proxy for use by the shareholders of the Company at the SGM is enclosed herein. Whether or not you are able to attend the meeting in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

* *For identification purpose only*

30 July 2015

CONTENTS

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

"1st Additional Consideration Shares"	new Listco Shares (free from Encumbrance) to be allotted and issued by the Company to the Vendors pursuant to the S&P Agreement
"1st Repurchase Shares"	Listco Shares to be sold by the Vendors and to be repurchased by the Company at nil consideration pursuant to the S&P Agreement
"2nd Additional Consideration Shares"	new Listco Shares (free from Encumbrance) to be allotted and issued by the Company to the Vendors pursuant to the S&P Agreement
"2nd Repurchase Shares"	Listco Shares to be sold by the Vendors and to be repurchased by the Company at nil consideration pursuant to the S&P Agreement
"2015 Audited Consolidated Accounts"	The Target Company's audited consolidated financial statements for the 12 months ending 31 December 2015
"2016 Audited Consolidated Accounts"	The Target Company's audited consolidated financial statements for the 12 months ending 31 December 2016
"Accounting Reference Date"	December 31
"Acquisition"	the proposed acquisition of the Offered Shares by the Purchaser from the Vendors pursuant to the terms and conditions of the S&P Agreement
"Adjusted Consideration Shares"	1st Additional Consideration Shares, 2nd Additional Consideration Shares, 1st Repurchase Shares, 2nd Repurchase Shares, Completion Accounts Repurchase Shares and Bad Debt Repurchase Shares
"Announcement"	the announcement dated 10 April 2015 made by the Company in relation to the Acquisition
"associates"	has the same meaning ascribed thereto in the Listing Rules
"Audited Accounts"	audited consolidated financial statements of each member of the Target Group for the 12 months ended on the Accounting Reference Date

"Base Consideration"	the consideration payable by the Purchaser to the Vendors pursuant to the S&P Agreement for the sale and transfer of the Offered Shares, being HK$1,558,334,000; of which, the base consideration for China Hover Dragon Offered Shares is 96.77% of the Base Consideration (i.e. HK$1,508,065,161); and for Mr. Gao Offered Shares is 3.23% of the Base Consideration (i.e. HK$50,268,839)
"Base Consideration Shares"	representing HK$1,558,334,000, being 2,361,112,121 new Listco Shares (free from any Encumbrance) to be allotted and issued by the Company to the Vendors on the Completion Date, based on the 5-day average closing price prior to the close of market on 2 April, 2015, the price of each Listco Share is HK$0.66; of which, the Company shall allot and issue 2,284,947,214 and 76,164,907 new Listco Shares (free from any Encumbrance) to China Hover Dragon and Mr. Gao respectively on the Completion Date
"Beijing Chuan Long"	北京傳龍投資諮詢有限公司, a company incorporated in PRC with limited liability
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business in Hong Kong
"China Hover Dragon"	China Hover Dragon Group Limited, a company incorporated under the laws of the British Virgin Islands, holding 96.77% issued share capital of the Target Company (i.e. 300,000,000 Shares), and one of the Vendors selling 300,000,000 Shares in the Target Company to the Purchaser
"China Hover Dragon Offered Shares"	300,000,000 Shares to be sold by China Hover Dragon to the Purchaser under the S&P Agreement
"Company"	means Heritage International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 412)
"Completion"	completion of the Acquisition in accordance with the terms of the S&P Agreement

"Completion Audited Accounts"	the audited consolidated balance sheet (with all the notes) of the Target Company as at the Completion Date, and the audited consolidated income statement and the audited consolidated cash flow statement for the twelve months ended the Completion Date
"Completion Date"	the date on which the Completion takes place, i.e., within five (5) Business Days from the satisfaction or waiver of all the conditions precedent, or other dates as agreed by the parties in writing
"Director(s)"	the director(s) of the Company, from time to time
"Draft Completion Audited Accounts"	means the draft audited consolidated balance sheet (containing all the notes) of the Target Company as at the Completion Date prepared in accordance with the S&P Agreement, as well as the audited consolidated income statement and audited consolidated cash flow statement for the twelve months ended the Completion Date
"Encumbrance"	any claims, charges, mortgages, liens, options, shareholdings, rights of sale, mortgage-backed securities, title retentions, priorities, pre-emptive rights or other third party rights or security interests of any kind, or any agreements, arrangements or obligations in relation to the creation of any items of the above
"Enlarged Group"	the enlarged Group after Completion
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Ji and Ms. Wang
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Day"	27 July 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
"Last Trading Day"	8 April 2015, being the date of the S&P Agreement
"Listing Committee"	has the same meaning ascribed thereto in the Listing Rules
"Listing Rules"	means the Rules Governing the Listing of Securities on the Stock Exchange
"Listco Shares"	ordinary shares of HK$0.00025 per share in the capital of the Company

"Long Stop Date"	31 December 2015 or other date as mutually agreed among the parties to the S&P Agreement in writing
"Mr. Gao"	Mr. Gao Chuanyi, holding 3.23% of the issued share capital of the Target Company (i.e. 10,000,000 Shares), and a Vendor under the S&P Agreement selling to the Purchaser 10,000,000 Shares it holds in the Target Company
"Mr. Gao Offered Shares"	10,000,000 Shares to be sold by Mr. Gao to the Purchaser under the S&P Agreement
"Mr. Ji"	Mr. Ji Kewei, indirectly holding 50% of the issued shares of China Hover Dragon and a Guarantor under the S&P Agreement
"Ms. Wang"	Ms. Wang Zi Yi, directly owning 50% of the issued capital of China Hover Dragon and also a Guarantor under the S&P Agreement
"Net Profit After Tax"	means the net operating profit after tax as indicated in the audited consolidated financial statements (except for any exceptional, unusual, recurring or extraordinary items)
"Offered Shares"	the 310,000,000 shares in the Target Company to be sold by the Vendors to the Purchaser pursuant to the terms of the S&P Agreement, being the aggregate of the China Hover Dragon Offered Shares and Mr. Gao Offered Shares
"Pacific Ying Xin"	深圳亞太盈鑫資產管理有限公司, a company incorporated in PRC with limited liability
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Macau and Taiwan
"PRC Subsidiaries"	means Shenzhen Chuan Long, Shanghai Xiang Long, Beijing Chuan Long, Shenzhen Xiang Long, Xiang Long Finance, Shenzhen Pacific and Pacific Ying Xin
"Purchaser"	Shinning Seas Limited, a company incorporated under the laws of the British Virgin Islands
"Repurchase Code"	the Hong Kong Code on Share Buy-backs
"RMB"	Renminbi, the lawful currency of the PRC
"S&P Agreement"	the agreement dated 8 April 2015 (as supplemented by the Supplemental Agreement) made among the Vendors, the Purchaser, the Guarantors and the Company in relation to the Acquisition

"SGM"	the special general meeting of the Company to be convened to approve, among other things, (i) the S&P Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to allot and issue the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares
"Shanghai Xiang Long"	翔龍融資租賃(上海)有限公司, a company incorporated in PRC with limited liability
"Share(s)"	ordinary share(s) of the share capital of the Target Company
"Shareholder(s)"	the shareholder(s) of the Company
"Shenzhen Chuan Long"	深圳傳龍投資諮詢有限公司, a company incorporated in PRC with limited liability
"Shenzhen Pacific"	Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd. (深圳亞太租賃資產交易中心有限公司), a company incorporated in PRC with limited liability
"Shenzhen Xiang Long"	翔龍融資租賃(深圳)有限公司, a company incorporated in PRC with limited liability
"Specific Mandate"	the specific mandate to allot and issue the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares to be sought from the Shareholders at the SGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the S&P Agreement dated 29 July 2015 between the Vendors, the Purchaser, the Guarantors and the Company in relation to amending certain terms of the S&P Agreement
"Target Company"	Hong Kong Leasing Limited, a company incorporated in Hong Kong with limited liability
"Target Group"	the Target Company and its PRC Subsidiaries
"Vendors"	China Hover Dragon and Mr. Gao
"Xiang Long Finance"	翔龍融資租賃(北京)有限公司, a company incorporated in PRC with limited liability

HERITAGE INTERNATIONAL HOLDINGS LIMITED
漢基控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)

Executive Directors:
Mr. Yau Wai Lung
Dr. Jonathan Ross
Mr. Ma Chao

Independent non-executive Directors:
Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping

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

Head office and principal place of business in Hong Kong:
29th Floor
China United Centre
28 Marble Road
North Point, Hong Kong

30 July 2015

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HONG KONG LEASING LIMITED INVOLVING ISSUE OF NEW SHARES
(2) NOTICE OF SPECIAL GENERAL MEETING
AND
(3) CLOSURE OF REGISTER OF MEMBERS

INTRODUCTION

Reference is made to the Announcement of the Company dated 10 April 2015 in relation to, among other things, the Acquisition and the granting of the Specific Mandate.

* *For identification purpose only*

The purpose of this circular is to provide the Shareholders with details of:

(a) the Acquisition;

(b) the financial information of the Group;

(c) the financial information of the Target Group; and

(d) the unaudited pro forma financial information of the Enlarged Group.

The notice of the SGM to the Shareholders is also enclosed in this circular.

THE S&P AGREEMENT

Date

8 April 2015

Parties

(i) Vendors;

(ii) Purchaser, an indirect wholly-owned subsidiary of the Company;

(iii) Company; and

(iv) Guarantors.

China Hover Dragon is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially, indirectly held by Mr. Ji as to 50% and directly held by Ms. Wang as to 50%. China Hover Dragon holds a 96.77% equity interest in the issued share capital of the Target Company, being 300,000,000 Shares of the Offered Shares.

Mr. Gao, a PRC citizen, holds a 3.23% equity interest in the issued share capital of the Target Company, being 10,000,000 Shares of the Offered Shares. In consideration of the Purchaser agreeing to enter into the S&P Agreement, Mr. Ji and Ms. Wang agreed to be the Guarantors to guarantee the performance by the Vendors of their obligations under the S&P Agreement.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of China Hover Dragon and its ultimate beneficial owners and Mr. Gao, the Guarantors, and their respective associates (if applicable) is an independent third party of the Company and is not a connected person (as defined under the Listing Rules) of the Company.

The parties to the S&P Agreement have subsequently entered into the Supplemental Agreement pursuant to which amendments were made in relation to the adjustment of the Consideration and the lock up restrictions on the Base Consideration Shares, 1st Additional Consideration Shares (if applicable) and 2nd Additional Consideration Shares (if applicable) under the S&P Agreement. Please refer to the section headed "The Supplemental Agreement" in this letter for details of the Supplemental Agreement.

Assets to be acquired

The Target Company is a company incorporated under the laws of Hong Kong and has an issued share capital of HK$310,000,000, divided into 310,000,000 Shares, i.e. the Offered Shares. The Vendors are the legal and beneficial owners of the Offered Shares.

Consideration

As the consideration for the sale and transfer of the Offered Shares, the Purchaser shall pay the Base Consideration to the Vendors upon Completion. The total amount of the Base Consideration shall be HK$1,558,334,000, of which HK$1,508,065,161 shall be paid for China Hover Dragon Offered Shares and HK$50,268,839 shall be paid for Mr. Gao Offered Shares. The Purchaser shall pay the Base Consideration for China Hover Dragon Offered Shares and Mr. Gao Offered Shares by way of allotment and issue of the Base Consideration Shares by the Company to China Hover Dragon and Mr. Gao, respectively. The Base Consideration is 4.006 times (the "**Base Consideration Multiple**") the net asset value of the Target Company as at Completion Date (assuming that the net asset value stated in the Completion Audited Accounts of the Target Company as at Completion Date shall be no less than HK$389,000,000) and was determined with reference to (i) the management accounts of the Target Group for the year ended 31 December 2014; (ii) the specialised financial leasing transaction platform of the Target Group, which is one of only seven financial transaction platforms which possess the "Trading Business Qualification" (《交易場所業務資格》) in Shenzhen; (iii) the Target Group's strong relationships with customers and financial institutions, further details of which are set out in the section headed "Reasons for and benefits of the Acquisition" in this letter; (iv) a market comparable acquisition transaction of other financial leasing business with a price to book ratio of approximately 3.2; (v) such player in the financial leasing business listed on the Stock Exchange with a price to book ratio of approximately 3.3; and (vi) the experienced management team of the Target Group who have on average over 20 years of experience in the finance leasing industry in the PRC. As such, the Base Consideration of HK$1,558,334,000 is derived from the adjusted unaudited consolidated net asset value of the Target Group of approximately HK$389,000,000, which is based on the unaudited consolidated net assets value of the Target Group as at 31 December 2014 of approximately HK$371,000,000 and adjusted by taking into account material transactions that occurred during the period ended 31 March 2015 comprising of a capital injection, purchase of property, plant and equipment, settlement of other payables and increase in trade receivables offset by loans payable arising due to trading income, and multiplied by the Base Consideration Multiple of 4.006.

The consideration for the Acquisition (including the Base Consideration, the 1st Additional Consideration Shares and the 2nd Additional Consideration Shares) was determined by the Purchaser and the Vendors after arm's length negotiation.

The aggregate of the Base Consideration Shares of 2,361,112,121 Listco Shares, the maximum number of 1st Additional Consideration Shares of 390,606,061 Listco Shares and the maximum number of 2nd Additional Consideration Shares of 781,212,121 Listco Shares, being a total of 3,532,930,303 Listco Shares, represent: (i) approximately 20.85% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 17.25% of the issued share capital of the Company as enlarged by the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares (assuming there is no other issue or repurchase of Listco Shares and the maximum number of 1st Additional Consideration Shares and 2nd Additional Consideration Shares will be issued). Please refer to the section headed "The S&P Agreement – Adjustment of the Consideration" in this letter for details on the 1st Additional Consideration Shares and the 2nd Additional Consideration Shares.

Based on the above, the Directors consider that the consideration is fair and reasonable to the Company and the Acquisition is in the interests of the Company and the Shareholders as a whole with reference to (i) the basis of determining the Base Consideration, the 1st Additional Consideration Shares and the 2nd Additional Consideration Shares, which details are more particularly justified above; (ii) the specialised financial leasing transaction platform of the Target Group; (iii) the expected growth of the financial leasing industry in the PRC; (iv) the future contracts in negotiations and/or expected to be entered into by the Target Group; and (v) the benefits of business synergies and income source from the financial leasing business and financial leasing transaction platform of the Target Group to the Company, more particularly described in the section headed "Reasons for and Benefits of the Acquisition" in this letter.

Based on the Accountant's Report of the Target Group in Appendix II of this circular, the consolidated net asset value of the Target Group as at 31 March 2015 is approximately HK$372,000,000 and the net loss for the period ended 31 March 2015 is approximately HK$9,000,000. As the relevant management accounts and Accountant's Report of the Target Group were not available at the time of signing of the S&P Agreement, such financial information of the Target Group was not taken into account when determining the consideration for the Acquisition. Despite that a net loss for the period ended 31 March 2015 has been recorded for the Target Group, the Board currently expects that, based on discussion with and information from the Target Group and the Vendors, the benchmark of net profit for the twelve month period commencing from the Completion Date (as amended and pursuant to the Supplemental Agreement) in the amount of HK$100,000,000 is reasonably achievable due to certain income from the financial leasing business is expected to be recorded in the second half of the year ended 31 December 2015 and certain financial leasing arrangements have been deferred to the second half of the year ended 31 December 2015 due to focus of efforts in business development in the first half of the financial year, with reference to the predetermined income pursuant to contracts in previous years and contracts entered into by the Target Group in 2015 and expected to be entered into by the Target Group with existing and potential customers in the remaining part of 2015, subject to the same accounting treatment for the predetermined income.

Adjustment of the Consideration

1. Year 2015 Adjustment

(i) Subject to paragraph (ii) below, if the audited Net Profit After Tax of the Target Company as shown in the 2015 Audited Consolidated Accounts ("**2015 Audited Net Profit**") exceeds HK$150,000,000, the Base Consideration shall be increased as an incentive. The difference between the increased consideration and the Base Consideration paid by the Purchaser to the Vendors under the S&P Agreement shall be paid by the Company to the Vendors by allotment and issue of additional Listco Shares to the Vendors according to their respective proportion in the Offered Shares ("**1st Additional Consideration Shares**"). The Company shall allot and issue 1st Additional Consideration Shares to the Vendors at 5.156 times the net asset value of the Target Company as at Completion Date, which was higher than the Base Consideration Multiple as justified by and determined with reference to (i) the management accounts of the Target Group for the year ended 31 December 2014; (ii) the expected growth of the financial leasing industry in the PRC; and (iii) the predetermined income pursuant to contracts in previous years and contracts entered into by the Target

Group in 2015 and expected to be entered into by the Target Group with existing and potential customers in the remaining part of 2015, subject to the same accounting treatment for predetermined income.

The number of 1st Additional Consideration Shares shall be calculated according to the following formula, with the issue price being HK$0.66 per 1st Additional Consideration Share. No fractional share shall be issued. The number of 1st Additional Consideration Shares to be allotted and issued shall be calculated based on the amount that the 2015 Audited Net Profit exceeds HK$150,000,000 and subject to paragraph (ii) below, shall be calculated subject to a maximum 2015 Audited Net Profit of HK$200,000,000 as follows:

> Number of 1st Additional Consideration Shares = (2015 Audited Net Profit (subject to a maximum of HK$200,000,000) – HK$150,000,000) x 5.156/0.66

The maximum number of 1st Additional Consideration Shares that may be allotted and issued pursuant to the terms of the S&P Agreement is 390,606,061 Listco Shares.

The maximum number of 1st Additional Consideration Shares of 390,606,061 Listco Shares represent: (i) approximately 2.31% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.91% of the issued share capital of the Company as enlarged by the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares (assuming there is no other issue or repurchase of Listco Shares and the maximum number of 1st Additional Consideration Shares and 2nd Additional Consideration Shares will be issued).

(ii) The Purchaser shall procure that the maximum number of 1st Additional Consideration Shares be allotted and issued by the Company to the Vendors in accordance with paragraph (i) above, be subject to a maximum 2015 Audited Net Profit of HK$200,000,000.

(iii) If the 2015 Audited Net Profit is less than HK$100,000,000, the Base Consideration shall be decreased. The portion of 2015 Audited Net Profit which is less than HK$100,000,000 shall be deducted from the Base Consideration. The benchmark of HK$100,000,000 was determined with reference to (i) the predetermined income pursuant to contracts in previous years and contracts entered into by the Target Group in 2015 and expected to be entered into by the Target Group with existing and potential customers in the remaining part of 2015, subject to the same accounting treatment for predetermined income; and (ii) the expected growth of the financial leasing industry in the PRC. The number of Listco Shares to be sold by the Vendors to the Company shall be calculated by reference to 4.006 times the net asset value of the Target Company as at Completion Date and the amount so deducted from the Base Consideration ("**1st Repurchase Shares**"). The Vendors are, subject to applicable laws (including the Listing Rules), obliged to sell such 1st Repurchase Shares to the Company at nil consideration and the Company shall repurchase the 1st Repurchase Shares at nil consideration. The number of 1st Repurchase Shares to be repurchased at nil consideration shall be calculated using the following formula:

> Number of 1st Repurchase Shares = (HK$100,000,000 – 2015 Audited Net Profit) x 4.006/0.66

If the 2015 Audited Net Profit is negative, then the 2015 Audited Net Profit shall be zero when calculating the number of 1st Repurchase Shares. The maximum number of 1st Repurchase Shares that may be repurchased by the Company at nil consideration pursuant to the terms of the S&P Agreement is 606,969,697 Listco Shares.

The 1st Repurchase Shares, if any, as repurchased by the Company will be cancelled accordingly.

Changes to adjustment benchmark pursuant to the Supplemental Agreement

Pursuant to the Supplemental Agreement, the terms "2015 Audited Consolidated Accounts" and "2015 Audited Net Profit" referred to above have been replaced by "First Audited Consolidated Accounts" and "First Audited Net Profit", respectively. "First Audited Consolidated Accounts" means the Target Company's audited consolidated financial statements for the twelve months period commencing from the Completion Date and the "First Audited Net Profit" means the audited Net Profit After Tax of the Target Company as shown in the First Audited Consolidated Accounts for the same twelve months period. Please refer to the section headed "The Supplemental Agreement" in this letter for details of the Supplemental Agreement.

2. *Year 2016 Adjustment*

(i) Subject to Paragraph (ii) below, if the audited Net Profit After Tax of the Target Company as shown in the 2016 Audited Consolidated Accounts ("**2016 Audited Net Profit**") exceeds HK$300,000,000, the Base Consideration shall be increased as an incentive. The difference between the increased consideration and the consideration adjusted in 2015 and paid by the Purchaser to the Vendors under the S&P Agreement shall be paid by the Company to the Vendors by allotment and issue of additional Listco Shares to the Vendors according to their respective proportion in the Offered Shares ("**2nd Additional Consideration Shares**"). The Company shall allot and issue 2nd Additional Consideration Shares to the Vendors at 5.156 times the net asset value of the Target Company as at Completion Date, which was higher than the Base Consideration Multiple as justified by and determined with reference to (i) the management accounts of the Target Group for the year ended 31 December 2014; (ii) the expected growth of the financial leasing industry in the PRC; and (iii) the predetermined income pursuant to contracts entered into by the Target Group in 2015 and in previous years and expected to be entered into by the Target Group with existing and potential customers in the remaining part of 2015 and in 2016, subject to the same accounting treatment for predetermined income. The number of 2nd Additional Consideration Shares shall be calculated according to the following formula, with the issue price being HK$0.66 per 2nd Additional Consideration Share. No fractional share shall be issued. The number of 2nd Additional Consideration Shares to be allotted and issued shall be calculated based on the amount that the 2016 Audited Net Profit exceeds HK$300,000,000 and subject to paragraph (ii) below, shall be calculated subject to a maximum 2016 Audited Net Profit of HK$400,000,000 as follows:

Number of 2nd Additional Consideration Shares = (2016 Audited Net Profit (subject to a maximum of HK$400,000,000) – HK$300,000,000) x 5.156/0.66

The maximum number of 2nd Additional Consideration Shares that may be allotted and issued pursuant to the terms of the S&P Agreement is 781,212,121 Listco Shares.

The maximum number of 2nd Additional Consideration Shares of 781,212,121 Listco Shares represent: (i) approximately 4.61% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 3.82% of the issued share capital of the Company as enlarged by the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares (assuming there is no other issue or repurchase of Listco Shares and the maximum number of 1st Additional Consideration Shares and 2nd Additional Consideration Shares will be issued).

(ii) The Purchaser shall procure that the maximum number of 2nd Additional Consideration Shares be allotted and issued by the Company to the Vendors in accordance with paragraph (i) above, be subject to a maximum 2016 Audited Net Profit of HK$400,000,000.

(iii) If the 2016 Audited Net Profit is less than HK$200,000,000, the Base Consideration shall be decreased. The portion of 2016 Audited Net Profit which is less than HK$200,000,000 shall be deducted from the Base Consideration. The benchmark of HK$200,000,000 was determined with reference to (i) the predetermined income pursuant to contracts entered into by the Target Group in 2015 and in previous years and expected to be entered into by the Target Group with existing and potential customers in the remaining part of 2015 and in 2016, subject to the same accounting treatment for predetermined income; and (ii) the expected growth of the financial leasing industry in the PRC. The number of Listco Shares to be sold by the Vendors to the Company shall be calculated by reference to 4.006 times the net asset value of the Target Company as at Completion Date and the amount so deducted from the Base Consideration ("**2nd Repurchase Shares**"). The Vendors are, subject to applicable laws (including the Listing Rules), obliged to sell such 2nd Repurchase Shares to the Company at nil consideration and the Company shall repurchase the 2nd Repurchase Shares at nil consideration. The number of 2nd Repurchase Shares to be repurchased at nil consideration shall be calculated using the following formula:

Number of 2nd Repurchase Shares = (HK$200,000,000 – 2016 Audited Net Profit) x 4.006/0.66

If the 2016 Audited Net Profit is negative, then the 2016 Audited Net Profit shall be zero when calculating the number of 2nd Repurchase Shares. The maximum number of 2nd Repurchase Shares that may be repurchased at nil consideration pursuant to the terms of the S&P Agreement is 1,213,939,394 Listco Shares.

The 2nd Repurchase Shares, if any, as repurchased by the Company will be cancelled accordingly.

Changes to adjustment benchmark pursuant to the Supplemental Agreement

Pursuant to the Supplemental Agreement, the terms "2016 Audited Consolidated Accounts" and "2016 Audited Net Profit" referred to above have been replaced by "Second Audited Consolidated Accounts" and "Second Audited Net Profit", respectively. "Second Audited Consolidated Accounts" means the Target Company's audited consolidated financial statements for the twelve months period commencing after the twelfth month from the Completion Date and the "Second Audited Net Profit" means the audited Net Profit After Tax of the Target Company as shown in the Second Audited Consolidated Accounts for the same twelve months period. Please refer to the section headed "The Supplemental Agreement" in this letter for details of the Supplemental Agreement.

BASE CONSIDERATION SHARES

On Completion Date, to satisfy the Base Consideration, the Purchaser will procure the Company to allot and issue 2,284,947,214 new Listco Shares and 76,164,907 new Listco Shares to China Hover Dragon and Mr. Gao, respectively, free from any Encumbrance, totalling 2,361,112,121 new Listco Shares at HK$0.66 per Listco Share based on the average of closing prices for the five trading days prior to 2 April 2015 and amounting to HK$1,558,334,000.

The Base Consideration Shares of 2,361,112,121 Listco Shares represent: (i) approximately 13.94% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.53% of the issued share capital of the Company as enlarged by the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares (assuming there is no other issue or repurchase of Listco Shares and the maximum number of 1st Additional Consideration Shares and 2nd Additional Consideration Shares will be issued).

The issue price of HK$0.66 per Base Consideration Share represents the average of the closing prices per Listco Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately prior to 2 April 2015 and was arrived at after arm's length negotiation between the Company and the Vendors taking into account the recent market prices of the Listco Shares. The issue price of the Base Consideration Shares also represents:

- A discount of approximately 46.3% over the closing price of HK$1.23 per Listco Share on the Last Trading Day;
- A discount of approximately 18.5% over the average of the closing prices of HK$0.81 per Listco Share for the last 5 trading days up to and including the Last Trading Day;
- A premium of approximately 1.5% over the average of the closing prices of HK$0.65 per Listco Share for the last 10 trading days up to and including the Last Trading Day;
- A discount of approximately 36.5% over the closing price of HK$1.04 per Listco Share on the Latest Practicable Date; and
- A premium of approximately 594.7% over the unaudited net asset value per share of the Company as at the Last Trading Day of approximately HK$0.095 per Listco Share.

Based on the above, the Directors consider that the issue price of HK$0.66 per Base Consideration Share is fair and reasonable.

The Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares will be issued subject to the Specific Mandate to be sought from the Shareholders at the SGM.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares.

Details of the impact of the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares on the shareholding structure of the Company are set out in the section headed "Shareholding Structure after the Acquisition" below.

CONDITIONS PRECEDENT

Completion of the S&P Agreement is subject to the satisfaction (or waiver in accordance with the S&P Agreement) of the following conditions precedent:

Conditions precedent for the benefits of all parties

1. the transactions contemplated under the S&P Agreement having complied with applicable laws of relevant jurisdictions (including but not limited to Hong Kong and PRC), and having obtained all approvals, consents, clearance or waivers from all relevant governmental authorities (including but not limited to the approval and regulatory authorities of Hong Kong and the PRC), and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the parties to the S&P Agreement;

2. no notice that the transactions contemplated under the S&P Agreement shall be treated as or decided (as the case may be) by the Stock Exchange as reverse takeover under the Listing Rules having been received;

Conditions precedent in favour of the Vendors

3. all the warranties of the Purchaser under the S&P Agreement in all material respects remaining true and accurate and not misleading in any respect as of the Completion Date, as though such representations and warranties were made on and as of the Completion Date (except any warranties of the Purchaser that are made as of a specified date shall be true and correct as of such specified date);

4. the Purchaser having performed and complied in all material respects with all agreements and obligations required by the S&P Agreement to be performed and complied by it prior to the Completion Date;

5. the Vendors having received a certified true copy of the resolutions of the board of directors of the Purchaser approving, among other things, execution of the S&P Agreement;

6. the Vendors having received a certified true copy of the resolutions of the Board approving, among other things, execution of the S&P Agreement;

Conditions precedent in favour of the Purchaser and the Company

7. there is no material adverse change in the business or financial conditions of each member of the Target Group since the date of the S&P Agreement;

8. all the warranties of the Vendors and the Guarantors remaining true and accurate and not misleading in any respect as of the Completion Date, as though such representations and warranties were made on and as of the Completion Date (except any warranties of the Vendors and the Guarantors that are made as of a specified date shall be true and correct as of such specified date);

9. each of the Vendors and Guarantors having performed and complied in all material respects with all agreements and obligations required by the S&P Agreement to be performed and complied with by them prior to the Completion Date;

10. the Shareholders (other than those Shareholders as required under the Listing Rules to abstain from voting at the SGM to approve the execution of the S&P Agreement and the transactions contemplated thereby) having passed resolutions at the SGM approving the execution and delivery of the S&P Agreement, the ancillary documents to which the Company is a party, and the transactions contemplated under the S&P Agreement;

11. the Company having obtained all necessary approvals, consents, clearance and waivers (if applicable) under the Listing Rules and any applicable laws from the regulatory authorities, including the Stock Exchange in respect of the transactions contemplated by the S&P Agreement, and where any such approvals, consents, clearance or waivers is subject to conditions, such conditions being acceptable to the absolute discretion of the Company;

12. the Listing Committee having granted or agreed to grant (either unconditional or conditional) the listing of, and permission to deal in the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares, and where any such grant or permission is subject to conditions, such conditions being acceptable to the absolute discretion of the Company;

13. the legal or other advisers of the Purchaser and the Company having completed legal, financial, business, litigation and assets due diligence reviews on the Target Group, and are satisfied with the results of such reviews in all respects;

14. the Purchaser and the Company having received and satisfied in its absolute discretion (in substance and form) a legal opinion issued by a law firm qualified to practise in PRC;

15. the Purchaser and the Company having received a certified true copy of the resolutions of the board of directors and minutes of shareholders' meeting of China Hover Dragon;

16. the Purchaser and the Company having obtained a valuation report on the business of the Target Company issued by a professional valuer, if necessary, and the satisfaction of this condition will not be dependent on any set valuation amount to be achieved;

17. a tax filing with the PRC tax authority for the transactions contemplated under the S&P Agreement having been completed, and the tax arising from the transaction under the S&P Agreement required to be paid to the PRC tax authority having been paid or settled to the satisfaction of the Purchaser and the Company; and

18. all other consents, approvals, authorizations and waivers as may be required or necessary under any instrument, contract, document or agreement to which the Vendors is a party or by which the Vendors or their assets are bound, for the sale and transfer of the Offered Shares as contemplated under the S&P Agreement and otherwise to give effect to the transactions contemplated under the S&P Agreement having been obtained and where any such consent, approval, authorization or waiver is subject to any conditions, such conditions being fulfilled to the satisfaction of the Purchaser in its sole and absolute discretion.

Each party to the S&P Agreement shall use it best endeavours to procure the satisfaction of the conditions precedent (including but not limited to, making all necessary applications and timely supply of documents to the Stock Exchange). The Vendors shall undertake to procure the Target Company to provide all such information and documents and sign all such applications, documents and take any other actions as reasonably required by the Stock Exchange or any other regulatory authority. Each party to the S&P Agreement shall keep each other informed immediately of any circumstances which may result in any of the conditions precedent not being satisfied in accordance with its terms.

The above conditions precedent set out in 1 and 2 are made in favour of all parties to the S&P Agreement; the conditions precedent set out from 3 to 6 are made in favour of the Vendors; while conditions precedent set out from 7 to 18 are made in favour of the Purchaser. Only the parties which have the benefit of a condition precedent shall be entitled to waive (to the extent that it is capable of waiving) that condition precedent by giving written notice to the other parties to the S&P Agreement and such waiver may be subject to the terms and conditions as the party waiving may require. For avoidance of doubt, no conditions precedent set out in 1, 2 and from 10 to 12 may be waived by any party.

If any of the conditions precedent set out above has not been satisfied before the Long Stop Date or waived in accordance with the above terms, the party for the benefit of whom the conditions precedent that are not satisfied or waived may terminate the S&P Agreement by written notice to the other parties. If the conditions precedent set out in 1 or 2 has not been satisfied before the Long Stop Date, the Vendors (acting jointly) or the Purchaser may, in its own discretion, terminate the S&P Agreement by written notice to the other parties.

COMPLETION

Completion will take place within five Business Days after all the conditions precedent have been fulfilled or waived (as the case may be) (or any other date as may be agreed in writing among the parties to the S&P Agreement). Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group.

POST COMPLETION UNDERTAKINGS

1. Lock up period

The Vendors irrevocably undertake to the Company that, save and except with the prior written consent or waiver of the Company or as otherwise provided in the S&P Agreement or the Supplemental Agreement as an exception to the lock up restriction, none of the Base Consideration Shares, 1st Additional Consideration Shares (if applicable) or 2nd Additional Consideration Shares (if applicable) may be sold, the subject of any Encumbrance or otherwise disposed of, within a period of 24 months from the date of allotment and issue of the Base Consideration Shares. The Vendors agree to deposit the Base Consideration Shares upon issue on the Completion Date, the 1st Additional Consideration Shares (if applicable) upon issuance after adjustments (if any) of the Consideration pursuant to the 2015 Audited Net Profit and the 2nd Additional Consideration Shares (if applicable) upon issuance after adjustments (if any) of the Consideration pursuant to the 2016 Audited Net Profit into an escrow account maintained with an escrow agent to be jointly appointed by the Vendors and the Purchaser. Save as provided in the S&P Agreement or the Supplemental Agreement as an exception to the lock up restriction, the Vendors shall not dispose of the Base Consideration Shares, 1st Additional Consideration Shares (if applicable) and 2nd Additional Consideration Shares (if applicable) in the escrow account without the prior written approval of the Purchaser.

Please refer to the section headed "The Supplemental Agreement" in this letter for details of the Supplemental Agreement in relation to the lock up restrictions on the Base Consideration Shares, 1st Additional Consideration Shares (if applicable) and 2nd Additional Consideration Shares (if applicable) set out above.

2. Exception to the lock up restriction

The Purchaser and the Company irrevocably undertake to the Vendors that the Vendors and Purchaser shall upon expiry of 12 months from the date of allotment and issue of the Base Consideration Shares, release 25% of the Listco Shares in the escrow account (including the Base Consideration Shares, 1st Repurchase Shares (if applicable) and 1st Additional Consideration Shares (if applicable)), and Vendors shall thereafter be entitled to freely dispose of such Listco Shares.

3. Receivables

If the RMB34,380,000 receivable from Hainan Xinli Industry Limited and RMB65,620,000 receivable from Xiang Long Group, as stated in the audited accounts of the Target Company for the year ended 31st December 2014 are not recovered in full within 24 months from the Completion Date, the unrecovered receivable amount ("**Bad Debt**") shall be deducted from the Base Consideration. The number of Listco Shares to be sold by the Vendors to the Company shall be calculated by reference to 4.006 times the net asset value of the Target Company as at Completion Date and the amount of Bad Debt ("**Bad Debt Repurchase Shares**"). The Vendors shall be obliged to sell at nil consideration to the Company Bad Debt Repurchase Shares and the Company shall repurchase such Bad Debt Repurchase Shares at nil consideration. The number of Bad Debt Repurchase Shares to be repurchased at nil consideration shall be calculated as follows:

Number of Bad Debt Repurchase Shares = (Bad Debt amount in HK$) x 4.006/0.66

The maximum number of Bad Debt Repurchase Shares that may be repurchased by the Company at nil consideration pursuant to the terms of the S&P Agreement is 758,712,121 Listco Shares (RMB are translated at an exchange rate of RMB1: HK$1.25).

4. Net Asset Value of Target Group upon Completion Date

The Purchaser shall, after the Completion Date, complete the Draft Completion Audited Accounts within the specified period in accordance with the S&P Agreement, and upon approval of the Vendors finalize the Completion Audited Accounts. If the net asset value as stated in the Completion Audited Accounts is less than HK$389,000,000, the Base Consideration shall be adjusted. The number of Listco Shares to be sold by the Vendors to the Company shall be calculated by reference to 4.006 times the net asset value of the Target Company as at Completion Date and the amount so deducted from the assumed net asset value of the Target Company of HK$389,000,000 ("**Completion Accounts Repurchase Shares**"). The Vendors shall be obliged to sell the Completion Accounts Repurchase Shares to the Company at nil consideration and the Company shall repurchase such Completion Accounts Repurchase Shares at nil consideration. The number of Completion Accounts Repurchase Shares to be repurchased at nil consideration shall be calculated as follows:

Completion Accounts Repurchase Shares = (HK$389,000,000 – the net asset value as stated in the Completion Audited Accounts) x 4.006/0.66

The maximum number of Completion Accounts Repurchase Shares that may be repurchased by the Company at nil consideration pursuant to the terms of the S&P Agreement is 2,361,112,121 Listco Shares. The Base Consideration Shares will be issued to the escrow account upon Completion Date instead of upon confirming the net asset value in the Completion Audited Accounts and repurchasing the Completion Accounts Repurchase Shares soon after the issue of the Base Consideration Shares (if applicable) mainly due to the time required for the preparation of the Completion Audited Accounts after the Completion Date, commercial negotiations between the parties and for the closer monitoring of the lock up restrictions under the S&P Agreement.

MAXIMUM NUMBER OF LISTCO SHARES THAT MAY BE REPURCHASED BY THE COMPANY

The aggregate number of 1st Repurchase Shares, 2nd Repurchase Shares, Bad Debt Repurchase Shares and Completion Accounts Repurchase Shares that may be repurchased by the Company under the S&P Agreement shall not exceed the aggregate number of Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares that may be allotted and issued by the Company to the Vendors in respect of the Acquisition.

Depending on the outcome of the above-mentioned adjustments, the repurchase of the 1st Repurchase Shares, 2nd Repurchase Shares, Bad Debt Repurchase Shares and/or Completion Accounts Repurchase Shares by the Company, if any, will be subject to the requirements of the Repurchase Code, which includes, among others, the approval of at least three fourths of the disinterested Shareholders at a separate general meeting of the Company.

GUARANTEES

In consideration of the entry into and performance by the Purchaser of the S&P Agreement, the Guarantors unconditionally and irrevocably guarantee to the Purchaser the due and punctual performance and observance by the Vendors of all their obligations, commitments and undertakings under or pursuant to the S&P Agreement and agree to indemnify the Purchaser against all losses which Purchaser may suffer arising from any breach by the Vendors of their obligations under the S&P Agreement.

THE SUPPLEMENTAL AGREEMENT

On 29 July 2015, the Vendors, the Purchaser, the Company and the Guarantors, being all the parties to the S&P Agreement, entered into the Supplemental Agreement, pursuant to which it was agreed that:

Amendments in relation to the adjustment of the Consideration

a) the terms “2015 Audited Consolidated Accounts”, “2015 Audited Net Profit”, “2016 Audited Consolidated Accounts” and “2016 Audited Net Profit” referred to in the S&P Agreement have been replaced by “First Audited Consolidated Accounts”, “First Audited Net Profit”, “Second Audited Consolidated Accounts” and “Second Audited Net Profit”, respectively. “First Audited Consolidated Accounts” means the Target Company’s audited consolidated financial statements for the twelve months period commencing from the Completion Date and the “First Audited Net Profit” means the audited Net Profit After Tax of the Target Company as shown in the First Audited Consolidated Accounts for the same twelve months period. “Second Audited Consolidated Accounts” means the Target Company’s audited consolidated financial statements for the twelve months period commencing after the twelfth month from the Completion Date and the “Second Audited Net Profit” means the audited Net Profit After Tax of the Target Company as shown in the Second Audited Consolidated Accounts for the same twelve months period.

Please refer to the section headed "The S&P Agreement – Adjustment of the Consideration" in this letter for more details on the adjustment of the Consideration. The effect of the Supplemental Agreement is that any adjustment(s) to the Consideration, if required, will be made with reference to the "First Audited Net Profit" (instead of "2015 Audited Net Profit") and the "Second Audited Net Profit" (instead of "2016 Audited Net Profit").

Amendments in relation to the lock up restrictions on the Base Consideration Shares, 1st Additional Consideration Shares (if applicable) and 2nd Additional Consideration Shares (if applicable)

b) subject to compliance with the requirements under the Listing Rules and the Repurchase Code (including any approvals of shareholders in general meeting), in the event that repurchase, if any, of the 1st Repurchase Shares, 2nd Repurchase Shares, Bad Debt Repurchase Shares and/or the Completion Account Repurchase Shares (the "**Relevant Repurchased Shares**") is required pursuant to the S&P Agreement, the Vendor undertakes to immediately issue jointly with the Purchaser, an unconditional and irrevocable written notice to the escrow agent to instruct it to release and transfer the Relevant Repurchased Shares from the escrow account to the Company and the Vendor agrees to use its best endeavours to procure that such transfer be completed within two months after the issue of such notice.

c)_ In the event that the transfer of the Relevant Shares from the escrow account to the Company could not be completed within two months for any reason, including but not limited to the approvals of shareholders in general meeting not being obtained, the Vendor undertakes to authorise the Purchaser to issue jointly on its behalf and for the Purchaser an unconditional and irrevocable written notice to the escrow agent to instruct it to (i) sell the Relevant Repurchased Shares in open market at the prevailing trading price within 2 months and (ii) deposit the proceeds of such sale within 3 business days into the bank account(s) as designated by the Company.

The Directors consider the Supplemental Agreement is in the interest of the Company and the Shareholders as a whole as it (a) allows the results of the Target Group in the twenty-four months, which the adjustment to the Consideration is based on, to be reflected in full in the consolidated financial statements of the Group; and (b) provides the Company with contingency measures in the event that the repurchase of the 1st Repurchase Shares, the 2nd Repurchase Shares, the Bad Debt Repurchase Shares and/or the Completion Accounts Repurchase Shares (where applicable) is required but could not be practically completed for any reason.

INFORMATION ON THE GROUP

The Company is an investment holding company, and the Group is currently principally engaged in investment in listed securities and money lending.

One of the principal activities of the Group is investment in listed securities. As disclosed in the Company's annual report for the year ended 31 March 2015, the realized losses from the sales of listed securities for the 12 months ended 31 March 2015 was HK$7,825,000, and arose from the sales proceeds of HK$240,102,000 and the carrying value of the investment of HK$247,927,000. The above figures have been audited by the Company's auditors for the year ended 31 March 2015.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is a company incorporated in Hong Kong with limited liability. The total issued share capital of the Target Company is HK$310,000,000, divided into 310,000,000 Shares. The Vendors are the legal and beneficial owners of the Offered Shares, of which China Hover Dragon owns 96.77% of the Offered Shares (or 300,000,000 of the Offered Shares) and Mr. Gao owns 3.23% of the Offered Shares (or 10,000,000 of the Offered Shares).

The PRC Subsidiaries

The direct and indirect, wholly owned, PRC Subsidiaries of the Target Company include Shenzhen Chuan Long, Shanghai Xiang Long, Beijing Chuan Long, Shenzhen Xiang Long, Xiang Long Finance, Shenzhen Pacific and Pacific Ying Xin. The principal business of the Target Group is financial leasing and related business.

Shenzhen Pacific

Shenzhen Pacific, a subsidiary of the Target Company, is jointly established by Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司) ("**Everbright Xinlong**"), Shenzhen Xiang Long and the Target Company, is an international and professional integrated financial services platform in Mainland China with specialised leasing service business chain approved by the Shenzhen Municipal People's Government of China. Shenzhen Pacific is considered as a wholly-owned subsidiary of the Target Group by virtue of the trust agreement dated 30 April 2014 between Everbright Xinglong and Shenzhen Xiang Long. Please refer to note 1 of the Accountant's Report of the Target Group in Appendix II of this circular.

Shenzhen Pacific is engaged in trading business relating to the leasing facilities, leasing assets and other related leasing properties, and provision of spot trading platform and market services and consulting services relating to the aforesaid businesses.

Shenzhen Pacific is a specialised financial transaction platform and is one of only seven financial transaction platforms in Shenzhen which possess the "Trading Business Qualification" (《交易場所業務資格》).

Shenzhen Pacific, rooted in Qianhai, and benefitting from the policy advantages of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Cooperation Area, plans to be a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform.

Business of the Target Group

The Target Group provides direct lease, leaseback after sale, commissioned lease, sublease, operating lease, international lease, manufacturer lease, joint lease, leveraged lease and other different lease products and services to a variety of domestic and overseas companies in the fields of infrastructure, communications, medical equipment, scientific equipment, inspection equipment, engineering machinery, offshore oil engineering equipment, transport vehicles (including aircraft, automobiles and seagoing vessels) and related technologies, providing a comprehensive package of lease-related solutions; it also provides leasing transactions consultation services, guarantees and factoring business and sale of residual value of the leased products, handling and other approved related businesses.

The customer base of the financial leasing industry in the PRC is mainly divided into four sectors, namely the state-owned enterprises, government authorities, real estate developers and private enterprises. Although state-owned enterprises are the main customers of the financial leasing industry in the PRC, the potential growth of demand from private enterprises is expected to be high as a result of recent economic reforms in the PRC leading to a wider range of financing methods sought by private enterprises. The leading players in the financial leasing industry in the PRC are mainly from a PRC bank or government background. The entry barriers to the financial leasing industry in the PRC are relatively high with requirements including, among others, different capital requirements based on the composition of domestic and foreign investment in the company, the upfront payment in full of the registered share capital of the company of no less than RMB100 million, retaining relevant staff with three years or more experience in the financial leasing industry, maintaining effective internal controls, risk management and corporate governance systems and maintaining the amount of higher risk assets to be less than ten times the net asset value of the company. By contrast, there are no exit barriers to the financial leasing industry.

The operations of the financial leasing business of the Target Group mainly involves funding projects of its customer base of state-owned enterprises and private enterprises in the PRC matched with loan financing obtained from the Target Group's cooperative arrangements with various financial institutions in the PRC. Accordingly, the revenue of the Target Group is mainly derived from the interest income from such financial assets. Due to the nature of the Target Group's financial leasing business and the management of customer relationships, a significant portion of the Target Group's expenditure mainly comprises financing costs and staff costs. The assets and liabilities of the Target Group mainly comprises financial assets, cash and cash equivalents and bank borrowings. In addition, certain expenditure, assets and liabilities of the Target Group are related to the establishment of the information systems, risk management systems and operational systems of a financial leasing transaction platform intended to be open to market players and potential customers of the financial leasing industry in the PRC.

Mr. Gao, the chairman of the board of the Target Company, has nearly 20 years of experience in the financial leasing business and has served in various senior management roles of other financial leasing companies in the PRC prior to joining the Target Company. Mr. Gao will continue overseeing the operations of the Target Company after Completion. Apart from Mr. Gao, the management team of the Target Company consists of professionals with many years of experience working in domestic and overseas commercial banks, investment banks and finance lease businesses. The Company intends to retain the senior management of the Target Company for at least three years subsequent to Completion. The Target Company has established long-term and stable cooperation with many world-renowned financial institutions, multinational consortia and corporate entities by virtue of its international management experience, professional work ethic and professional standard of services. As at Latest Practicable Date, the Company and its subsidiaries have signed cooperation agreements with various banks amounting to approximately RMB17.5 billion.

Financial information of the Target Group

The audited financial information of the Target Group for each of the three financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2015 is set out below:

	Three months period ended 31 March 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**	**For the year ended 31 December 2012**
	HK$	*HK$*	*HK$*	*HK$*
Consolidated Statement of Profit or Loss				
Turnover	20,221,655	77,372,942	18,860,087	–
Profit/(Loss) before Tax	(7,485,141)	8,678,017	70,147,314	(8,409,139)
Profit/(Loss) after Tax	(8,911,843)	6,964,252	70,147,314	(8,409,139)

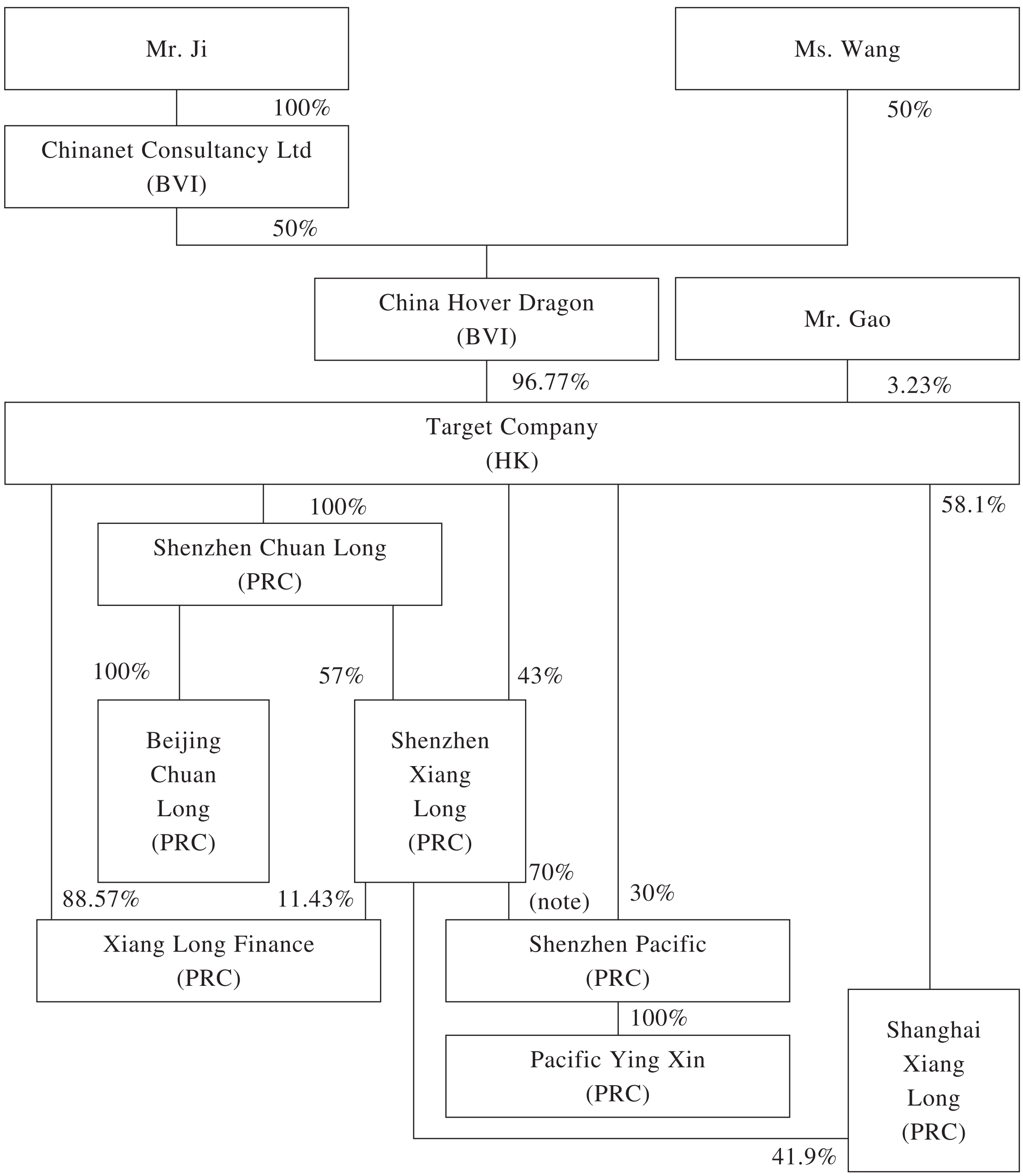
	As at 31 March 2015	**As at 31 December 2014**	**As at 31 December 2013**	**As at 31 December 2012**
	HK$	*HK$*	*HK$*	*HK$*
Consolidated Statement of Financial Position				
Total Assets	1,261,030,402	1,204,778,017	1,095,216,007	97,135,638
Total Liabilities	(888,832,966)	(834,224,044)	(924,926,197)	(4,304,982)
Net Assets	372,197,436	370,553,972	170,289,810	92,830,656

Please refer to the section headed "Accountant's Report of the Target Group" set out in Appendix II to this circular for further financial information of the Target Group.

Corporate structure of the Target Group

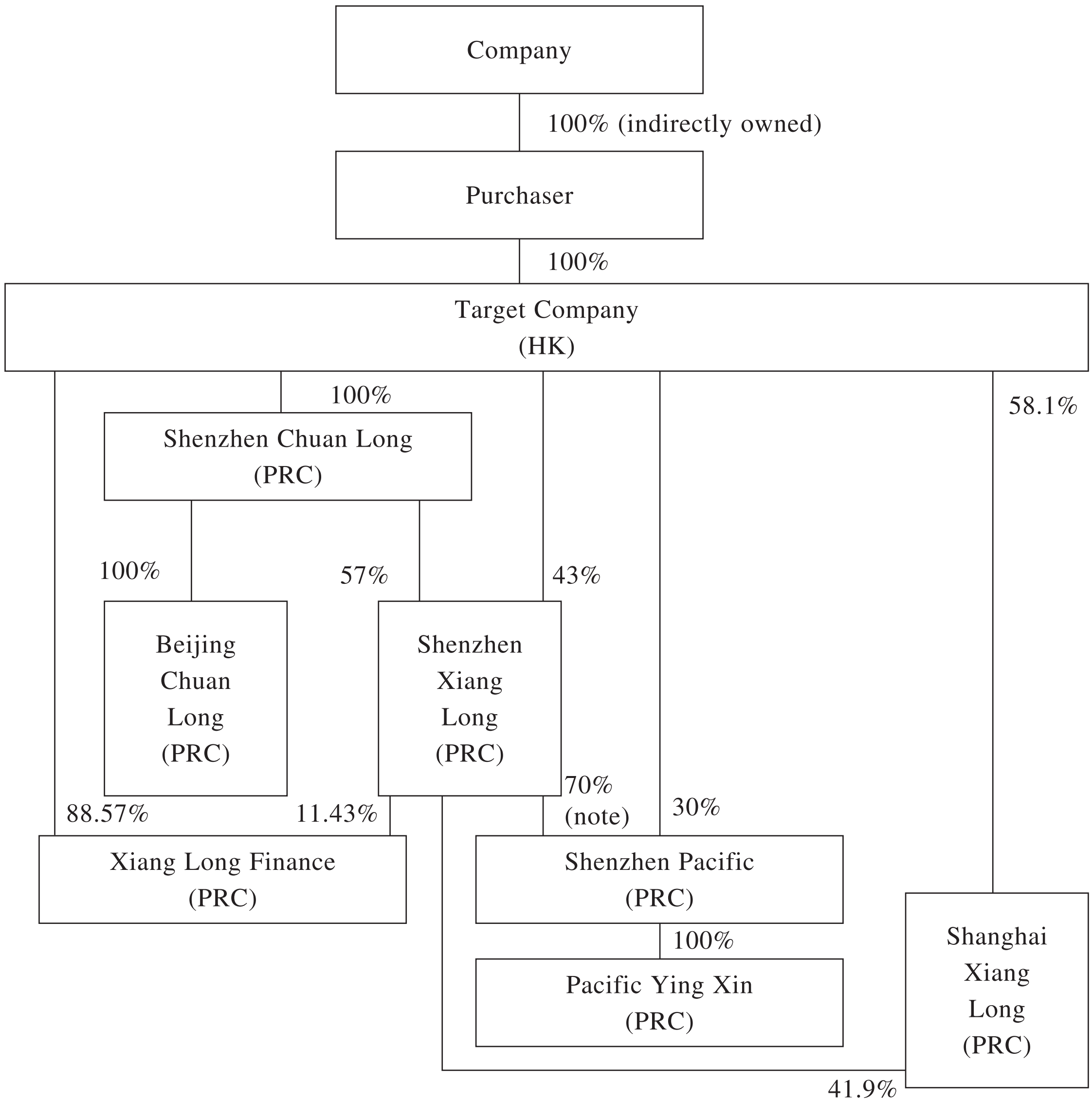
The following table illustrates the corporate structure of the Target Group: (i) as at the date of this circular; and (ii) immediately after Completion:

As at the date of this circular:



Note: Included in Shenzhen Xiang Long's interest in Shenzhen Pacific is 40% of the total capital of Shenzhen Pacific held by Everbright Xinglong on trust for Shenzhen Xiang Long pursuant to the trust agreement dated 30 April 2014. For more details, please refer to note 1 of the Accountant's Report of the Target Group in Appendix II of this circular.

Immediately after Completion:



Note: Included in Shenzhen Xiang Long's interest in Shenzhen Pacific is 40% of the total capital of Shenzhen Pacific held by Everbright Xinglong on trust for Shenzhen Xiang Long pursuant to the trust agreement dated 30 April 2014. For more details, please refer to note 1 of the Accountant's Report of the Target Group in Appendix II of this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As stated in the management's discussion and analysis of the interim report of the Company for the six months ended 30 September 2014, the Group will focus on the development of the Group's money lending business while seeking opportunities to diversify into other areas in order to enhance the Group's performance and increase shareholders' value. The investment in the Target Company will assist the Group in a short period of time in expanding into the financial leasing business in the PRC and Hong Kong and the specialised financial leasing transaction platform which is one of only seven financial transaction platforms which possess the "Trading Business Qualification" (《交易場所業務資格》) in Shenzhen, backed by the strong customer relationships maintained by the management of the Target Group and the established cooperative arrangements with financial institutions.

Based on the reasons described above and the information on the financial leasing industry in the PRC, the Target Group's business model, the capital expenditures and requirements of the Target Group's financial leasing business and the experience and knowledge of the management personnel of the Target Group (which details are set out in this letter), the Directors believe that the Target Group can provide business synergies arising from the integration of the Target Group's financial leasing business with the Group's existing money lending business and potential opportunities from the Target Group's and Group's existing business relationships and that the specialised financial leasing transaction platform can generate a income source for the Group, and therefore the Acquisition will further enhance the Group's new future business positioning and is in the overall best interest of the Group and the Shareholders.

To the best knowledge of the Directors, based on the unaudited management accounts and forecasts of the Target Group, the capital requirements of the Target Group will be mainly satisfied by its internal funding available, the funding from financial institutions pursuant to cooperative agreements with the Target Group and partially by capital injections from the Company, which will be satisfied by the internal resources of the Company. At or around Completion, the expected minimum of the internal reserves of the Target Group available and the expected minimum of the funding available pursuant to the cooperative agreements are approximately HK$800 million and HK$2,500 million, respectively.

The Company may issue convertible bonds within twelve months from the date of this circular, but there are no concrete plans nor timetable for implementation as at the date of this circular. Save as disclosed above, the Company has no plans for equity fund raising in the twelve months after the date of this circular.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the consolidated financial statements of the Target Group will be consolidated into the accounts of the Group. The audited consolidated total assets and total liabilities of the Group as at 31 March 2015, as extracted from the 2015 annual report of the Company, were approximately HK$1,644.2 million and HK$223.2 million respectively. As set out in the unaudited pro forma financial information on the Enlarged Group in appendix IV to this circular, after taking into account the effects of the Acquisition assuming the Completion took place on 31 March 2015, the total assets and total liabilities of the Enlarged Group would have increased to approximately HK$4,217.6 million and HK$1,405.7 million, respectively. Subsequent to 31 March 2015, the Group has disposed of the entire share capital of its wholly-owned subsidiary of the Company, Gold Mountain Limited, which effect has not been taken into account in the unaudited pro forma financial information set out in Appendix IV to this circular.

As the financial results of the Target Group will be consolidated into the results of the Group after the Completion, the earnings of the Group are expected to increase. The Directors also expect to record goodwill on the consolidated statement of financial position of the Group arising from the Acquisition which will be measured as the excess of the Consideration (subject to adjustments depending on, among others, changes in the consideration based on the First Audited Net Profit (as defined under the Supplemental Agreement) and the Second Audited Net Profit (as defined under the Supplemental Agreement), the net asset value at the Completion Date and the recoverability of receivables due from Hainan Xinli Industry Limited and China Hover Dragon) over the fair value of the net identifiable assets of the Target Group as at the Completion Date. The financial impact of the Acquisition on the total assets and liabilities of the Group are subject to audit and will be assessed after the Completion.

SHAREHOLDING STRUCTURE AFTER THE ACQUISITION

Set out below is the shareholding structure summary of the Company (i) as at the date of this circular; (ii) immediately after Completion (assuming there is no further issue or repurchase of Listco Shares between the date of this circular and the Completion Date); (iii) immediately after Year 2015 Adjustment (assuming there is no repurchase of Listco Shares during the same period); and (iv) immediately after Year 2015 Adjustment and Year 2016 Adjustment (assuming there is no repurchase of Listco Shares during the same period):

Shareholder	As at the date of this circular		Immediately after Completion		Immediately after Year 2015 Adjustment *(Note 1)*		Immediately after Year 2015 Adjustment and Year 2016 Adjustment *(Note 2)*	
	No. of Listco Shares	*Approx. %*	*No. of Listco Shares*	*Approx. %*	*No. of Listco Shares*	*Approx. %*	*No. of Listco Shares*	*Approx. %*
Hao Tian Development Group Limited *(Note 3)*	4,941,500,000	29.16%	4,941,500,000	25.60%	4,941,500,000	25.09%	4,941,500,000	24.13%
Huang Rulun *(Note 4)*	2,320,000,000	13.69%	2,320,000,000	12.02%	2,320,000,000	11.78%	2,320,000,000	11.33%
Yau Wai Lung *(Note 5)*	1,910,150,000	11.27%	1,910,150,000	9.89%	1,910,150,000	9.70%	1,910,150,000	9.33%
CST Mining Group Limited *(Note 6)*	1,662,330,000	9.81%	1,662,330,000	8.61%	1,662,330,000	8.44%	1,662,330,000	8.12%
Other Public Shareholders	6,109,738,244	36.06%	6,109,738,244	31.65%	6,109,738,244	31.02%	6,109,738,244	29.84%
Vendors	-	-	2,361,112,121	12.23%	2,751,718,182	13.97%	3,532,930,303	17.25%
Total	16,943,718,244	100%	19,304,830,365	100%	19,695,436,426	100%	20,476,648,547	100%

Notes:

1. The shareholding structure immediately after Year 2015 Adjustment is calculated assuming the Target Group could achieve a maximum First Audited Net Profit (as defined under the Supplemental Agreement) of HK$200,000,000.

2. The shareholding structure immediately after Year 2015 Adjustment and Year 2016 Adjustment is calculated assuming the Target Group could achieve a maximum 2015 Audited Net Profit of HK$200,000,000 and a maximum Second Audited Net Profit (as defined under the Supplemental Agreement) of HK$400,000,000, respectively.

3. Hao Tian Development Group Limited is deemed to be interested in the 4,941,500,000 Listco Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the Securities and Futures Ordinance by virtue of Hao Tian Management (Hong Kong) Limited being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited.

4. Huang Rulun is deemed to be interested in the 2,320,000,000 Listco Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the Securities and Futures Ordinance by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.

5. Yau Wai Lung, a Director of the Company, is deemed to be interested in the 1,910,150,000 Listco Shares held by Leading Fortune International Group Limited by virtue of his 100% beneficial interest in Leading Fortune International Group Limited. Please refer to the section headed "3. Directors' Interests" in Appendix V of this circular for details of the interests in Listco Shares of Yau Wai Lung.

6. CST Mining Group Limited is deemed to be interested in the 1,662,330,000 Listco Shares held by Skytop Technology Limited pursuant to the Securities and Futures Ordinance by virtue of Skytop Technology Limited being a subsidiary of Perfect Touch Technology Inc., which in turn is a subsidiary of CST Mining Group Limited.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is 25% or more but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The issue of the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares under the S&P Agreement is subject to the Specific Mandate to be sought from the Shareholders at the SGM.

SPECIFIC MANDATE

The Company will seek the approval by the Shareholders for the grant of the Specific Mandate at the SGM to issue and allot the Base Consideration Shares, the 1st Additional Consideration Shares and the 2nd Additional Consideration Shares.

SPECIAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

Set out on pages SGM-1 to SGM-2 of this circular is a notice of the SGM to be held at YUE – Function Room, V234, 1/F., City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Tuesday, 18 August 2015 for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve (i) the S&P Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to allot and issue the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares.

To ascertain Shareholders' eligibility to attend and vote at the SGM, all transfers of Listco Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 13 August 2015. The register of members of the Company will be closed from Friday, 14 August 2015 to Tuesday, 18 August 2015, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Listco Shares will be registered.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof to the branch share registrar of the Company in Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

VOTING AT THE SGM

Any Shareholder with a material interest in the S&P Agreement and the transactions contemplated thereunder and his or its close associates shall abstain from voting on the relevant resolutions. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the S&P Agreement and therefore no Shareholder is required to abstain from voting at the SGM of the Shareholders.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the SGM will be voted by poll.

RECOMMENDATIONS

The Directors believe that the terms of (i) the S&P Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate to allot and issue the Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares are fair and reasonable and are in the interest of the Shareholders and the Company as a whole and therefore recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

WARNING

AS COMPLETION IS SUBJECT TO THE FULFILMENT OR WAIVER (AS THE CASE MAY BE) OF VARIOUS CONDITIONS PRECEDENT AS SET OUT IN THE S&P AGREEMENT, THE ACQUISITION AND THE TRANSACTIONS CONTEMPLATED THEREUNDER MAY OR MAY NOT PROCEED. SHAREHOLDERS AND POTENTIAL INVESTORS SHOULD EXERCISE CAUTION WHEN DEALING IN THE LISTCO SHARES.

Yours faithfully,
For and on behalf of the Board
Heritage International Holdings Limited
Yau Wai Lung
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2013, 31 March 2014 and 31 March 2015 are disclosed in the annual reports of the Company for the years ended 31 March 2013, 31 March 2014 and 31 March 2015, together with the relevant notes thereto, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.heritage.com.hk) as follows:

- The Annual Report 2013 of the Company for the 12 months ended 31 March 2013 published on 23 July 2013 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0723/LTN20130723305.pdf)

- The Annual Report 2014 of the Company for the 12 months ended 31 March 2014 published on 15 July 2014 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0715/LTN20140715401.pdf)

- The Annual Report 2015 of the Company for the 12 months ended 31 March 2015 published on 27 July 2015 (available on: http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0727/LTN201507271186.pdf)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 May 2015, being the latest practicable date for the sole purpose of this statement of indebtedness prior to the date of this circular, the total outstanding borrowings of the Enlarged Group comprises as follows:

	HK$ '000
Bank borrowings, secured and guaranteed	36,000
Bank borrowings, secured and unguaranteed	784,777
Margin loans, secured and unguaranteed	3,246
7-year, 5% bonds of the Company, unsecured and unguaranteed	20,000
Total	844,023

The maturity analysis of the total outstanding borrowings of the Enlarged Group, which ignores the effect of any repayment on demand clause, is as follows:

	HK$ '000
Within one year or on demand	175,942
After one year but within two years	147,011
After two years but within five years	501,070
Over five years	20,000
Total	844,023

As at 31 May 2015, the bank borrowings of approximately HK$820,777,000 of the Enlarged Group were secured by:

(a) loans receivable with carrying amount of approximately HK$796,568,000 as at 31 May 2015 of the Target Group;

(b) pledged deposits with carrying amount of approximately HK$76,395,000 as at 31 May 2015 of the Target Group;

(c) deposits placed in the PRC's banks for issuance of bankers' guarantee to secured the bank borrowings with carrying amount of approximately HK$38,760,000 as at 31 May 2015 of the Target Group; and

(d) personal guarantee executed by the directors of the Target Company.

As at 31 May 2015, margin loans of approximately HK$3,246,000 are secured by trading securities of approximately HK$20,728,000 of the Group. In addition, the Group's investments in listed equity securities with an aggregate market value of approximately HK$259,000 at 31 May 2015 were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group. As at 31 May 2015, the Group had not utilised such facilities.

As at 31 May 2015, the entire capital of Shengyuan Investments Management Services (Tianjin) Co. Limited, a wholly-owned subsidiary of the Company, amounting to approximately HK$9,001,000 is pledged to a bank in Hong Kong to secure a proposed banking facility of HK$300,000,000 granted to the Group. Such banking facility had been authorised but unissued as at 31 May 2015.

Disclaimer

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into Hong Kong dollars at the exchange rate of HK$1.2657 to RMB1 as at 31 May 2015.

Except as disclosed above and apart from intra-group liabilities, the Enlarged Group did not have, as of 31 May 2015, any other debt securities issued and outstanding, authorised or otherwise created but unissued, terms loans, other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease obligation, mortgages, charges, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that following Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. MATERIAL ACQUISITIONS SINCE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 March 2015 (being the date to which the latest published audited accounts of the Company have been made up), the Group has entered into the following material acquisitions subsequently:

(a) The Acquisition

Please refer to the Announcement and the Letter from the Board in this circular for details of the Acquisition.

(b) The proposed acquisition of the entire issued share capital of Platinum City Holdings Limited

On 17 April 2015, Coastal Silk Limited (an indirect wholly-owned subsidiary of the Company), Mr. Liu Jin Cheng, Platinum City Holdings Limited and Point Best Group Limited entered into the non-legally binding memorandum of understanding (the "**MOU**") pursuant to which Platinum City Holdings Limited proposed to sell and transfer, and Coastal Silk Limited proposed to purchase, the entire issued share capital of Charm Best Development Limited (a direct wholly-owned subsidiary of Platinum City Holdings Limited) and its subsidiaries (the "**Charm Best Group**"). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Mr. Liu Jin Cheng, Platinum City Holdings Limited, Point Best Group Limited and its ultimate beneficial owners and their respective associates (if applicable) is a third party independent of the Company and is not a connected person (as defined under the Listing Rules) of the Company. The PRC companies that shall become part of Charm Best Group are principally engaged in (i) parallel importation of automobiles; (ii) online and offline sales of automobiles; and (iii) online and offline financing related services, and the parties to the MOU expect that Charm Best Group will also engage in (i) developing an online platform to facilitate the sale of new and pre-owned automobiles, after sales maintenance services and auto financing related services; (ii) offering after sales auto maintenance, modification and tuning; and (iii) developing a platform for auto financing services. The consideration and the payment terms of the consideration shall be further negotiated by the parties to the MOU. On 10 June 2015, the respective parties of the MOU entered into a non-legally binding extension agreement pursuant to which the latest time for entering into the relevant legally binding agreement has been extended to 30 June 2015 (or such other date as mutually agreed) and on 30 June 2015, the respective parties of the MOU entered into a non-legally binding extension agreement pursuant to which the latest time for entering into the relevant legally binding agreement has been further extended to 31 July 2015.

As at the Latest Practicable Date, the parties to the MOU have not entered into any legally binding agreement and the acquisition above may or may not proceed. Please refer to the announcements of the Company dated 17 April 2015, 10 June 2015 and 30 June 2015 in relation to the acquisition above.

No variation in the remuneration payable to and benefits in kind receivable by the Directors was involved in relation to the acquisitions set out above.

Save for the material acquisitions disclosed above, the Group does not have any material acquisitions after the latest published audited accounts of the Company.

5. MATERIAL CHANGE

The Company and Trillion Cheer Toprich Limited, an independent third party of the Company, entered into a sale and purchase agreement on 21 May 2015 pursuant to which the Company conditionally agreed to sell the entire issued share capital of Gold Mountain Limited, being a wholly-owned subsidiary of the Company and the entire shareholder's loan and other indebtedness owed by Gold Mountain Limited as at Completion at a cash consideration of HK$720 million. The shareholders of the Company approved the disposal in the special general meeting held on 13 July 2015.

On 17 April 2015, Coastal Silk Limited (an indirect wholly-owned subsidiary of the Company), Mr. Liu Jin Cheng, Platinum City Holdings Limited and Point Best Group Limited entered into the non-legally binding memorandum of understanding in relation to the sale and purchase of the entire issued share capital of Charm Best Development Limited. As at the Latest Practicable Date, the parties have not yet entered into any legally binding agreement and the acquisition may or may not proceed. Please refer to the section headed "4. Material acquisitions since latest published audited accounts" in this Appendix I for details.

Save as disclosed above, the Directors confirm that there was no material change in the financial or trading position of the Group since 31 March 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS

As stated in the annual report of the Company for the year ended 31 March 2015, the Group has made a loss before tax of approximately HK$128,727,000 for the year ended 31 March 2015. The loss is mainly attributable to losses associated with the disposal of subsidiaries, the impairment loss on goodwill, loss arising from changes in fair value less costs of disposal of biological assets, equity-settled based payment expenses, fair value loss on derivative financial instruments (included in the loss for the year from discontinued operations) and general operating expenses, which were not offset by fair value gains arising from equity investments at fair value through profit or loss as at the fiscal year end date.

Referring to the Company's announcement dated 21 May 2015, the Company has entered into an agreement for the disposal of a group of companies principally engaged in the investment in and management of forest operations in the PRC. Upon completion of the disposal, the Group will be able to focus on the development of the money lending and financial leasing business while seeking opportunities to diversify into other areas in order to enhance the Group's performance and increase shareholders' value.

The Company is optimistic in the investments in securities business due to the launch of the Shanghai-Hong Kong Stock Connect on 17 November 2014, which opened up the capital markets in Hong Kong and China.

The Company is also optimistic in the money lending business and plans to increase its effort in this line of business. Although the business environment is still challenging, however, with low gearing and solid financial position, management believes that a cautious approach in the money lending field will enable it to manage risk and conduct this business profitably.

Upon the completion of the Acquisition, the investment in the Target Company will assist the Group to quickly expand into the financial leasing business in the PRC and Hong Kong and the specialised financial leasing transaction platform which is one of only seven financial transaction platforms which possess the "Trading Business Qualification" (《交易場所業務資格》) in Shenzhen, backed by the strong customer relationships maintained by the management of the Target Group and the established cooperative arrangements with financial institutions.

The Directors believe that the Target Group can provide business synergies to the Group arising from the integration of the Target Group's financial leasing business with the Group's existing money lending business and potential opportunities from the Target Group's and Group's existing business relationships and that the Target Group's financial leasing transaction platform can generate a income source for the Group. The Acquisition will strengthen the Group's competitiveness and further enhance the Group's future business positioning and accordingly, it is in the overall interests of the Group and the Shareholders.

The following is the text of a report received from the reporting accountants of the Company, Graham H.Y. Chan & Co., Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

陳浩賢會計師事務所
GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

Rooms 3719 – 26, 37/F.,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

30 July 2015

The Board of Directors
Heritage International Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Hong Kong Leasing Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively refer to as the "**Target Group**"), comprising the consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements for cash flows of the Target Group for each of the years ended 31 December 2012, 2013 and 2014, and the three months period ended 31 March 2015 (the "**Relevant Periods**"), and the consolidated and the Target Company's statements of financial position at 31 December 2012, 2013 and 2014 and 31 March 2015, together with the notes thereto (the "**Financial Information**"), and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement for cash flows of the Target Group for the three months period ended 31 March 2014 (the "**Interim Comparative Information**") for inclusion in a circular (the "**Circular**") issued by Heritage International Holdings Limited (the "**Company**") dated 30 July 2015 in connection with the proposed acquisition of the entire issued share capital of the Target Company involving issue of new shares under specific mandate (the "**Acquisition**") pursuant to a sales and purchase agreement dated 8 April 2015 as supplemented by a supplemental agreement dated 29 July 2015 (collectively referred to as the "**S&P Agreements**") made among China Hover Dragon Group Limited and Mr. Gao Chuanyi (the "**Vendors**"), Shinning Seas Limited (the "**Purchaser**"), and Mr. Ji Kewei and Ms.Wang Zi Yi (the "**Guarantors**").

The Target Company is a private limited liability company incorporated in Hong Kong on 27 July 2009. The principal activity of the Target Company is investment holding.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 16 of Section II below. All of these companies are private companies.

All companies comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in Note 16(b) of Section II below. The statutory consolidated financial statements for the Relevant Periods of the Target Company were prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and the statutory financial statements of the subsidiaries of the Target Company were prepared in accordance with relevant accounting principles and financial regulations in the People's Republic of China.

For the purpose of this report, the directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods (collectively referred to as the "**Underlying Financial Statements**") and the Interim Comparative Information in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRSs. The statutory consolidated financial statements for the years ended 31 December 2012, 2013 and 2014 were audited by Robert Chui & Co. and the consolidated financial statements for the three months period ended 31 March 2015 were audited by Graham H.Y. Chan & Co., both of which were audited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared based on the Underlying Financial Statements on the basis set out in Note 2 of Section II below. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

Responsibility of the directors of the Target Company and the Company for the Financial Information

The directors of the Target Company are responsible for the preparation of the Financial Information and the Interim Comparative Information that gives a true and fair view in accordance with the basis of preparation as set out in Note 2 of Section II below and accounting policies that conform with HKFRSs, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the statutory financial statements, management accounts, the Financial Information and the Interim Comparative Information that are free from material misstatements, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which this report is included.

Reporting accountant's responsibility

It is our responsibility to form an independent opinion on the Financial Information and a review conclusion on the Interim Comparative Information, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have examined the Underlying Financial Statements and have carried out our procedures on the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company and Target Group at 31 December 2012, 2013 and 2014 and 31 March 2015 and of the Target Group's results and cash flows for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

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

I. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Years ended 31 December			Three months periods ended 31 March	
		2012	2013	2014	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Revenue – interest income	7	–	18,860,087	77,372,942	17,355,112	20,221,655
Operating interest expenses	8	–	(10,379,693)	(55,580,234)	(11,754,918)	(14,175,027)
Net operating interest income		–	8,480,394	21,792,708	5,600,194	6,046,628
Advisory fee income		89,512	2,607,311	1,529,490	–	125,580
Investment income	9	–	–	4,743,693	–	–
Bank interest income		61,032	630,244	561,837	116,955	2,009,753
Other operating income	10	–	1,312	7,356,318	120,171	252,586
Operating income		150,544	11,719,261	35,984,046	5,837,320	8,434,547
Gain on bargain purchase	27(b)	–	83,768,960	–	–	–
Operating expenses	10	(8,559,683)	(18,052,705)	(26,580,139)	(4,938,219)	(15,386,816)
Other interest expenses:						
– Fair value adjustment on long-term interest-free receivable	8, 19(b)	–	(7,010,412)	–	–	–
– Other bank interest expenses	8	–	(277,790)	(725,890)	(330,861)	(532,872)
Profit/(loss) before tax	10	(8,409,139)	70,147,314	8,678,017	568,240	(7,485,141)
Income tax	11	–	–	(1,713,765)	–	(1,426,702)
Profit/(loss) for the year/period, attributable to owners of the Target Company		(8,409,139)	70,147,314	6,964,252	568,240	(8,911,843)
Earnings/(loss) per share for profit/(loss) attributable to owners of the Target Company – Basic and diluted	14	HK(11.73) cents	HK70.15 cents	HK4.45 cents	HK0.49 cents	HK(2.92) cents

Details of dividend payable to owners of the Target Company are set out in Note 13.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Profit/(loss) for the year/period	(8,409,139)	70,147,314	6,964,252	568,240	(8,911,843)
Other comprehensive (loss)/income for the year/period:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of foreign operations	1,239,795	4,311,840	(5,700,089)	(5,047,474)	555,306
Total comprehensive income/(loss) for the year/period, attributable to owners of the Target Company	(7,169,344)	74,459,154	1,264,163	(4,479,234)	(8,356,537)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 March
		2012	2013	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Property, plant and equipment	17	3,675,620	3,644,626	3,142,190	14,026,260
Intangible assets	18	–	165,864	–	–
Deposit paid for acquisition of property, plant and equipment		–	–	1,097,988	–
Loans receivable	19(a)	–	744,643,388	671,225,388	670,181,946
Other receivables	19(b)	–	34,386,893	21,447,114	18,689,691
Available-for-sale financial asset	20	–	–	2,531,758	2,531,758
Total non-current assets		3,675,620	782,840,771	699,444,438	705,429,655
Current assets					
Prepayment and deposits		1,170,772	1,929,132	2,634,904	4,760,723
Loans receivable	19(a)	–	85,616,612	128,252,370	185,825,101
Other receivables	19(b)	4,477,163	58,781,386	62,810,465	61,381,873
Amount due from fellow subsidiaries	21	–	26,854,506	3,937,444	5,992,202
Amount due from parent company	21	–	–	81,979,297	82,087,181
Bank balances and cash	22	87,812,083	139,193,600	225,719,099	215,553,667
Total current assets		93,460,018	312,375,236	505,333,579	555,600,747
Current liabilities					
Accrued expenses		1,304,982	1,019,547	964,032	2,493,500
Other payables	23	–	95,413,224	81,254,954	89,024,274
Amount due to parent company	21	3,000,000	38,572,467	2,777,282	–
Income tax payable		–	–	–	1,426,702
Bank borrowings, due within one year	24	–	58,711,280	103,212,529	148,084,904
Total current liabilities		4,304,982	193,716,518	188,208,797	241,029,380
Net current assets		89,155,036	118,658,718	317,124,782	314,571,367
Total assets less current liabilities		92,830,656	901,499,489	1,016,569,220	1,020,001,022
Non-current liabilities					
Bank borrowings, due after one year	24	–	731,209,679	646,015,247	647,803,586
Net assets		92,830,656	170,289,810	370,553,973	372,197,436
Capital and reserves					
Share capital	25	100,000,000	100,000,000	300,000,000	310,000,000
Translation reserve	26	1,239,795	5,551,635	(148,454)	406,852
Merger reserve	26	–	3,000,000	2,000,000	2,000,000
(Accumulated losses)/retained profits	26	(8,409,139)	61,738,175	68,702,427	59,790,584
Total equity		92,830,656	170,289,810	370,553,973	372,197,436

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 March
		2012	2013	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*
Non-current assets					
Investments in subsidiaries	16	93,103,000	130,346,154	325,596,969	325,596,969
Property, plant and equipment	17	1,018,479	756,486	498,625	240,149
Total non-current assets		94,121,479	131,102,640	326,095,594	325,837,118
Current assets					
Prepayment and deposits		865,758	865,028	1,224,509	1,134,508
Other receivables	19(b)	4,477,163	150,000	–	–
Amount due from fellow subsidiaries	21	–	26,854,506	3,937,444	5,937,444
Bank balances and cash	22	1,551,555	2,253,004	3,811,825	8,122,974
Total current assets		6,894,476	30,122,538	8,973,778	15,194,926
Current liabilities					
Accrued expenses		147,629	270,519	196,594	489,900
Amount due to parent company	21	3,000,000	38,572,467	2,777,282	–
Bank borrowings, due within one year	24	–	28,228,200	36,000,000	36,000,000
Total current liabilities		3,147,629	67,071,186	38,973,876	36,489,900
Net current assets/(liabilities)		3,746,847	(36,948,648)	(30,000,098)	(21,294,974)
Total assets less current liabilities		97,868,326	94,153,992	296,095,496	304,542,144
Net assets		97,868,326	94,153,992	296,095,496	304,542,144
Capital and reserves					
Share capital	25	100,000,000	100,000,000	300,000,000	310,000,000
Accumulated losses	26	(2,131,674)	(5,846,008)	(3,904,504)	(5,457,856)
Total equity		97,868,326	94,153,992	296,095,496	304,542,144

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

	Share capital	Translation reserve	Merger reserve	(Accumulated losses)/ retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2012	66,000,000	–	–	–	66,000,000
Loss for the year	–	–	–	(8,409,139)	(8,409,139)
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	1,239,795	–	–	1,239,795
Total comprehensive income/(loss) for the year	–	1,239,795	–	(8,409,139)	(7,169,344)
Issue of share capital	34,000,000	–	–	–	34,000,000
At 31 December 2012	100,000,000	1,239,795	–	(8,409,139)	92,830,656
At 1 January 2013	100,000,000	1,239,795	–	(8,409,139)	92,830,656
Profit for the year	–	–	–	70,147,314	70,147,314
Other comprehensive income for the year:					
Exchange differences on translation of foreign operations	–	4,311,840	–	–	4,311,840
Total comprehensive income for the year	–	4,311,840	–	70,147,314	74,459,154
Incorporation of a new subsidiary *(note 1)*	–	–	3,000,000	–	3,000,000
At 31 December 2013	100,000,000	5,551,635	3,000,000	61,738,175	170,289,810

	Share capital	Translation reserve	Merger reserve	(Accumulated losses)/ retained profits	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 1 January 2014	100,000,000	5,551,635	3,000,000	61,738,175	170,289,810
Profit for the year	–	–	–	6,964,252	6,964,252
Other comprehensive loss for the year: Exchange differences on translation of foreign operations	–	(5,700,089)	–	–	(5,700,089)
Total comprehensive (loss)/income for the year	–	(5,700,089)	–	6,964,252	1,264,163
Issue of share capital	200,000,000	–	–	–	200,000,000
Consideration paid for the reorganisation *(note 1)*	–	–	(1,000,000)	–	(1,000,000)
At 31 December 2014	300,000,000	(148,454)	2,000,000	68,702,427	370,553,973
At 1 January 2015	300,000,000	(148,454)	2,000,000	68,702,427	370,553,973
Loss for the period	–	–	–	(8,911,843)	(8,911,843)
Other comprehensive income for the period: Exchange differences on translation of foreign operations	–	555,306	–	–	555,306
Total comprehensive income/(loss) for the period	–	555,306	–	(8,911,843)	(8,356,537)
Issue of share capital	10,000,000	–	–	–	10,000,000
At 31 March 2015	310,000,000	406,852	2,000,000	59,790,584	372,197,436

	Share capital *HK$*	Translation reserve *HK$*	Merger reserve *HK$*	(Accumulated losses)/ retained profits *HK$*	Total *HK$*
(Unaudited)					
At 1 January 2014	100,000,000	5,551,635	3,000,000	61,738,175	170,289,810
Profit for the period	–	–	–	568,240	568,240
Other comprehensive loss for the period:					
Exchange differences on translation of foreign operations	–	(5,047,474)	–	–	(5,047,474)
Total comprehensive income/(loss) for the period	–	(5,047,474)	–	568,240	(4,479,234)
Issue of share capital	38,500,000	–	–	–	38,500,000
At 31 March 2014	138,500,000	504,161	3,000,000	62,306,415	204,310,576

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended 31 December			Three months periods ended 31 March	
		2012	2013	2014	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Cash flows from operating activities						
Cash flows generated from/(used in) operating activities	27(a)	(7,394,042)	(735,115,261)	37,611,724	14,688,008	(59,876,092)
PRC Enterprise Income Tax paid		–	–	(1,713,765)	–	–
Net cash flows generated from/(used in) operating activities		(7,394,042)	(735,115,261)	35,897,959	14,688,008	(59,876,092)
Cash flows from investing activities						
Payments for purchase of property, plant and equipment		(4,414,786)	(593,842)	(746,815)	(30,689)	(5,043,788)
Payments for purchase of intangible assets		–	(179,312)	–	–	–
Deposits paid for acquisition of property, plant and equipment		–	–	(1,106,150)	–	–
Proceeds from disposal of property, plant and equipment		–	–	10,000	10,000	–
Payments for purchase of an available-for-sale financial asset		–	–	(2,550,577)	–	–
Cash outflow resulting from acquisition of a subsidiary	27(b)	–	(37,243,154)	–	–	–
Amounts recovered from a dissolved subsidiary		6,297,430	4,032,858	–	–	–
Bank interest income received		61,032	630,244	561,837	116,955	2,009,753
Net cash flows generated from/(used in) investing activities		1,943,676	(33,353,206)	(3,831,705)	96,266	(3,034,035)

		Years ended 31 December			Three months periods ended 31 March	
		2012	2013	2014	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Cash flows from financing activities						
Proceed from issue of share		34,000,000	–	200,000,000	38,500,000	10,000,000
New term loans raised		–	28,228,200	36,000,000	–	–
Repayment of term loans		–	–	(28,228,200)	–	–
Net (decrease)/increase in factoring loans		–	750,101,732	(29,954,033)	(4,433,790)	45,722,110
Net increase/(decrease) in amount due to parent company		3,000,000	35,572,467	(35,795,185)	(38,519,160)	(2,777,282)
Net increase in amount due from parent company		–	–	(81,979,297)	–	–
Increase in pledged and restricted deposits		–	(107,968,205)	(8,180,834)	–	–
Capital contribution for incorporation of a subsidiary under common control		–	3,000,000	–	–	–
Consideration paid for the reorganisation		–	–	(1,000,000)	–	–
Other bank interests paid		–	(277,790)	(725,890)	(330,861)	(532,872)
Net cash flows (used in)/generated from financing activities		37,000,000	708,656,404	50,136,561	(4,783,811)	52,411,956
Net increase/(decrease) in cash and cash equivalents		31,549,634	(59,812,063)	82,202,815	10,000,463	(10,498,171)
Cash and cash equivalents at beginning of year/period		55,045,407	87,812,083	29,556,978	29,556,978	110,658,246
Effect of foreign exchange rate changes		1,217,042	1,556,958	(1,101,547)	(379,449)	181,319
Cash and cash equivalents at end of year/period		87,812,083	29,556,978	110,658,246	39,177,992	100,341,394
Reconciliations:						
Bank balances and cash	22	87,812,083	139,193,600	225,719,099	145,988,537	215,553,667
Less: pledged and restricted deposits		–	(109,636,622)	(115,060,853)	(106,810,545)	(115,212,273)
Cash and cash equivalents at end of year/period		87,812,083	29,556,978	110,658,246	39,177,992	100,341,394

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL AND BACKGROUND INFORMATION

The Target Company was a limited company incorporated in Hong Kong on 27 July 2009. The address of registered office and principal place of business of the Target Company is 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

The Target Company is an investment holding company. The Target Group is principally engaged into financial leasing business, consultancy services, provision of financial guarantee and operation of financial services platform in the People's Republic of China (the "**PRC**"). Particular of the subsidiaries of the Target Company is set out in Note 16 to the Financial Information.

On 3 May 2012, the Target Company established 翔龍融資租賃(深圳)有限公司 (formerly known as 深圳翔龍融資租賃有限公司, "**Shenzhen Xiang Long**") in the PRC as a wholly owned-foreign subsidiary with a registered capital of US$12,000,000 (or equivalent to approximately HK$93,103,000), which was fully injected by the Target Company on 11 July 2012.

翔龍融資租賃(北京)有限公司 (formerly known as 翔龍融資租賃有限公司, 北京飛龍融資租賃有限公司 and 盈大投資有限公司, "**Xiang Long Finance**") was established as a domestic enterprise in the PRC on 17 December 2008 with registered capital of RMB155,000,000. On 10 December 2012, the Target Company and the former shareholder of Xiang Long Finance entered into a sales and purchase agreement ("**Xiang Long Finance S&P Agreement**") in relation to the acquisition of the entire capital of Xiang Long Finance ("**Xiang Long Finance Acquisition**"), which was completed on 19 April 2013. Xiang Long Finance has become a wholly-owned foreign enterprise since then. Details of Xiang Long Finance Acquisition are set out in Note 27(b) to the Financial Information. Pursuant to a government approval on 8 May 2014, the registered capital of Xiang Long Finance increased by RMB20,000,000 which was fully injected by Shenzhen Xiang Long on 1 August 2014.

深圳傳龍投資諮詢有限公司 ("**Shenzhen Chuan Long**") was established by China Hover Dragon Finance Limited ("**China Hover Finance**"), a fellow subsidiary of the Target Group, on 6 September 2013 in the PRC as a wholly-owned foreign enterprise with a registered capital of HK$3,000,000, which was fully injected by China Hover Finance on 30 October 2013.

翔龍融資租賃(上海)有限公司 (formerly known as 上海翔龍融資租賃有限責任公司, "**Shanghai Xiang Long**") was established by the Target Company on 6 June 2014 in the PRC as a wholly-owned foreign enterprise with a registered capital of US$35,000,000. At 31 December 2014 and 31 March 2015, the Target Company has injected an aggregate amount of US$20,347,956. Pursuant to the article of association of Shanghai Xiang Long, the Target Company is required to inject the remaining balance of US$14,652,044 within 2 years after the date of incorporation. Details of the capital commitment are set out in Note 28(a) to the Financial Information.

On 13 June 2014, Shenzhen Chuan Long established 北京傳龍投資諮詢有限公司 ("**Beijing Chuan Long**") in the PRC as a wholly owned subsidiary with registered capital of RMB3,000,000, which was fully injected by Shenzhen Chuan Long on 10 July 2014.

On 15 December 2014, China Hover Finance transferred the entire interest in Shenzhen Chuan Long and Beijing Chuan Long ("**Chuan Long Group**") to Shenzhen Xiang Long with a consideration of HK$1,000,000, pursuant to a share transfer agreement dated 13 November 2014 (the "**Transfer**"). Accordingly, the Target Group comprising Chuan Long Group and other subsidiaries resulting from the group reorganisation is regarded as a continuing entity. The Financial Information has been prepared as if Shenzhen Xiang Long had always been the holding company of Chuan Long Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of financial position, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group have been prepared as if the group structure after the Transfer had been in existence since the date of establishment of Shenzhen Chuan Long and Beijing Chuan Long.

On 18 December 2014, the Target Company, Shenzhen Xiang Long and Everbright Xinglong Trust Co. Ltd. ("**Everbright Xinglong**") established 深圳亞太租賃資產交易中心有限公司 ("**Shenzhen Pacific**") in the PRC as sino-foreign equity joint venture with registered capital of RMB100,000,000, which was fully injected on and before 29 December 2014. Pursuant to a trust agreement dated 30 April 2014 ("**Trust Agreement**"), Everbright Xinglong agrees to, among other things, (i) hold its entire contribution in Shenzhen Pacific amounting to RMB40,000,000, which represents 40% of total capital of Shenzhen Pacific, on behalf of Shenzhen Xiang Long; (ii) vote in any shareholders' meetings and directors' meetings in accordance with instructions by Shenzhen Xiang Long and directors appointed by Shenzhen Xiang Long, respectively; and (iii) return any dividends distributed by Shenzhen Pacific to Shenzhen Xiang Long, if any. Accordingly, the Target Group has the practical ability to direct all relevant activities of Shenzhen Pacific unilaterally and Shenzhen Pacific is considered as a wholly-owned subsidiary of the Target Group. Details are set out in Note 16(a) to the Financial Information.

On 13 January 2015, Shenzhen Pacific established 深圳亞太盈鑫資產管理有限公司 ("**Pacific Ying Xin**") in the PRC as a limited liability company with registered capital of RMB50,000,000, which was fully injected by Shenzhen Pacific on 25 March 2015.

At 31 December 2012, 2013 and 2014, the Target Company is wholly owned by China Hover Dragon Group Limited ("**China Hover Dragon**"), a company incorporated in the British Virgin Islands. On 12 February 2015, 10,000,000 shares of the Target Company were allotted to Mr. Gao Chuanyi ("**Mr. Gao**"), details of which are set out in Note 25 to the Financial Information. Accordingly, China Hover Dragon and Mr. Gao hold 96.77% and 3.23% of the issued share capital of the Target Company, respectively, at 31 March 2015 and up to the date of the report. The directors of the Target Company consider China Hover Dragon to be the ultimate holding company of the Target Company.

The Financial Information is presented in Hong Kong Dollars ("**HKD**"), which is also the functional currency of the Target Company.

2. BASIS OF PREPARATION

At 31 December 2012, the Target Company had net current assets of HK$3,746,847 and net assets of HK$97,868,326. At 31 December 2013 and 2014 and 31 March 2015, the Target Company had net current liabilities of HK$36,948,648, HK$30,000,098 and HK$21,294,974, respectively and had net assets of HK$94,153,992, HK$296,095,496 and HK$304,542,144, respectively. As 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group had net current assets of HK$89,155,036, HK$118,658,718, HK$317,124,782 and HK$314,571,367, respectively and had net assets of HK$92,830,656, HK$170,289,810, HK$370,553,973 and HK$372,197,436, respectively. The Target Group has received an undertaking from China Hover Dragon that China Hover Dragon would provide financial assistance to the Target Group unless and until the Target Group is able to meet its financial obligations as they fall due. Accordingly, the Financial Information has been prepared on a going concern basis.

The Financial Information has been prepared in accordance with HKFRSs, the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting policies generally accepted in Hong Kong. The Financial Information also complies with the applicable requirements of the predecessor Hong Kong Companies Ordinance (Cap. 32) and applicable disclosure requirements by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Financial Information has been prepared under historical costs convention, except for available-for-sale financial asset which has been measured at fair value, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 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 if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

3. APPLICATION OF NEW AND REVISED HKFRSs

The HKICPA issued a number of new and revised HKASs, HKFRSs, amendments and interpretations (hereinafter collectively referred to as "**new and revised HKFRSs**") which are effectively for the Target Group's financial period beginning on 1 January 2015. For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted all these new and revised HKFRSs and other existing HKFRSs consistently throughout the Relevant Periods.

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective during the Relevant Periods.

HKFRS 9	Financial Instruments [3]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception [1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations [1]
HKFRS 14	Regulatory Deferral Accounts [4]
HKFRS 15	Revenue from Contracts with Customers [2]
HKAS 1 (Amendments)	Disclosure Initiative [1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods for Depreciation and Amortisation [1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants [1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs [1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2017.
3 Effective for annual periods beginning on or after 1 January 2018.
4 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016.

In September 2014, the HKICPA issued the final version of HKFRS 9 "Financial Instruments", bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Group expects to adopt HKFRS 9 from 1 January 2018. The Target Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the financial assets of the Target Group and is currently assessing the impact of HKFRS 9 upon adoption.

HKFRS 15 "Revenue from Contracts with Customers" establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structure approach for measuring and recognising revenue. HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. HKFRS 15 will supersede all current revenue recognition requirements under HKFRSs. The Target Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

The amendments to HKAS 1 "Disclosure Initiative" are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The Target Group expects to adopt the amendments to HKAS 1 on 1 January 2016. The adoption of the amendments will only affect the presentation and disclosure of information in the Financial Information.

The Target Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs upon initial application. The directors of Target Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are entities (including structured entities) over which the Target Group has control. The Target Group controls entities when the Target Group is exposed to, or has right to, variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Profit or loss and each item of other comprehensive income 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.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

(b) Investment in subsidiaries

Investments in subsidiaries are included in the Target Company's statements of financial position at cost plus additional capital contributions, less any identified impairment loss, unless the investment is classified as held for sale. The results of the subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

(c) Merger accounting for common control combination

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

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

The consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income include the results and other comprehensive income 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 common control, where this is a shorter period, regardless of the date of the common control combination.

(d) Business combination other than common control combination

The Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. Acquisition-related costs are generally recognised in the consolidated statements of profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Target Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

– asset (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Noncurrent Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

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

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

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period. The principal annual rates of used for this purpose are as follows:

	Years ended 31 December 2012, 2013 and 2014, and three months period ended 31 March 2014	Three months period ended 31 March 2015
Leasehold improvements	Over the shorter of lease terms and 25%	Over the shorter of lease terms and 25%
Furniture and fixtures	10%	19%
Office equipment	10%	32%
Motor vehicles	33%	24%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statements of profits or loss.

(f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in the consolidated statements of profit or loss when the asset is derecognised.

(g) Impairment of tangible and intangible assets other than goodwill

At end of each reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statements of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but the increased carrying amount shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognised immediately in the consolidated statements of profit or loss.

(h) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when the Target Group has become 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 and financial liabilities at fair value through profit or loss) 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 or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated statements of profit or loss.

When the Target Group determines that the fair value of a financial instrument differs from the transaction price, the Target Group recognises the difference for that instrument at the date of initial recognition as follows:

– If the fair value is evidenced by a quoted price in an active market for an identical asset or liabilities (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, then the difference is recognised in the consolidated statements of profit or loss at the date of initial recognition;

– In all other cases, the difference between the fair value and the transaction price is recognised as a deferred expense or income at initial recognition and amortises the difference to the consolidated statements of profit or loss on a straight-line basis over the terms of financial instrument.

Financial assets

The Target Group's financial assets are classified as available-for-sale financial asset and loans and receivables. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Available-for-sale financial asset

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in the consolidated statements of profit or loss and other comprehensive income and accumulated under the heading of available-for-sale financial asset revaluation reserve until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale financial asset revaluation reserve is reclassified to the consolidated statements of profit or loss (see accounting policy in respect of impairment of financial assets below).

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below), unless the effect of discounting would be immaterial, in which case, they are stated at cost less any identified impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Derecognition of financial assets

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

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

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

Available-for-sale equity investment

For available-for-sale equity investment, a significant or prolong decline in the fair value that investment below its cost is considered to be objective evidence of impairment.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Target Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Loans and borrowings

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

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

Equity instruments

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

(i) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and short-term bank deposits with an original maturity period of three months or less.

(j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Where the Target Group is the lessee, rentals payable under operating leases are charged to the consolidated statements of profit or loss on the straight-line basis over the lease terms.

Where the Target Group is the lessor, the amounts due from the lessee under finance leases are recorded in the consolidated statements of financial position as loans receivable. The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to provide an approximately constant periodic rate of return on the net cash investment for each accounting period.

(k) Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of discounting is material).

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

(l) Revenue and other income

Revenue and other income are measured at the fair value of the consideration received or receivable. Revenue and other income are recognised to the extent that they are probable that the economic benefits will flow to the Target Group and the revenue and other income are can be reliably measured, on the following basis:

Interest income

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 revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Advisory fee income

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the cost of a continuing service to, or risk borne for, the borrower, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as interest income.

(m) Income tax

Income tax comprises current tax and deferred tax.

Current tax is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the consolidated statements of profits or loss because it excludes items of income and 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 substantially enacted by the end of reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the accounting profit nor the taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary differences 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is charged or credited to the consolidated statements of profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Employee benefits

Pension obligations

The full-time employees of the Target Group in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Target Group contributes on a monthly basis to these pension plans. Under these plans, the Target Group has no obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expenses as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Target Group's future obligation to such defined-contribution pension plans even if the staff leave the Target Group.

The contributions are recognised as employee benefit expense when they are due.

Housing funds, medical insurances and other social insurances

The PRC employees of the Target Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Target Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Target Group's liability in respect of these funds is limited to the contribution payable in each period, and recognised as employee benefit expense when they are due.

(o) Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

(p) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in the consolidated statements of profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statements of profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in the consolidated statements of profit or loss and other comprehensive income, in which cases, the exchange differences are also recognised directly in the consolidated statements of profit or loss and other comprehensive income.

For the purposes of presenting the Financial Information, assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the Relevant Periods, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in the consolidated statements of profit or loss and other comprehensive income and accumulated in equity.

(q) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("**reporting entity**").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

  (i) has control or joint control over the reporting entity;

  (ii) has significant influence over the reporting entity; or

  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

  (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

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

(iii) both entities are joint ventures of the same third party;

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Target Group's accounting policies, which are described in Note 2 of Section II above, the management 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 underlying assumptions are based on past experience, expectations of the future and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Financial Information:

Classification of available-for-sale financial asset

The Target Group holds 20% equity interest in 深圳前海路建資產管理有限公司 ("**Qianhai Lu Jian**"). The management of the Target Group opined that the Target Group does not have any control or significant influence over Qianhai Lu Jian as the Target Group does not have any contractual right and has only appointed one representative as one of five directors of Qianhai Lu Jian. Accordingly, the investment in Qianhai Lu Jian is classified as available-for-sale financial asset. Details are set out in Note 20 to the Financial Information.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Target Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Estimated uncertainties

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

Estimated impairment on loans and other receivables

The Target Group assesses at the end of each reporting period whether there is objective evidence that loans and other receivables are impaired. To determine whether there is objective evidence of impairment, the Target Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

The Target Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Target Group makes its estimates based on the ageing of its debtors balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Target Group would be required to revise the basis of making the allowance and its future results would be affected. At 31 December 2012, 2013 and 2014 and 31 March 2015, the carrying amount of loans receivables amounted to nil, HK$830,260,000, HK$799,477,758 and HK$856,007,047, respectively, and the carrying amount of other receivables amounted to HK$4,477,163, HK$93,168,279, HK$84,257,579 and HK$80,071,564, respectively. No impairment losses were recognised during the years ended 31 December 2012, 2013 and 2014 and during the three months period ended 31 March 2015 in respect of loans and other receivables.

Estimated impairment on amounts due from fellow subsidiaries and parent company

The Target Group regularly reviews the recoverability of amounts due from fellow subsidiaries and parent company. Appropriate impairment for estimated irrecoverable amount is recognised in the consolidated statements of profit or loss when there is objective evidence that the amount is not recoverable.

In determining whether impairment is made, the Target Group takes into consideration the aged status and the likelihood of collection. Impairment is only made for the amounts that are unlikely to be collected and is recognised on the difference between the carrying amount and the present value of the estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2012, the Target Group had no amounts due from fellow subsidiaries and parent company. At 31 December 2013 and 2014 and 31 March 2015, the amount due from fellow subsidiaries was carried at HK$26,854,506, HK$3,937,444 and HK$5,992,202, respectively, and the amount due from parent company was carried at nil, HK$81,979,297 and HK$82,087,181, respectively.

Estimated impairment loss on tangible and intangible assets

The Target Group assesses whether there are any indicators of impairment for all tangible assets and intangible assets at the end of each reporting period. Such assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimated useful lives of property, plant and equipment

As described in note 4(e) above, the Target Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the three months period ended 31 March 2015, the directors of the Target Company determined that the useful lives of furniture and fixtures and office equipment should be shortened and the useful life of a motor vehicle should be lengthened, so as to reflect the actual usage of each class of property, plant and equipment.

The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the depreciation charge for the years ended 31 December 2012, 2013 and 2014 and for the three months period ended 31 March 2015 by approximately HK$63,521, HK$311,632, HK$297,040 and HK$391,774, respectively.

Measurement of fair value of available-for-sale financial asset

The Target Group classified the fair value of available-for-sale financial asset as Level 3 fair value measurements under HKFRS 13. The Target Group determines that the reported net asset value represents fair value of available-for-sale financial asset at the end of the reporting period. Details of the fair value measurement are set out in Note 6(c) to the Financial Information.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Target Group's and Target Company's financial assets and liabilities as at the end of reporting periods are as follows:

Financial assets – the Target Group

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Available for sale financial asset	–	–	2,531,758	2,531,758
Loans and receivables:				
Loans receivable				
– due after one year	–	744,643,388	671,255,388	670,181,946
– due within one year	–	85,616,612	128,252,370	185,825,101
Other receivables				
– due after one year	–	34,386,893	21,447,114	18,689,691
– due within one year	4,477,163	58,781,386	62,810,465	61,381,873
Amounts due from				
– fellow subsidiaries	–	26,854,506	3,937,444	5,992,202
– parent company	–	–	81,979,297	82,087,181
Bank balances and cash	87,812,083	139,193,600	225,719,099	215,553,667
	92,289,246	1,089,476,385	1,195,401,177	1,239,711,661

Financial assets – the Target Company

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Loans and receivables:				
Other receivables				
– due within one year	4,477,163	150,000	–	–
Amount due from fellow subsidiaries	–	26,854,506	3,937,444	5,937,444
Bank balances and cash	1,551,555	2,253,004	3,811,825	8,122,974
	6,028,718	29,257,510	7,749,269	14,060,418

Financial liabilities – the Target Group

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities at amortised costs:				
Financial liabilities included in accrued expenses	1,279,982	732,086	884,032	2,413,500
Financial liabilities included in other payables	–	95,413,224	79,524,607	86,269,451
Amount due to parent company	3,000,000	38,572,467	2,777,282	–
Bank borrowings	–	789,920,959	749,227,776	795,888,490
	4,279,982	924,638,736	832,413,697	884,571,441

Financial liabilities – the Target Company

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Financial liabilities at amortised costs:				
Financial liabilities included in accrued expenses	122,629	210,519	116,594	409,900
Amount due to parent company	3,000,000	38,572,467	2,777,282	–
Bank borrowings	–	28,228,200	36,000,000	36,000,000
	3,122,629	67,011,186	38,893,876	36,409,900

(b) Financial risk management

The Target Group's major financial instruments include loans receivable, other receivables, amounts due with fellow subsidiaries and parent company, bank and cash balances, financial liabilities included in accrued expenses and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The director of the Target Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Currency risk arises when recognised assets and liabilities are denominated in currencies other than the respective functional currencies of individual subsidiary in the Target Group to which they related. The Target Company and its subsidiaries have no currency risk as the financial assets and liabilities are denominated in their respective functional currencies.

(ii) Interest rate risk

The Target Group's interest rate positions arise from financial leasing activities. Interest rate risk is the risk that the Target Group's and the Target Company's positions may be adversely affected by a change of market interest rates. The Target Group's interest rate risk arises primarily results from the timing differences in the repricing of interest-bearing assets and liabilities.

Certain of the Target Group's loans receivable and bank borrowings are fixed rate. Although subject to interest rate risk, they are not remeasured in the Financial Information in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term.

Sensitivity analysis

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Target Group's post tax loss for the year ended 31 December 2012 had no effect and the Target Group's post tax profit and equity for the years ended 31 December 2013 and 2014 would have decreased/increased by approximately HK$71,000 and HK$90,000, respectively, and the Target Group's loss for the three months period ended 31 March 2015 would have increased/decreased and equity would have decreased/increased by approximately HK$90,000, which is mainly caused by the variable-rate bank borrowings.

The sensitivity analysis above is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year/period. A 25 basis points increase or decrease in interest rates for the year ended 31 December 2012, 2013 and 2014 and for the three months period ended 31 March 2015 is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

(iii) Credit risk

The Target Group's and the Target Company's maximum exposure to credit risk which will cause a financial loss of the Target Group and the Target Company due to the failure to perform an obligation by the counterparties at 31 December 2012, 2013 and 2014 and 31 March 2015 is the carrying amount of the respective recognised financial assets as stated in the consolidated and the Target Company's statements of financial position without taking account of any collateral held and other credit enhancements that do not qualify for derecognition or offsetting in the consolidated and the Target Company's statements of financial position.

The collaterals held comprise motor vehicles, equipment and plant and machineries transferred and cash collateral as security, as well as personal guarantee and real property liens.

The Target Group had stringent policies in place to manage its credit risk with loans receivable. All new borrowers of the Target Group are subject to account opening policies which include financial background checks for credit verification purpose. Normally, the Target Group entered into sale-and-leaseback financing agreements with the borrowers by passing the legal titles of those collaterals to the Target Group as security and leasing back of the same collaterals to the borrowers. At the end of each reporting period, the credit department of the Target Group reviews the financial status and repayment history of the borrowers to determine the recoverability of each of the loans receivable. If the borrowers have significant default in repayment of loans receivable, the Target Group may take possession of the collateral and dispose the repossessed assets. At 31 December 2012, 2013 and 2014 and 31 March 2015, no loans receivable was in default and, therefore, the Target Group had not obtained any repossessed assets.

At 31 December 2012, the Target Group had no loans receivable. At 31 December 2013 and 2014 and 31 March 2015, 77%, 77% and 70% of the total loans receivable, respectively, were due from the Target Group's largest borrowers.

Further quantitative data in respect of the Target Group's exposure to credit risk arising from loans receivable are disclosed in Note 19(a) to the Financial Information below.

For other receivables and amounts due from fellow subsidiaries and parent company, the directors of the Target Company reviewed the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses were made for irrecoverable amounts. Balances due from both third parties and related parties were monitored on an ongoing basis. The directors of the Target Company consider that the credit risks of these receivables are minimised.

Bank balances are placed with high-credit-quality institutions and the management considers that the credit risk for such is minimal.

(iv) Liquidity risk

At 31 December 2012, the Target Company had net current assets of HK$3,746,847 and net assets of HK$97,868,326. At 31 December 2013 and 2014 and 31 March 2015, the Target Company had net current liabilities of HK$36,948,648, HK$30,000,098 and HK$21,294,974, respectively and had net assets of HK$94,153,992, HK$296,095,496 and HK$304,542,144, respectively. As 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group had net current assets of HK$89,155,036, HK$118,658,718, HK$317,124,782 and HK$314,571,367, respectively and had net assets of HK$92,830,656, HK$170,289,810, HK$370,553,973 and HK$372,197,436, respectively. The maintenance of the Target Company and the Target Group as a going concern is set out in Note 2 above.

In the management of the liquidity risk, the Target Group and the Target Company monitor and maintain a level of bank balances and cash deemed adequate by the management to finance the operations of the Target Group and the Target Company and mitigate the effects of fluctuations in cash flows. The management monitors the liquidity requirements from time to time.

The following tables detail the Target Group's and the Target Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of the reporting period) and the earliest date on which the Target Group and the Target Company are required to pay.

Specifically, term loans which contain a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other financial liabilities is prepared based on the scheduled repayment dates.

At 31 December 2012

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**Over 1 year but not more than 2 years**	**Over 2 years but not more than 5 years**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
The Target Group					
Financial liabilities included in accrued expenses	1,279,982	1,279,982	1,279,982	–	–
Amount due to parent company	3,000,000	3,000,000	3,000,000	–	–
	4,279,982	4,279,982	4,279,982	–	–
The Target Company					
Financial liabilities included in accrued expenses	122,629	122,629	122,629	–	–
Amount due to parent company	3,000,000	3,000,000	3,000,000	–	–
	3,122,629	3,122,629	3,122,629	–	–

At 31 December 2013

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	Over 1 year but not more than 2 years *HK$*	Over 2 years but not more than 5 years *HK$*
The Target Group					
Financial liabilities included in accrued expenses	732,086	732,086	732,086	–	–
Financial liabilities included in other payables	95,413,224	95,413,224	95,413,224	–	–
Amount due to parent company	38,572,467	38,572,467	38,572,467	–	–
Bank borrowings:					
– factoring loans	761,692,759	982,485,051	88,282,461	124,442,707	769,759,883
– term loans	28,228,200	28,228,200	28,228,200	–	–
	924,638,736	1,145,431,028	251,228,438	124,442,707	769,759,883
The Target Company					
Financial liabilities included in accrued expenses	210,519	210,519	210,519	–	–
Amount due to parent company	38,572,467	38,572,467	38,572,467	–	–
Bank borrowings:					
– term loans	28,228,200	28,228,200	28,228,200	–	–
	67,011,186	67,011,186	67,011,186	–	–

As at 31 December 2014

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	Over 1 year but not more than 2 years *HK$*	Over 2 years but not more than 5 years *HK$*
The Target Group					
Financial liabilities included in accrued expenses	884,032	884,032	884,032	–	–
Financial liabilities included in other payables	79,524,607	79,524,607	79,524,607	–	–
Amount due to parent company	2,777,282	2,777,282	2,777,282	–	–
Bank borrowings:					
– factoring loans	713,227,776	870,581,118	119,751,587	169,210,562	581,618,969
– term loans	36,000,000	36,000,000	36,000,000	–	–
	832,413,697	989,767,039	238,937,508	169,210,562	581,618,969
The Target Company					
Financial liabilities included in accrued expenses	116,594	116,594	116,594	–	–
Amount due to parent company	2,777,282	2,777,282	2,777,282	–	–
Bank borrowings:					
– term loans	36,000,000	36,000,000	36,000,000	–	–
	38,893,876	38,893,876	38,893,876	–	–

At 31 March 2015

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	Over 1 year but not more than 2 years *HK$*	Over 2 years but not more than 5 years *HK$*
The Target Group					
Financial liabilities included in accrued expenses	2,413,500	2,413,500	2,413,500	–	–
Financial liabilities included in other payables	86,269,451	86,269,451	86,269,451	–	–
Bank borrowings:					
– factoring loans	759,888,490	910,845,430	169,245,280	200,011,675	541,588,475
– term loans	36,000,000	36,000,000	36,000,000	–	–
	884,571,441	1,035,528,381	293,928,231	200,011,675	541,588,475
The Target Company					
Financial liabilities included in accrued expenses	409,900	409,900	409,900	–	–
Bank borrowings:					
– term loans	36,000,000	36,000,000	36,000,000	–	–
	36,409,900	36,409,900	36,409,900	–	–

Bank borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. At 31 December 2012, 2013 and 2014 and 31 March 2015, the aggregate undiscounted principal amounts of these borrowings amounted to nil, HK$28,228,200, HK$36,000,000 and HK$36,000,000, respectively. Information provided internally to the management has been prepared based on the scheduled repayment dates as set out in the loan agreements and ignoring the effect of any repayment on demand clause. Details are as follows:

At 31 December 2013

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	Over 1 year but not more than 2 years *HK$*
The Target Group and the Target Company				
Term loans	28,228,200	28,529,174	28,529,174	–

At 31 December 2014

	Carrying amount *HK$*	Total contractual undiscounted cash flow *HK$*	Within 1 year or on demand *HK$*	Over 1 year but not more than 2 years *HK$*
The Target Group and the Target Company				
Term loans	36,000,000	37,065,850	928,800	36,137,050

At 31 March 2015

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	Over 1 year but not more than 2 years
	HK$	*HK$*	*HK$*	*HK$*
The Target Group and the Target Company				
Term loans	36,000,000	36,838,840	36,838,840	–

(c) Fair value measurement

Other than the available-for-sale financial asset, the directors of the Target Company consider that the carrying amounts of the Target Group's financial assets and financial liabilities recorded at amortised cost in the consolidated and the Target Company's financial statements approximate their respective fair values at 31 December 2012, 2013 and 2014 and 31 March 2015.

(i) Fair value of financial assets that are measured at fair value on a recurring basis

At 31 December 2012 and 2013, the Target Group had no available-for-sale financial asset. At 31 December 2014 and 31 March 2015, the Target Group had an available-for-sale financial asset which was measured at fair value at the end of each reporting period with reference to the reported net asset value which represents the fair value at the end of the reporting period.

During the years ended 31 December 2012, 2013 and 2014 and the three months period ended 31 March 2015, the Target Group did not have any financial instruments transferred between Level 1 and Level 2 fair value hierarchy and no transfer into or out of Level 3 fair value hierarchy.

Financial assets measured at fair value:

	The Target Group			
	Level 1	Level 2	Level 3	Total
	HK$	*HK$*	*HK$*	*HK$*
At 31 December 2014				
Available-for-sale financial asset	–	–	2,531,758	2,531,758
At 31 March 2015				
Available-for-sale financial asset	–	–	2,531,758	2,531,758

(ii) Information about Level 3 fair value measurements

Available-for-sale financial asset is measured at fair value with reference to the reported net asset value of the investee. No input is required to determine the reported net asset.

(iii) Reconciliation of Level 3 fair value measurements

	Available-for-sale financial asset			
	At 31 December			**At 31 March**
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Opening balance	–	–	–	2,531,758
Purchase during the year/period	–	–	2,550,577	–
Exchange realignment recognised in the consolidated statements of profit or loss and other comprehensive income	–	–	(18,819)	–
Closing balance	–	–	2,531,758	2,531,758

Exchange realignment recognised is included in exchange differences on translation of financial statements of foreign operations in the consolidated statements of profit or loss and other comprehensive income.

(iv) Fair value measurement and valuation process

The management of the Target Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Target Group uses market-observable data to the extent it is available. When Level 1 inputs are not available, the Target Group applies appropriate valuation technique to measure the fair value. The management of the Target Group reports to the directors of the Target Company annually to explain the cause of fluctuation in the fair value of the financial asset or financial liability.

(d) Offsetting financial assets and financial liabilities

(i) Financial assets subject to offsetting, enforceable master netting arrangements and similar arrangements

At 31 December 2012, the Target Group and the Target Company did not have any offsetting, enforceable master netting arrangements and similar arrangements for their financial assets. At 31 December 2013 and 2014 and 31 March 2015, certain borrowers of the Target Group had provided cash collaterals to the Target Group amounting to approximately HK$76,976,182, HK$77,581,749 and HK$77,683,846 respectively to secure their loans receivable. The Target Group has the right to invoke the collateral if the borrowers are default in repayment of loans receivable.

	Gross amounts of financial assets presented in the consolidated statements of financial position	**Amounts not offset**	
		Cash collateral received	**Net**
	HK$	*HK$*	*HK$*
	(note 19(a))	*(note 23)*	
At 31 December 2013			
Loans receivable	830,260,000	76,976,182	753,283,818
At 31 December 2014			
Loans receivable	799,477,758	77,581,749	721,896,009
At 31 March 2015			
Loans receivable	856,007,047	77,683,846	778,323,201

(ii) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements

At 31 December 2012, the Target Group and the Target Company did not have any offsetting, enforceable master netting arrangements and similar arrangements for their financial liabilities. At 31 December 2013 and 2014 and 31 March 2015, the Target Group had provided cash collateral to banks of approximately HK$78,256,982, HK$76,332,444 and HK$76,432,898, respectively to secure factoring loans with aggregate amounts of approximately HK$761,692,759, HK$713,227,776 and HK$697,341,110, respectively and had deposited cash in the PRC banks of approximately HK$31,379,640, HK$38,728,409 and HK$38,779,375, respectively, for bankers' guarantee issued to secure the bank term loan of Target Company of approximately HK$28,228,200, HK$36,000,000 and HK$36,000,000, respectively. The banks have the right to invoke the collateral if certain requirements imposed by the banks could not be met.

	Gross amounts of financial liabilities presented in the consolidated statements of financial position	Amounts not offset		
		Cash collateral pledged	**Cash deposited for bankers' guarantee**	**Net**
	HK$	*HK$*	*HK$*	*HK$*
	(note 24)	*(note 22)*	*(note 22)*	
At 31 December 2013				
Bank borrowings:				
– factoring loans	761,692,759	78,256,982	–	683,435,777
– term loans	28,228,200	–	31,379,640	(3,151,440)
	789,920,959	78,256,982	31,379,640	680,284,337
At 31 December 2014				
Bank borrowings:				
– factoring loans	713,227,776	76,332,444	–	636,895,332
– term loans	36,000,000	–	38,728,409	(2,728,409)
	749,227,776	76,332,444	38,728,409	634,166,923
At 31 March 2015				
Bank borrowings:				
– factoring loans	759,888,490	76,432,898	–	683,455,592
– term loans	36,000,000	–	38,779,375	(2,779,375)
	795,888,490	76,432,898	38,779,375	680,676,217

(e) Transfer of financial assets

During the year ended 31 December 2012, the Target Group had not transferred any financial assets to third parties.

During the years ended 31 December 2013 and 2014 and the three months period ended 31 March 2015, the Target Group entered into several factoring arrangements (the "**Arrangements**") and transferred certain loans receivables to banks. Under the Arrangements, the Target Group may be required to reimburse the banks for loss of interest if any borrowers have late payment. Subsequent to the transfer, the Target Group did not retain any rights on the use of loans receivable, including the sale, transfer or pledge of loans receivable to any other third parties. The original value of loans receivable transferred under the Arrangements that have not been settled at 31 December 2013 and 2014 and 31 March 2015 amounted to RMB620,000,000 (or equivalent to approximately HK$794,097,041), RMB620,000,000 (or equivalent to approximately to HK$774,568,178) and RMB670,000,000 (or equivalent to approximately HK$838,134,887), respectively. The carrying amount of the assets that the Target Group continued to recognise at 31 December 2013 and 2014 and 31 March 2015 amounted to approximately HK$778,343,181, HK$726,220,132 and HK$772,084,855, respectively and that of the associated liability at 31 December 2013 and 2014 and 31 March 2015 amounted to approximately HK$761,692,759, HK$713,227,776 and HK$759,888,490, respectively. Details of loans receivable transferred and the associated liability under the Arrangements are set out in Note 19(a) and Note 24 to the Financial Information, respectively.

7. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the turnover of the Target Group, represents interest income earned on provision of financial leasing services.

The Target Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker ("**CODM**"). The Target Group's operating businesses are structured and managed separately accordingly to the nature of their operations and the services they provide. Each of the Target Group's operating segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of other operating segments.

For the years ended 31 December 2012, 2013 and 2014 and for the three months period ended 31 March 2014, the Target Group has one reportable segment, which is the provision of financial leasing services in the PRC. Accordingly, no segment information was presented.

For the three months period ended 31 March 2015, the Target Group has an additional reportable segment, which is the operation of financial services platform in the PRC.

The accounting policies of the reportable segments are the same as the Target Group's accounting policies described in note 4. Segment revenue represents the revenue generated by each operating segment. Inter-segment revenue represents interest income from provision of loans between operating segments with interest rate determined with reference to interest rate used for provision of loans to third parties at the then prevailing market rates.

Segment results represent the profit earned or loss incurred by each operating segment without allocation of central administration expenses (unallocated corporate expenses), bank interest income, other income, other bank interest expenses and income tax expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purpose of monitoring segment performance and allocating resources between segments:

– all assets are allocated to reportable segments other than available-for-sale financial asset, amounts due from fellow subsidiaries and parent company, and unallocated corporate assets; and

– all liabilities are allocated to reportable segments other than current and deferred tax liabilities and unallocated corporate liabilities.

Three months period ended 31 March 2015

	Provision of financial leasing services HK$	Operation of financial services platform HK$	Total HK$
Segment revenue and results			
Segment revenue			
Reportable segment revenue	20,479,362	449,215	20,928,577
Elimination of inter-segment revenue	(257,707)	(449,215)	(706,922)
Consolidated revenue	20,221,655	–	20,221,655
Segment results	695,121	(6,553,289)	(5,858,168)
Bank interest income			2,009,753
Other income			252,586
Other bank interest expenses			(532,872)
Unallocated corporate expenses			(3,356,440)
Loss before tax for the period			(7,485,141)
Other segment information:			
Depreciation – allocated	591,498	411,880	1,003,378
Depreciation – unallocated			258,477
			1,261,855
Operating interest expenses	14,175,027	–	14,175,027
Capital expenditure	–	12,142,446	12,142,446
Segment assets and liabilities			
Segment assets	1,068,080,080	15,729,102	1,083,809,182
Available-for-sale financial asset			2,531,758
Amount due from fellow subsidiaries			5,992,202
Amount due from parent company			82,087,181
Unallocated corporate assets			86,610,079
Total assets			1,261,030,402
Segment liabilities	842,463,252	7,996,692	850,459,944
Income tax payable			1,426,702
Unallocated corporate liabilities			36,946,320
Total liabilities			888,832,966

Information about major borrowers

Revenue from each of the following single external borrowers for the years ended 31 December 2012, 2013 and 2014 and for the three months periods ended 31 March 2014 and 2015 accounted for more than 10% of the total revenue of the Target Group are as follows:

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Borrower A	–	N/A – note (i)	55,349,620	11,997,949	13,312,890
Borrower B	–	11,138,645	12,924,410	3,093,607	2,941,182
Borrower C	–	3,530,864	N/A- note (ii)	1,860,669	2,109,368

Note:

(i) The transaction with Borrower A did not account for more than 10% of the total revenue of the Target Group for the year ended 31 December 2013.

(ii) The transaction with Borrower C did not account for more than 10% of the total revenue of the Target Group for the year ended 31 December 2014.

Geographical information

All non-current assets of the Target Group are located in the PRC (including Hong Kong). Accordingly, no disclosure of geographical information is provided.

8. INTEREST EXPENSES

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Operating interest expenses:					
Discounting charge on factoring loan, wholly repayable within five years	–	10,379,693	55,580,234	11,754,918	14,175,027
Other interest expenses:					
Interest on bank term loans wholly repayable within five years	–	277,790	725,890	330,861	532,872
Fair value adjustment on long-term interest-free receivable *(Note 19(b))*	–	7,010,412	–	–	–
	–	7,288,202	725,890	330,861	532,872
	–	17,667,895	56,306,124	12,085,779	14,707,899

9. INVESTMENT INCOME

	Years ended 31 December			Three months periods ended 31 March	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Dividend income	–	–	481,073	–	–
Realised gain on disposal of trading securities	–	–	4,551,055	–	–
Less: transaction costs	–	–	(288,435)	–	–
	–	–	4,743,693	–	–

10. PROFIT/(LOSS) BEFORE TAX

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

	Years ended 31 December			Three months periods ended 31 March	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Salaries, bonuses and allowances	2,705,130	6,600,436	8,935,015	1,444,667	6,042,922
Retirement benefits scheme contributions *(note)*	117,666	381,095	425,031	74,131	253,918
Other employee benefits	31,626	392,075	268,921	37,603	88,970
Total staff costs including director's emoluments	2,854,422	7,373,606	9,628,967	1,556,401	6,385,810
Auditors' remuneration:					
– current year's provision	25,000	60,000	80,000	–	–
– under provided in respect of prior year	90,000	–	–	–	–
	115,000	60,000	80,000	–	–
Operating lease rental expenses in respect of land and building	1,863,863	4,463,845	6,128,836	1,383,265	3,213,064
Depreciation of property, plant and equipment	941,919	1,061,351	1,101,607	255,522	1,261,855
Amortisation of intangible assets	–	13,448	–	–	–
Write-off of intangible assets	–	–	165,864	–	–
Loss on disposal of property, plant and equipment	–	–	51,200	51,200	–
Amortised interest income on long-term interest-free receivable (included in other operating income)	–	–	(521,669)	(25,227)	(252,526)
Other interest income (included in other operating income) *(Note 31)*	–	–	(6,693,655)	–	–

Note: The Target Group operated a defined benefit contribution plan which covers all full-time employees and directors. No forfeited contribution was incurred during the Relevant Periods.

11. INCOME TAX

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Current tax – PRC Enterprise Income Tax	–	–	1,713,765	–	1,426,702
Deferred tax	–	–	–	–	–
	–	–	1,713,765	–	1,426,702

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

PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year ended 31 December 2014 and for the three months period ended 31 March 2015. No provision for current PRC Enterprise Income Tax for the years ended 31 December 2012 and 2013 as the Target Group did not generate any assessable profits arising in the PRC in these years.

The income tax expense for the Relevant Periods can be reconciled to profit/(loss) before tax per the consolidated statements of profit or loss as follows:

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Profit/(loss) before tax	(8,409,139)	70,147,314	8,678,017	568,240	(7,485,141)
Income tax expense/(credit) at the domestic tax rate	(2,102,285)	17,536,829	2,169,504	142,060	(1,871,285)
Tax effect of income not taxable	–	(21,330,123)	(364,079)	–	–
Tax effect of expenses not deductible	747,256	3,463,888	1,274,074	688,995	1,660,021
Tax losses not recognised	1,355,029	879,664	–	–	1,637,966
Utilisation of tax losses previously not recognised	–	(550,258)	(1,365,734)	(831,055)	–
Income tax charge	–	–	1,713,765	–	1,426,702

The domestic tax rate in the PRC of 25% is used for the reconciliations above as it is where the operation of the Target Group was substantially based.

At 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group has unused tax losses of approximately HK$5,484,298, HK$6,930,832, HK$1,408,723 and HK$7,960,586, respectively, available for offset against future profits. No deferred tax asset had been recognised in respect of such losses during the Relevant Periods due to the unpredictability of future profit streams. Tax losses for the years ended 31 December 2012, 2013 and 2014 and for the three months period ended 31 March 2015 of approximately HK$5,484,298, HK$3,412,175, nil and HK$6,551,863, respectively, will expire according to the Enterprise Income Tax Law of the PRC. Tax losses for the years ended 31 December 2012, 2013 and 2014 and for the three months period ended 31 March 2015 of nil, HK$3,518,657, HK$1,408,723 and HK$1,408,723, respectively, may be carried forward indefinitely.

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries. At 31 December 2012 and 2013, no deferred tax was provided as the Target Group's PRC subsidiaries did not have any profits available for distribution. At 31 December 2014 and 31 March 2015, the aggregate amount of the undistributed earnings of the Target Group's PRC subsidiaries which the corresponding deferred taxation has not been provided for in the consolidated financial statements amounted to approximately HK$393,000 and HK$939,000, respectively, as the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group had no material unprovided deferred tax liability.

12. DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2012 and 2013 and during the three months period ended 31 March 2014, no emolument was paid to directors of the Target Company. During the year ended 31 December 2014 and for the three months period ended 31 March 2015, the Target Group paid emolument to Mr. Gao after the appointment of directorship of the Target Company on 2 July 2014, details of which are as follows:

	Mr. Gao	
	Year ended 31 December 2014	**Three months period ended 31 March 2015**
	HK$	*HK$*
Fee	–	–
Salaries, bonus and allowances	626,831	1,227,582
Retirement benefits scheme contributions	7,582	3,900
Other employee benefits	1,830	938
	636,243	1,232,420

The five highest paid individuals of the Target Group for the Relevant Periods, including the emoluments of Mr. Gao prior and after the appointment of directorship of the Target Company, are as follows:

	Years ended 31 December			**Three months periods ended 31 March**	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* *(unaudited)*	*HK$*
Salaries, bonus and allowances	701,227	3,239,867	3,087,471	271,595	1,802,646
Retirement benefits scheme contributions	13,419	69,051	90,524	11,949	17,122
Compensation for loss of office	–	–	–	–	116,409
Other employee benefits	1,537	14,001	23,158	3,686	4,791
	716,183	3,322,919	3,201,153	287,230	1,940,968

The number of highest paid individuals whose remunerations fell within the following band is as follows:

	Number of individuals				
	Years ended 31 December			Three months periods ended 31 March	
Emolument bands	**2012**	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
Nil to HK$1,000,000	5	4	4	5	4
HK$1,000,001 to HK$1,500,000	–	–	1	–	1
HK$1,500,001 to HK$2,000,000	–	1	–	–	–
	5	5	5	5	5

During the years ended 31 December 2012, 2013, 2014 and during the three months periods ended 31 March 2014 and 2015, no emoluments were paid by the Target Group to the five highest paid individuals, including directors, as an inducement to join the Target Group or as compensation for loss of office except as disclosed above. In addition, during the years ended 31 December 2012, 2013 and 2014 and during the three months periods ended 31 March 2014 and 2015, no directors waived any emoluments.

13. DIVIDENDS

No dividend was paid or proposed for each of the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Target Company by the weighted average number of ordinary shares in issue during the Relevant Period.

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Earnings/(loss)					
Profit/(loss) for the year/period attributable to owners of the Target Company	(8,409,139)	70,147,314	6,964,252	568,240	(8,911,843)
	Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	71,666,667	100,000,000	156,380,822	117,111,111	305,222,222
Basic earnings/(loss) per share (in HK cents)	(11.73)	70.15	4.45	0.49	(2.92)

Diluted earnings/(loss) per share is same as the basic earnings/(loss) per share as there was no potential dilutive share in existence during the Relevant Periods.

15. LOSS ATTRIBUTABLE TO OWNERS OF THE TARGET COMPANY

	Years ended 31 December			Three months periods ended 31 March	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Consolidated profit/(loss) attributable to owners of the Target Company which were dealt with in the financial statements of the Target Company *(note 26(b))*	(2,131,674)	(3,714,334)	1,941,504	(1,165,411)	(1,553,352)

16. INVESTMENTS IN SUBSIDIARIES

	The Target Company			
	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Unlisted shares, at cost	93,103,000	130,346,154	325,596,969	325,596,969

(a) Particulars of subsidiaries

Name of subsidiary	Place of establishment	Date of establishment	Registered capital at 31 March 2015	Paid-in capital at 31 March 2015	Equity interest attributable to the Target Group at 31 December 2012	31 December 2013	31 December 2014	31 March 2015	Principal activities	Legal form
北京傳龍投資諮詢有限公司 ("**Beijing Chuan Long**") – note (i)	The PRC	13 June 2014	RMB3,000,000	RMB3,000,000	N/A	N/A	100%	100%	Provision of consultancy services	Limited liability company
深圳亞太盈鑫資產管理有限公司 ("**Pacific Ying Xin**") – note (ii)	The PRC	13 January 2015	RMB50,000,000	RMB50,000,000	N/A	N/A	N/A	100%	Not yet commenced business	Limited liability company
翔龍融資租賃(上海)有限公司 (formerly known as 上海翔龍融資租賃有限責任公司 "**Shanghai Xiang Long**") – *note (iii)*	The PRC	6 June 2014	US$35,000,000	US$20,347,956	N/A	N/A	100%	100%	Provision of financial leasing	Wholly foreign-owned enterprise
盛達爾科技(深圳)有限公司 ("**Sheng Da Er**") – *note (iv)*	The PRC	15 October 2009	N/A	N/A	100%	N/A	N/A	N/A	Inactive	Wholly foreign-owned enterprise
深圳傳龍投資諮詢有限公司 ("**Shenzhen Chuan Long**") – *note (v)*	The PRC	6 September 2013	HK$3,000,000	HK$3,000,000	N/A	N/A	100%	100%	Provision of consultancy services	Wholly foreign-owned enterprise
翔龍融資租賃(深圳)有限公司 (formerly known as深圳翔龍融資租賃有限公司 "**Shenzhen Xiang Long**") – *note (vi)*	The PRC	3 May 2012	US$12,000,000	US$12,000,000	100%	100%	100%	100%	Provision of financial leasing	Limited liability company
深圳亞太租賃資產交易中心有限公司 Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd. ("**Shenzhen Pacific**") – *note (vii)*	The PRC	18 December 2014	RMB100,000,000	RMB100,000,000	N/A	N/A	100%	100%	Operation of financial services platform	Sino-foreign joint venture
翔龍融資租賃(北京)有限公司 (formerly known as 翔龍融資租賃有限公司 and 北京飛龍融資租賃有限公司, "**Xiang Long Finance**") – *note (viii)*	The PRC	17 December 2008	RMB175,000,000	RMB175,000,000	N/A	100%	100%	100%	Provision of financial leasing	Wholly foreign-owned enterprise

Note:

(i) Beijing Chuan Long was 100% indirectly (through Shenzhen Chuan Long) held by the Target Company at 31 December 2014 and 31 March 2015.

(ii) Pacific Ying Xin was 100% indirectly (through Shenzhen Pacific) held by the Target Company at 31 March 2015.

(iii) Shanghai Xiang Long was 58.1% directly held by the Target Company and 41.9% indirectly (through Shenzhen Xiang Long) held by the Target Company at 31 December 2014 and 31 March 2015.

(iv) Sheng Da Er was 100% directly held by the Target Company at 31 December 2012. On 29 August 2011, the Target Company resolved to dissolve Sheng Da Er (the "**Dissolution**") and the relevant PRC governmental department approved the Dissolution on 9 October 2011. Accordingly, the assets and liabilities of Sheng Da Er were deconsolidated from the Target Group and the investment was measured at fair value less cost of disposal since then. Sheng Da Er was dissolved on 11 May 2013 and the entire investment was fully recovered and received in the years 2012 and 2013.

(v) Shenzhen Chuan Long was 100% directly held by the Target Company at 31 December 2014 and 31 March 2015.

(vi) Shenzhen Xiang Long was 100% directly held by the Target Company at 31 December 2012 and 2013. The Target Company directly held 43% and indirectly (through Shenzhen Chuan Long) held 57% shareholdings of Shenzhen Xiang Long at 31 December 2014 and 31 March 2015.

(vii) Shenzhen Pacific was 30% directly held by the Target Company at 31 December 2014 and 31 March 2015. Pursuant to the Trust Agreement, Everbright Xinglong agreed to hold 40% shareholdings of Shenzhen Pacific on behalf of Shenzhen Xiang Long. Together with the 30% shareholding directly held by Shenzhen Xiang Long, the Target Company indirectly held 70% shareholdings of Shenzhen Pacific at 31 December 2014 and 31 March 2015. Details of the Trust Agreement are set out in Note 1 to the Financial Information above.

(viii) Xiang Long Finance was 100% directly held by the Target Company at 31 December 2013. The Target Company directly held 88.57% and indirectly (through Shenzhen Xiang Long) held 11.43% of shareholdings of Xiang Long Finance at 31 December 2014 and 31 March 2015.

(b) List of auditors for the statutory financial statements of the subsidiaries of the Target Company

	Years ended 31 December		
Name of company	**2012**	**2013**	**2014**
Shenzhen Chuan Long	N/A	深圳鑫九博會計師事務所（特殊普通合夥）	深圳鑫九博會計師事務所（特殊普通合夥）
Shanghai Xiang Long	N/A	N/A	上海舜弘會計師事務所
Beijing Chuan Long	N/A	N/A	北京東審鼎立國際會計師事務所有限責任公司
Shenzhen Pacific	N/A	N/A	N/A (note(i))
Shenzhen Xiang Long	深圳市華圖會計師事務所（特殊普通合夥）	深圳鑫九博會計師事務所（特殊普通合夥）	深圳鑫九博會計師事務所（特殊普通合夥）
Xiang Long Finance	N/A *(note (ii))*	北京東審鼎立國際會計師事務所有限責任公司	北京東審鼎立國際會計師事務所有限責任公司

Notes:

(i) No statutory audited financial statements were issued for Shenzhen Pacific as it was newly established on 18 December 2014 and had not commenced its business.

(ii) No statutory audited financial statements were issued for Xiang Long Finance for the year ended 31 December 2012 as Xiang Long Finance was a domestic enterprise during that year which was not subject to statutory audit.

(c) Significant restrictions

At 31 December 2012, 2013 and 2014 and 31 March 2015, included in bank balances and cash were pledged deposits and restricted deposits placed in banks to secure general banking facilities and bankers' guarantee. In addition, subsidiaries of the Target Company maintained bank balances and cash in the banks in the PRC, remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government. Details are set out in Note 22 to the Financial Information below.

17. PROPERTY, PLANT AND EQUIPMENT

The Target Group

	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Cost					
At 1 January 2012	–	–	–	180,000	180,000
Addition	2,940,269	673,237	801,280	–	4,414,786
Exchange realignment	20,066	4,153	4,406	–	28,625
At 31 December 2012 and 1 January 2013	2,960,335	677,390	805,686	180,000	4,623,411
Addition	309,825	235,455	48,562	–	593,842
Arising for acquisition of a subsidiary *(Note 27(b))*	–	17,143	335,321	–	352,464
Exchange realignment	69,614	11,723	23,087	–	104,424
At 31 December 2013 and 1 January 2014	3,339,774	941,711	1,212,656	180,000	5,674,141
Addition	60,986	290,904	116,577	278,348	746,815
Disposal	–	–	–	(180,000)	(180,000)
Exchange realignment	(66,961)	(16,704)	(29,864)	–	(113,529)
At 31 December 2014 and 1 January 2015	3,333,799	1,215,911	1,299,369	278,348	6,127,427
Addition	9,006,823	2,074,169	1,061,454	–	12,142,446
Exchange realignment	3,575	1,247	1,712	366	6,900
At 31 March 2015	12,344,197	3,291,327	2,362,535	278,714	18,276,773
Accumulated depreciation					
At 1 January 2012	–	–	–	–	–
Charge for the year	735,068	67,324	80,127	59,400	941,919
Exchange realignment	5,016	415	441	–	5,872
At 31 December 2012 and 1 January 2013	740,084	67,739	80,568	59,400	947,791
Charge for the year	796,743	84,731	120,477	59,400	1,061,351
Exchange realignment	17,404	1,147	1,822	–	20,373
At 31 December 2013 and 1 January 2014	1,554,231	153,617	202,867	118,800	2,029,515
Charge for the year	827,524	100,722	142,743	30,618	1,101,607
Elimination upon disposal	–	–	–	(118,800)	(118,800)
Exchange realignment	(15,218)	(3,051)	(8,816)	–	(27,085)
At 31 December 2014 and 1 January 2015	2,366,537	251,288	336,794	30,618	2,985,237
Charge for the period	485,879	541,905	218,108	15,963	1,261,855
Exchange realignment	2,505	253	623	40	3,421
At 31 March 2015	2,854,921	793,446	555,525	46,621	4,250,513
Carrying amounts					
At 31 December 2012	2,220,251	609,651	725,118	120,600	3,675,620
At 31 December 2013	1,785,543	788,094	1,009,789	61,200	3,644,626
At 31 December 2014	967,262	964,623	962,575	247,730	3,142,190
At 31 March 2015	9,489,276	2,497,881	1,807,010	232,093	14,026,260

The Target Company

	Leasehold improvements *HK$*	Office equipment *HK$*	Furniture and fixtures *HK$*	Motor vehicles *HK$*	Total *HK$*
Cost					
At 1 January 2012	–	–	–	180,000	180,000
Addition	616,970	192,331	291,171	–	1,100,472
At 31 December 2012, 1 January 2013, 31 December 2013 and 1 January 2014	616,970	192,331	291,171	180,000	1,280,472
Addition	–	–	5,932	–	5,932
Disposal	–	–	–	(180,000)	(180,000)
At 31 December 2014, 1 January 2015 and 31 March 2015	616,970	192,331	297,103	–	1,106,404
Accumulated depreciation					
At 1 January 2012	–	–	–	–	–
Charge for the year	154,243	19,233	29,117	59,400	261,993
At 31 December 2012 and 1 January 2013	154,243	19,233	29,117	59,400	261,993
Charge for the year	154,243	19,233	29,117	59,400	261,993
At 31 December 2013 and 1 January 2014	308,486	38,466	58,234	118,800	523,986
Charge for the year	154,243	19,233	29,117	–	202,593
Elimination upon disposal	–	–	–	(118,800)	(118,800)
At 31 December 2014 and 1 January 2015	462,729	57,699	87,351	–	607,779
Charge for the year	38,560	15,627	204,289	–	258,476
At 31 March 2015	501,289	73,326	291,640	–	866,255
Carrying amounts					
At 31 December 2012	462,727	173,098	262,054	120,600	1,018,479
At 31 December 2013	308,484	153,865	232,937	61,200	756,486
At 31 December 2014	154,241	134,632	209,752	–	498,625
At 31 March 2015	115,681	119,005	5,463	–	240,149

18. INTANGIBLE ASSETS

The amount represented the computer software acquired in the year 2013 and has been fully written off in the year 2014.

19. LOANS AND OTHER RECEIVABLES

(a) Loans receivable

	The Target Group			
	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Loans receivable				
Gross loans receivable	–	830,260,000	799,477,758	856,007,047
Less: current portion included under current assets	–	(85,616,612)	(128,252,370)	(185,825,101)
Amounts due after one year included under non-current assets	–	744,643,388	671,225,388	670,181,946

At 31 December 2012, there was no loans receivable outstanding. At 31 December 2013 and 2014 and 31 March 2015, all loans receivable were neither past due nor impaired.

Loans receivable balance as at 31 December 2013 and 2014 and 31 March 2015 were receivables in respect of assets leased under finance leases as follows:

	The Target Group					
	Minimum lease payments			Present value of minimum lease payments		
	At 31 December		At 31 March	At 31 December		At 31 March
	2013	2014	2015	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Amounts receivable under finance lease:						
Within one year	166,252,770	203,856,937	263,287,453	85,616,612	128,252,370	185,825,101
In the second year	140,953,765	192,826,643	222,889,426	72,350,587	133,314,635	165,101,871
In the third to fifth years, inclusive	799,478,023	604,040,928	558,644,926	672,292,801	537,910,753	505,080,075
	1,106,684,558	1,000,724,508	1,044,821,805	830,260,000	799,477,758	856,007,047
Less: unearned finance income	(276,424,558)	(201,246,748)	(188,814,758)			
Present value of minimum lease payments receivable	830,260,000	799,477,760	856,007,047			

The Target Group entered into sale-and-leaseback financing agreements with the borrowers by passing the legal titles of the collaterals to the Target Group as security and leasing back of the same collaterals to the borrowers. The collaterals held comprise motor vehicles, equipment and plant and machineries transferred. The original terms of finance leases entered into ranged from 1 year to 5 years for the years ended 31 December 2013 and 2014 and for the three months period ended 31 March 2015. Interest rates underlying finance lease receivables are fixed at respect contract dates ranging from 9% to 20% per annum for the years ended 31 December 2013 and 2014 and ranging from 8% to 20% per annum for the three months period ended 31 March 2015. The borrowers have options to purchase the collaterals for a nominal amount at the end of lease terms. No arrangement had been entered into for contingent rental receipts.

All loans receivable at 31 December 2013 and 2014 and 31 March 2015 were secured by (i) personal guarantee executed by legal representatives or directors of individual borrowers, and/or (ii) secured by corporate guarantee. Included in the loans receivable balance at 31 December 2013 and 2014 and 31 March 2015 amounting to approximately HK$829,575,248, HK$799,367,175 and HK$780,921,887, respectively, were secured by cash collateral received from the borrowers which amounted to approximately HK$76,976,182, HK$77,581,749 and HK$77,683,846 at 31 December 2013 and 2014 and 31 March 2015, respectively, and were recognised in other payable as set out in Note 23 to the Financial Information. In addition, included in the loans receivable balance at 31 December 2014 and 31 March 2015 amounting to approximately HK$23,174,902 and HK$21,346,509, respectively, was secured by real property liens of a borrower. No loans receivable balance at 31 December 2013 was secured by real property liens.

As at 31 December 2013 and 2014 and 31 March 2015, loans receivable with an aggregate carrying amount of approximately HK$778,343,181, HK$726,220,132 and HK$772,084,855, respectively, were secured for the general banking facilities of the Target Group. Details are set out in Note 24 to the Financial Information below.

(b) Other receivables

		The Target Group				The Target Company			
		At 31 December			31 March	At 31 December			31 March
		2012	2013	2014	2015	2012	2013	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Gross contractual amounts due from:									
海南鑫力實業有限公司 (“**Hainan Xinli**”)	(i)	–	44,036,466	42,953,497	43,010,024	–	–	–	–
中國雲南路建集團股份公司 (“**Yunnan Lu Jian**”)	(ii)	–	46,481,736	33,541,231	33,837,798	–	–	–	–
Sheng Da Er	(iii)	4,032,858	–	–	–	4,032,858	–	–	–
Others		444,305	2,650,077	7,762,851	3,223,742	444,305	150,000	–	–
		4,477,163	93,168,279	84,257,579	80,071,564	4,477,163	150,000	–	–
Less: amounts included under current assets		(4,477,163)	(58,781,386)	(62,810,465)	(61,381,873)	(4,477,163)	(150,000)	–	–
Amounts due after one year included under non-current assets		–	34,386,893	21,447,114	18,689,691	–	–	–	–

Notes:

(i) The amount represented the receivable of RMB34,381,955 (or equivalent to HK$44,036,466, HK$42,953,497 and HK$43,010,024 as at 31 December 2013 and 2014 and 31 March 2015, respectively) acquired in connection with Xiang Long Finance Acquisition (the “**Hainan Xinli Receivable**”) and were outstanding at 31 December 2013 and 2014 and 31 March 2015. The amounts were interest-free, unsecured and had no fixed terms of repayment at 31 December 2013 and 2014 and 31 March 2015. On 4 May 2015, China Hover Dragon agreed to undertake Hainan Xinli Receivable agreed to settle Hainan Xinli Receivable together with the amount due from China Hover Dragon within 24 months after the date of completion of the proposed Acquisition. Details are set out in Note 21 to the Financial Information below.

(ii) On 23 December 2013, Yunnan Lu Jian agreed to undertake the debts due to Xiang Long Finance by various parties, with an aggregate amount of RMB41,764,583 (or equivalent to approximately HK$53,492,148) (the “**Yunnan Lu Jian Undertaking**”), which were non-interest bearing, unsecured and due in the year 2014 to 2018. Accordingly, a fair value adjustment of approximately HK$7,010,412 was made with reference to the benchmark interest rate of loans for a term of three to five years as announced by the People's Bank of China of 6.40 % at the date when the Yunnan Lu Jian Undertaking was made. The fair value adjustment was recognised in the consolidated statements of profits or loss for the year ended 31 December 2013.

(iii) The amount represented the investment cost recovered from Sheng Da Er arising from the Dissolution, details of which are set out in Note 16(a) above. The amount was unsecured, interest-free and had no fixed term of repayment.

(c) Particulars of advance to an individual entity exceeding 8% of total assets of the Target Group

At 31 December 2012, there is no advance to an individual entity exceeding 8% of total assets of the Target Group. At 31 December 2013 and 2014 and 31 March 2015, the loans and other receivables due from Yunnan Lu Jian and 四川雄飛集團有限責任公司 ("**Sichuan Xiong Fei**"), both of which exceeded 8% of total assets of the Target Group at the end of the reporting period, are as follows:

Debtors' name	Nature	Interest rate	Repayment Terms	Collateral	At 31 December 2013	At 31 December 2014	31 March 2015
					HK$	*HK$*	*HK$*
Yunnan Lu Jian	Finance lease receivable included in loans receivable in *Note 19(a)*	9% per annum	Due in 2014 to 2018	Leased assets and cash collateral	640,400,840	612,158,721	600,454,845
	Amounts undertaken *(Note 19(b)(ii))*	Interest-free	Due in 2014 to 2018	N/A	46,481,736	33,541,231	33,837,798
					686,882,576	645,699,952	634,292,643
Sichuan Xiong Fei	Finance lease receivable included in loans receivable in *Note 19(a)*	12% per annum	Due in 2014 to 2018	Leased assets and cash collateral	118,474,155	103,067,540	N/A-note

Note: The finance lease receivable due from Sichuan Xiong Fei did not exceed 8% of total assets of the Target Group at 31 March 2015.

20. AVAILABLE FOR SALE FINANCIAL ASSET

	The Target Group At 31 December 2012	2013	2014	31 March 2015
	HK$	*HK$*	*HK$*	*HK$*
Available-for-sale financial asset:				
Unlisted shares, at fair value	–	–	2,531,758	2,531,758

Particulars of the available-for-sale financial asset at 31 December 2014 and 31 March 2015 are as follows:

Name of investee	Place of establishment	Date of establishment	Registered and paid-up capital at 31 December 2014 and 31 March 2015	Proportion of ownership interest held by the Target Group at 31 December 2014 and 31 March 2015	Principal activities	Legal form
深圳前海路建資產管理有限公司 ("**Qianhai Lu Jian**")	The PRC	13 October 2014	RMB10,000,000	20%	Not yet commenced business	Limited liability company

In the opinion of the management of the Target Group, the Target Group does not have any control or significant influence over Qianhai Lu Jian as the Target Group does not have any contractual right and has only appointed one representative as one of five directors of Qianhai Lu Jian. Accordingly, the investment in Qianhai Lu Jian is classified as available-for-sale financial asset.

21. AMOUNTS DUE FROM/(TO) PARENT COMPANY AND FELLOW SUBSIDIARIES

	The Target Group				The Target Company			
	At 31 December			At 31 March	At 31 December			At 31 March
	2012	2013	2014	2015	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Amount due from parent company:								
China Hover Dragon *(note (i))*	–	–	81,979,297	82,087,181	–	–	–	–
Maximum outstanding during the year/period	–	–	81,979,297	82,087,181	–	–	–	–
Amount due from fellow subsidiaries:								
Hover Dragon Finance *(note (ii))*	–	176	–	–	–	176	–	–
China Hover Dragon Investment Limited *(note (ii) and (iii))*	–	26,854,330	3,937,444	5,992,202	–	26,854,330	3,937,444	5,937,444
	–	26,854,506	3,937,444	5,992,202	–	26,854,506	3,937,444	5,937,444
Maximum outstanding during the year/period:								
Hover Dragon Finance	–	176	176	–	–	176	176	–
China Hover Dragon Investment Limited	–	26,854,330	26,854,330	5,992,202	–	26,854,330	26,854,330	5,937,444
Amount due to parent company:								
China Hover Dragon *(note (iv))*	3,000,000	38,572,467	2,777,282	–	3,000,000	38,572,467	2,777,282	–

Note:

(i) The amount represents advancement of RMB65,620,000 (or equivalent to approximately HK$81,979,297 and HK$82,087,181 as at 31 December 2014 and 31 March 2015, respectively) and was interest-free, unsecured and had no fixed terms of repayment. Pursuant to the S&P Agreement, among other things, the Vendors agreed that any amount due from parent company and Hainan Xinli Receivable, details of which are as set out in Note 19(b) to the Financial Information above, which could not be recovered in full within 24 months after the completion date, shall be deducted from the base consideration in connection with the Acquisition. On 4 May 2015, pursuant to the Undertaking, China Hover Dragon agreed to undertake Hainan Xinli Receivable and agreed to settle Hainan Xinli Receivable together with the amount due from China Hover Dragon within 24 months after the date of completion of the proposed Acquisition.

(ii) The amounts were interest-free, unsecured and had no fixed terms of repayment.

(iii) On 21 November 2014, the Target Company and China Hover Dragon Investment Limited entered into a loan interest agreement ("**Loan Interest Agreement**") pursuant to which China Hover Dragon Investment Limited agreed to pay interest for amounts outstanding from May 2013 to the final repayment date in November 2014 at 17% per annum. Accordingly, an amount of HK$6,693,655 was recognised as other interest income (Note 10) during the year ended 31 December 2014, of which HK$3,937,444 was outstanding at 31 December 2014 and 31 March 2015. Subsequently, the outstanding interest and the additional advancement of HK$2,000,000 made during the three months period ended 31 March 2015 have been undertaken by China Hover Dragon and have been settled.

(iv) The amount was interest-free, unsecured and had no fixed terms of repayment as at 31 December 2012, 2013 and 2014 and 31 March 2015. As at 31 December 2014, the Target Group did not currently have legally enforceable right to set off the amount due from China Hover Dragon.

22. BANK BALANCES AND CASH

		The Target Group				The Target Company			
		At 31 December			At 31 March	At 31 December			At 31 March
		2012	2013	2014	2015	2012	2013	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Pledged deposits	(i)	–	78,256,982	76,332,444	76,432,898	–	–	–	–
Restricted deposits	(ii)	–	31,379,640	38,728,409	38,779,375	–	–	–	–
		–	109,636,622	115,060,853	115,212,273	–	–	–	–
Cash and cash equivalents in the consolidated statements of cash flows	(iii)	87,812,083	29,556,978	110,658,246	100,341,394	1,551,555	2,253,004	3,811,825	8,122,974
		87,812,083	139,193,600	225,719,099	215,553,667	1,551,555	2,253,004	3,811,825	8,122,974

Notes:

(i) Pledged deposits were placed to banks to secure general banking facilities of the Target Group and were denominated in RMB. At 31 December 2013 and 2014 and 31 March 2015, the pledged deposits had original maturities ranging from 3 to 5 years.

(ii) Restricted deposits were placed to banks in the PRC by a subsidiary of the Target Company for issuance of bankers' guarantee in the form of standby letter of credit to secure the general banking facilities of the Target Company. The original maturities of the restricted deposits as at 31 December 2013 and 2014 and 31 March 2015 were 1 year, 2 years and 2 years, respectively.

(iii) At 31 December 2012, 2013 and 2014 and 31 March 2015, other than the pledged and restricted deposits as described in notes (i) and (ii) above, the Target Group also placed HK$86,260,528, HK$27,303,974, HK$106,846,421 and HK$92,218,420, respectively in banks in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

23. OTHER PAYABLES

	The Target Group			
	At 31 December			At 31 March
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Bank charges payable	–	16,650,422	–	–
Deposits received to secure loans advanced to customers	–	76,976,182	77,581,749	77,683,846
Deferred advisory fee income	–	–	–	1,784,757
Unpaid acquisition cost of property, plant and equipment	–	–	–	6,000,670
Others	–	1,786,620	3,673,205	3,555,001
	–	95,413,224	81,254,954	89,024,274

24. BANK BORROWINGS

	The Target Group				The Target Company			
	At 31 December			At 31 March	At 31 December			At 31 March
	2012	2013	2014	2015	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Term loans:								
– portion of bank loans due for repayment within one year	–	28,228,200	–	36,000,000	–	28,228,200	–	36,000,000
– portion of bank loans due for repayment after one year which contain repayment on demand clause	–	–	36,000,000	–	–	–	36,000,000	–
Factoring loans	–	761,692,759	713,227,776	759,888,490	–	–	–	–
Total secured bank borrowings	–	789,920,959	749,227,776	795,888,490	–	28,228,200	36,000,000	36,000,000
Less: amount classified as current liabilities	–	(58,711,280)	(103,212,529)	(148,084,904)	–	(28,228,200)	(36,000,000)	(36,000,000)
Amount classified as non-current liabilities	–	731,209,679	646,015,247	647,803,586	–	–	–	–

At 31 December 2012, the Target Group had no bank borrowings.

The Target Group's bank loans were carried at amortised cost. None of the portion of the term loans due for repayment after one year which contain a repayment on demand clause and that is classified as current liability is expected to be settled within one year.

At 31 December 2013 and 2014 and 31 March 2015, the term loans and factoring loans of the Target Group were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	The Target Group			The Target Company		
	At 31 December		At 31 March	At 31 December		At 31 March
	2013	2014	2015	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Carrying amount repayable:						
Within one year	58,711,280	67,212,529	148,084,904	28,228,200	–	36,000,000
After one year but within two years	68,907,130	157,557,232	153,115,985	–	36,000,000	–
After two years but within five years	662,302,549	524,458,015	494,687,601	–	–	–
	789,920,959	749,227,776	795,888,490	28,228,200	36,000,000	36,000,000

As at 31 December 2013 and 2014 and 31 March 2015, the Target Group's and the Target Company's term loans were variable-rate borrowings which carried effective interest ranging from 1.7% to 3.2% per annum at 31 December 2013 and carried effective interest of 2.6% per annum and 2.6% per annum at 31 December 2014 and 31 March 2015, respectively. The maturities for term loans outstanding at 31 December 2013 and 2014 and 31 March 2015, being the year when the last instalment of the bank borrowings falls due, were in years 2014, 2016 and 2016, respectively.

At 31 December 2013 and 2014 and 31 March 2015, the Target Group's factoring loans were fixed-rate borrowings which carried effective interest ranging from 7.1% to 8.0% per annum at each of the end of each reporting period.

At 31 December 2013 and 2014 and 31 March 2015, the Target Company's and the Target Group's term loans were secured by bankers' guarantee issued by the PRC banks in the form of standby letter of credit. The Target Group was required to deposit HK$31,379,640, HK$38,728,409 and HK$38,779,375 to the PRC banks to secure the bankers' guarantee at 31 December 2013 and 2014 and 31 March 2015, respectively. Details are set out in Note 22 to the Financial Information above. In addition, the Target Company's and the Target Group's term loans were secured by personal guarantee executed by directors of the Target Company.

At 31 December 2013 and 2014 and 31 March 2015, the Target Group's factoring loans were secured by pledged deposits of HK$78,256,982, HK$76,332,444 and HK$76,432,898, respectively, and loans receivable of HK$778,343,181, HK$726,220,132 and HK$772,084,855, respectively. Details of the pledged deposit and secured loans receivable are set out in Note 22 and 19(a) to the Financial Information, respectively.

25. SHARE CAPITAL

(a) Authorised and issued capital

	The Target Company	
	Number of shares	**Nominal Value**
		HK$
Authorised:		
At 1 January 2012, 31 December 2012 and 2013 Ordinary shares of HK$1 each	200,000,000	200,000,000
At 31 December 2014 and 31 March 2015	N/A	N/A – Note (i)
Issued and fully paid:		
At 1 January 2012	66,000,000	66,000,000
Allotment of new shares – *note (ii)*	34,000,000	34,000,000
At 31 December 2012, 1 January 2013 and 31 December 2013	100,000,000	100,000,000
Allotment of new shares – *note (iii)*	200,000,000	200,000,000
At 31 December 2014 and 1 January 2015	300,000,000	300,000,000
Allotment of new shares – note (iv)	10,000,000	10,000,000
At 31 March 2015	310,000,000	310,000,000

Note:

(i) Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Target Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

(ii) On 31 October 2012, the Target Company allotted 34,000,000 shares at HK$1 per each new share to China Hover Dragon. These new shares allotted rank pari passu in all respects with the existing ordinary shares of the Target Company.

(iii) On 19 February 2014, 31 October 2014 and 2 December 2014, the Target Company allotted 38,500,000 shares, 111,500,000 shares and 50,000,000 shares, respectively to China Hover Dragon. All of these new shares were issued at HK$1 per each new share and rank pari passu in all respects with the existing ordinary shares of the Target Company.

(iv) On 12 February 2015, the Target Company further allotted 10,000,000 shares at HK$1 per each new share and rank pari passu in all respects with the existing ordinary shares of the Target Company.

(b) Capital management

The Target Group's objectives when managing capital were to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits from other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders or issue new shares. The Target Group's overall strategy remained unchanged during the Relevant Periods.

The Target Group is not subject to any externally imposed capital requirements, except for the subsidiaries operating financial leasing business. Pursuant to "The Measures for the Administration of Foreign-Funded Lease Industry" issued by Ministry of Commence in the PRC, the risk asset, which is defined to total asset less bank balances and cash, government bonds and leased assets, should not exceed 10 times of the net asset of the individual entity.

The Target Group monitors capital using a gearing ratio, which is total equity divided by total assets less bank balances and cash. The gearing ratios at the end of each of the reporting period were as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Total equity	92,830,656	170,289,810	370,553,973	372,197,436
Total assets	97,135,638	1,095,216,007	1,204,778,017	1,261,030,402
Less: bank balances and cash	(87,812,083)	(139,193,600)	(225,719,099)	(215,553,667)
	9,323,555	956,022,407	979,058,918	1,045,476,735
Gearing ratio	995.7%	17.8%	37.9%	35.6%

26. RESERVES

(a) Reserves

	The Target Group				The Target Company			
	At 31 December			At 31 March	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Translation reserve	1,239,795	5,551,635	(148,454)	406,852	–	–	–	–
Merger reserve	–	3,000,000	2,000,000	2,000,000	–	–	–	–
(Accumulated losses)/ retained profits	(8,409,139)	61,738,175	68,702,427	59,790,584	(2,131,674)	(5,846,008)	(3,904,504)	(5,457,856)
	(7,169,344)	70,289,810	70,553,973	62,197,436	(2,131,674)	(5,846,008)	(3,904,504)	(5,457,856)

Translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Merger reserve represents the difference between the cost of investment and share capital in an acquired subsidiary under common control.

(b) **Reconciliation of movements of reserves**

The reconciliation between the opening and closing balances of each component of the Target Groups consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's reserves between the beginning and the end of years/periods are set out below:

	The Target Company				
	Years ended 31 December			Three months periods ended 31 March	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(unaudited)	
Accumulated losses					
At beginning of year/period	–	(2,131,674)	(5,846,008)	(5,846,008)	(3,904,504)
Profit/(loss) for the year/period *(Note 15)*	(2,131,674)	(3,714,334)	1,941,504	(1,165,411)	(1,553,352)
At end of year/period	(2,131,674)	(5,846,008)	(3,904,504)	(7,011,419)	(5,457,856)

(c) **Reserves available for distribution**

At 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Company had no reserve available for distribution to equity shareholders of the Target Company.

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) **Cash flows generated from/(used in) operating activities**

		Years ended 31 December			Three months periods ended 31 March	
		2012	2013	2014	2014	2015
	Note	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Profit/(loss) before tax		(8,409,139)	70,147,314	8,678,017	568,240	(7,485,141)
Adjustments for:						
Bank interest income		(61,032)	(630,244)	(561,837)	(116,955)	(2,009,753)
Other interest income	10	–	–	(7,215,324)	(25,227)	(252,426)
Other bank interest expense	8	–	277,790	725,890	330,861	532,872
Fair value adjustment on long-term interest-free receivable	8	–	7,010,412	–	–	–
Depreciation and amortisation	10	941,919	1,074,799	1,101,607	255,522	1,261,855
Loss on disposal of property, plant and equipment	10	–	–	51,200	51,200	–
Write-off of intangible assets	10	–	–	165,864	–	–
Gain on bargain purchase	27(b)	–	(83,768,960)	–	–	–
Operating cash flows before movements in working capital		(7,528,252)	(5,888,889)	2,945,417	1,063,641	(7,952,593)
Decrease/(increase) in prepayment and deposits		(1,170,772)	(758,360)	(705,772)	543,755	(2,125,819)
Decrease in other receivables		–	22,336,016	7,276,046	1,147,664	4,496,481
Decrease/(increase) in loans receivable		–	(817,625,340)	10,441,078	29,836,333	(55,477,178)
Decrease/(increase) in amount due from fellow subsidiaries		–	(26,854,506)	29,610,717	217,485	(2,054,758)
(Decrease)/increase in accrued expenses and other payables		1,304,982	93,675,818	(11,955,762)	(18,120,870)	3,237,775
Cash flows generated from/(used in) operating activities		(7,394,042)	(735,115,261)	37,611,724	14,688,008	(59,876,092)

(b) Acquisition of a subsidiary

During the year ended 31 December 2013, the Target Group acquired the entire interest in Xiang Long Finance. Details are set out in Note 1 to the Financial Information above. On 19 April 2013, Xiang Long Finance Acquisition was completed and the fair values of the identifiable assets and liabilities of Xiang Long Finance as at the date of acquisition were as follows:

	19 April 2013
	HK$
Property, plant and equipment	352,464
Other receivables	120,659,650
Total assets	121,012,114
Less: gain on bargain purchase included in consolidated statements of profit or loss	(83,768,960)
Cash consideration and net outflow of cash and cash equivalents included in consolidated statements of cash flows from investing activities	37,243,154

Included in other receivables acquired in the transactions were Hainan Xinli Receivable of RMB34,381,955 (or equivalent to approximately HK$43,406,517 at 19 April 2013) and amounts due from various debtors of RMB36,291,127 (or equivalent to approximately HK$45,816,822 at 19 April 2013) which were undertaken by Yunnan Lu Jian. Details of these receivables are set out in Note 19(b) to the Financial Information above. These receivables were not taken into consider when determining the consideration payable under Xiang Long Finance X&P Agreement in the year 2012. On completion date, the directors of the Target Company opined that these receivables could be fully recovered and their fair values were approximate to the gross contractual amounts. Accordingly, gain on bargain purchase of HK$83,768,960 was recognised in the consolidated statements of profits or loss for the year ended 31 December 2013.

During the year ended 31 December 2013, Xiang Long Finance had not generated any revenue since the date of acquisition. The profit per the consolidated statements of profit or loss for the year ended 31 December 2013 included a loss of approximately HK$10,254,480 contributed by Xiang Long Finance since the date of acquisition. Had the acquisition been completed on 1 January 2013, the consolidated statements of profit or loss would have included no revenue and included a loss of approximately HK$16,858,931. Acquisition-related costs were minimal.

(c) Major non-cash transactions

During the years ended 31 December 2012, 2013 and 2014 and the three months period ended 31 March 2014, the Target Group did not enter into any non-cash investing and financing activities.

For the three months period ended 31 March 2015, the Target Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statements of cash flows:

The Target Group has acquired property, plant and equipment during the three months period ended 31 March 2015. Among the total consideration, approximately HK$1,097,988 was paid during the year ended 31 December 2014 and was recognised as deposit paid for acquisition of property, plant and equipment in the consolidated statements of financial position at 31 December 2014, and approximately HK$6,000,670 was not paid during the three months period ended 31 March 2015 which has been included in other payables in the consolidated statements of financial position at 31 March 2015 and set out in Note 23 to the Financial Information above.

28. COMMITMENTS

(a) Capital commitments

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Capital contribution to a subsidiary – Shanghai Xiang Long *(note)*	–	–	114,285,943	114,285,943
Capital commitment in respect of acquisition of property, plant and equipment – contracted but not provided for	–	–	10,810,079	–
Acquisition of a subsidiary	37,243,154	–	–	–

Note: The Target Group is required to inject the amounts within 2 years after the dates of incorporation of respective subsidiaries.

(b) Operating lease commitments in respect of land and buildings

At 31 December 2012, 2013 and 2014 and 31 March 2015, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	2,847,919	4,986,626	10,092,833	9,683,415
In the second to fifth years, inclusive	7,748,046	9,303,001	27,523,200	25,596,430
Over five years	8,016,759	6,584,728	4,747,134	4,333,916
	18,612,724	20,874,355	42,363,167	39,613,761

Operating lease payments represent rentals payable by the Target Group for certain of its office premises with remaining lease terms of between 2 to 9 years, 1 to 8 years, 4 months to 7 years and 1 month to 7 years at 31 December 2012, 2013 and 2014 and 31 March 2015, respectively. Rentals are fixed throughout the lease periods.

(c) Loan commitments

	At 31 December			At 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Loan commitments	124,385,071	–	–	–

29. PLEDGE OF ASSETS

At 31 December 2012, the Target Group had no assets pledged. At 31 December 2013 and 2014 and 31 March 2015, the banking facilities of the Target Group and the Target Company were secured by bank deposits, bankers' guarantees issued by the PRC banks in the form of standby letter of credits, loans receivables and personal guarantee executed by directors of the Target Company. Details are set out in Note 24 to the Financial Information above.

30. RETIREMENT BENEFITS PLANS

The Target Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Target Group in funds under control of trustees.

The employees of the Target Group's PRC subsidiaries are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit plan is to make the specified contributions.

The total expenses recognised in the consolidated statements of profit or loss of approximately HK$117,666, HK$381,095, HK$425,031, HK$74,131 (unaudited) and HK$253,918 represents contribution paid to these plans by the Target Group at rates specified in the rules of the plans for the years ended 31 December 2012, 2013 and 2014 and for the three months periods ended 31 March 2014 and 2015, respectively. There were no forfeited contributions in respect of employees leaving the retirement benefits schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Target Group in future years during the Relevant Periods.

31. RELATED PARTY TRANSACTIONS

Details of directors' emoluments and outstanding balances with parent company and fellow subsidiaries were disclosed in Note 12 and 21 to the Financial Information respectively. During the Relevant Periods, the Target Group had transactions with related parties as follows:

Interest income received from a fellow subsidiary

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Interest income received from China Hover Dragon Investment Limited, a fellow subsidiary of the Target Company *(note)*	–	–	6,693,655	–	–

Note:

On 21 November 2014, the Target Company and China Hover Dragon Investment Limited entered into Loan Interest Agreement, details of which are set out in Note 21 (iii) above.

Compensation of key management personnel

The remuneration of key management during the Relevant Periods are as follows:

	Years ended 31 December			Three months periods ended 31 March	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Short-term benefits	435,336	2,790,101	2,066,337	336,950	1,708,835
Retirement benefits contributions	7,026	54,313	83,092	17,309	22,251
	442,362	2,844,414	2,149,429	354,259	1,731,086

32. **SUBSEQUENT EVENTS**

The Target Group had entered into the following events subsequently to the end of the reporting period and up to the date of this report:

Entering into new factoring agreement

In June 2015, Shanghai Xiang Long entered into a new factoring agreement with a bank in the PRC with an amount of RMB12,000,000 (or equivalent to approximately HK$15,011,371), which has been fully drawn up to the date of this report.

III. DIRECTOR'S REMUNERATION

Under the arrangement currently in force, the aggregate amount of the director's remuneration (including performance bonus and other allowances) for the year ending 31 December 2015 is estimated to be approximately HK$2.5 million.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and any of its subsidiaries in respect of any of the period subsequent to 31 March 2015 and up to the date of this report.

Yours faithfully,

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group's operations for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the three months period ended 31 March 2014 and 31 March 2015, respectively. The following financial information is based on the Accountant's Report of the Target Group as set out in Appendix II.

Business review

The Target Company together with its PRC Subsidiaries is principally engaged in financial leasing and related business. The Target Group provides direct lease, leaseback after sale, commissioned lease, sublease, operating lease, international lease, manufacturer lease, joint lease, leveraged lease and other different lease products and services to a variety of domestic and overseas companies in the fields of infrastructure, communications, medical equipment, scientific equipment, inspection equipment, engineering machinery, offshore oil engineering equipment, transport vehicles (including aircraft, automobiles and seagoing vessels) and related technologies, providing a comprehensive package of lease-related solutions; it also provides leasing transactions consultation services, guarantees and factoring business and sale of residual value of the lease products, handling and other approved related businesses.

During the year ended 31 December 2012, the main operating subsidiary of the Target Group was Shenzhen Xiang Long (formerly known as 深圳翔龍融資租賃有限公司), which was newly incorporated on 3 May 2012 and therefore the Target Group's financial leasing services business was at a set up stage with no revenue recorded during the year ended 31 December 2012.

The Target Group's financial leasing and related business developed significantly during the year ended 31 December 2013, contributed by the development of the operations of Shenzhen Xiang Long, together with the acquisition of the operations of Xiang Long Finance (formerly known as 翔龍融資租賃有限公司, 北京飛龍融資租賃有限公司 and 盈大投資有限公司) which was completed on 19 April 2013, although Xiang Long Finance had not generated any revenue during the year ended 31 December 2013.

During the year ended 31 December 2014, the development of the Target Group's financial leasing and related business, was enhanced by the establishment of a new subsidiary, namely Shanghai Xiang Long (formerly known as 上海翔龍融資租賃有限責任公司).

Financial review

Segment Information

For the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2014, the Target Group had one reportable segment, which is the provision of financial leasing services in the PRC. Accordingly, no segment information was presented.

For the three months period ended 31 March 2015, the Target Group has an additional reportable segment, namely the operation of the financial services platform in the PRC. As the financial services platform was in the early stage of development during the three months period ended 31 March 2015, there was nil consolidated revenue and a loss of approximately HK$6.6 million was recorded during the period, and the capital expenditure was approximately HK$12.1 million during the period.

Revenue – interest income

The Target Group's revenue is based solely on interest income earned on provision of financial leasing services in the PRC (including Hong Kong) with no other reportable segments for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2014. The revenue of the Target Group grew from nil for the year ended 31 December 2012 to approximately HK$18.9 million for the year ended 31 December 2013, mainly due to the development of the operations of Shenzhen Xiang Long by advancement of new loans to its customers.

The revenue of the Target Group increased from approximately HK$18.9 million for the year ended 31 December 2013 to HK$77.4 million for the year ended 31 December 2014, mainly due to the significant expansion in the financial leasing services business of the Target Group contributed by the establishment of Shanghai Xiang Long.

The revenue of the Target Group increased to approximately HK$20.2 million for the three months period ended 31 March 2015 as compared with approximately HK$17.4 million for the three months period ended 31 March 2014, mainly due to the establishment of Shanghai Xiang Long subsequent to 31 March 2014, which operations contributed to the revenue for the three months period ended 31 March 2015.

Operating interest expenses

The operating interest expenses of the Target Group mainly represents the interest expenses relating to the provision of financial leasing services (i.e. the discounting charge on factoring loans). For the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2015, the operating interest expenses of the Target Group amounted to nil, approximately HK$10.4 million, approximately HK$55.6 million and approximately HK$14.2 million, respectively, showing an increasing trend in line with the revenue of the Target Group.

Net operating interest income margin

The net operating interest income margin of the financial leasing services business of the Target Group, which is the gross profit margin of the Target Group, was nil for the year ended 31 December 2012 and increased to approximately 45.0% for the year ended 31 December 2013, which was in line with the increase in revenue of the Target Group. The net operating interest income margin reduced from approximately 45.0% for the year ended 31 December 2013 to approximately 28.2% for the year ended 31 December 2014, mainly due to most of the loans advanced during the year ended 31 December 2014 being made to an external borrower which yielded a lower net operating interest income whilst most of the loans advanced during the year ended 31 December 2013 were made to another external borrower which yielded a higher net operating interest income. The net operating interest income margin slightly decreased to approximately 29.9% for the three months period ended 31 March 2015 as compared with approximately 32.3% for the three months period ended 31 March 2014, mainly due to most of the loans advanced during the three months ended 31 March 2014 being made to an external borrower which yielded a higher net operating interest income whilst most of the loans advanced during the three months ended 31 March 2015 were made to another external borrower which yielded a lower net operating interest income.

Advisory fee income, investment income, bank interest income and other operating income

The advisory fee income represents handling charges received from customers in relation to new advances and increased from HK$89,512 to approximately HK$2.6 million mainly due to the bulk of new advances being made during the year ended 31 December 2013 as compared with the year ended 31 December 2012 during which the operations of the Target Group was at a set up stage. The advisory fee income decreased from approximately HK$2.6 million to approximately HK$1.5 million mainly due to less new advances were made during the year ended 31 December 2014 as compared with the year ended 31 December 2013. The advisory fee income increased to HK$125,580 for the three months period ended 31 March 2015 as compared with nil for the three months period ended 31 March 2014, mainly due to the operations of the Target Group was still at early stages of development and there were no new advances made during the three months period ended 31 March 2014.

The investment income represents a one-off realised gain arising from the disposal of trading securities and related dividend income which incurred during the year ended 31 December 2014. There was no such income for the years ended 31 December 2012, 31 December 2013 and for the three months period ended 31 March 2014 and 31 March 2015.

The bank interest income represents interest earned from interest bearing bank deposits of the Target Group. The bank interest income increased from approximately HK$61,032 for the year ended 31 December 2012 to approximately HK$630,244 for the year ended 31 December 2013 mainly due to a significant increase in interest bearing bank deposits during the year ended 31 December 2013 as compared to the year ended 31 December 2012 during which the operations of the Target Group were at a set up stage. The bank interest income for the year ended 31 December 2014 slightly decreased to HK$561,837 from HK$630,244 for the year ended 31 December 2013 mainly due to a corresponding decrease in the interest generating bank deposits of the Target Group for the year ended 31 December 2014 as compared with the year ended 31 December 2013. The bank interest income has significantly increased to approximately HK$2.0 million for the three months period ended 31 March 2015 as compared with HK$116,955 for the three months period ended 31 March 2014, mainly because there were less interest generating bank deposits of the Target Group for the three months period ended 31 March 2014 when the operations of the Target Group were still in early stages of development and also, the interest generating bank deposits of the Target Group has significantly increased for the three months period ended 31 March 2015.

Included in the other operating income for the year ended 31 December 2014 was interest income received from China Hover Dragon Investment Limited, a fellow subsidiary of the Target Company, amounting to approximately HK$6.7 million, based on a loan interest agreement made on 21 November 2014. No such income was noted for the years ended 31 December 2012 and 31 December 2013 and for the three months periods ended 31 March 2014 and 31 March 2015 and accordingly no significant amount of other operating income in the respective periods was noted.

Gain on bargain purchase

The gain on bargain purchase represents a one-off gain based on certain receivables of Xiang Long Finance which had not been taken into account when determining the consideration payable in relation to the acquisition of the entire interest of Xiang Long Finance. As the directors of the Target Company opined that such receivables could be fully recovered and their fair values were approximate to the gross contractual amounts, the amount of approximately HK$84 million was recognised as a gain on bargain purchase for the Target Group during the year ended 31 December 2013. For further details on the gain on bargain purchase, please refer to note 27(b) to the Accountant's Report of the Target Group in Appendix II to this circular.

Operating expenses

The operating expenses mainly represent staff costs, operating lease rental expenses in respect of land and building and depreciation expenses and increased from approximately HK$8.6 million for the year ended 31 December 2012 to approximately HK$18.1 million for the year ended 31 December 2013 mainly due to significant growth in staff and operating leases due to the expansion of the operations of the Target Group. The operating expenses further increased from approximately HK$18.1 million for the year ended 31 December 2013 to approximately HK$26.6 million for the year ended 31 December 2014 mainly due to continued growth in staff and operating leases as a result of the further expansion of the operations of the Target Group. The operating expenses increased to approximately HK$15.4 million for the three months period ended 31 March 2015 as compared with approximately HK$4.9 million for the three months period ended 31 March 2014, which is consistent with the continued trend of growth in staff and operating leases as a result of expansion of the operations of the Target Group for the three months period ended 31 March 2015.

Other interest expenses

The other interest expenses mainly represent a one-off fair value adjustment on long-term interest-free receivable and other bank interest expenses in relation to bank term loans wholly repayable within five years and increased from nil for the year ended 31 December 2012 to approximately HK$7.3 million for the year ended 31 December 2013 mainly due to the bank term loans not yet being drawn down by the Target Group during the year ended 31 December 2012 and a one-off fair value adjustment on a long-term interest-free receivable as a result of Yunnan Lu Jian (中國雲南路建集團股份公司), an independent third party, agreeing to undertake the debts due to Xiang Long Finance by various parties on 23 December 2013. As the above mentioned one-off fair value adjustment was only attributable for the year ended 31 December 2013, no similar adjustment was recorded for the years ended 31 December 2012 and 31 December 2014 and for the three months periods ended 31 March 2014 and 31 March 2015 and the other bank interest expenses for the respective periods were nil, HK$725,890, HK$330,861 and HK$532,872. For further details on the fair value adjustment, please refer to note 19 (b) to the Accountant's Report of the Target Group in Appendix II to this circular.

Income Tax

No provision for profits tax in Hong Kong has been made for the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the three months periods ended 31 March 2014 and 31 March 2015 as the Target Group did not generate any assessable profits arising in Hong Kong.

The taxation expense represents the PRC Enterprise Income Tax based on the assessable profits in the PRC of the Target Group. However, no taxation expense was recorded nor provision for PRC Enterprise Income Tax was made for the years ended 31 December 2012 and 31 December 2013 and for the three months period ended 31 March 2014 as the Target Group did not generate any assessable profits in the PRC during the respective periods. The taxation expense for the year ended 31 December 2014 and for the three months period ended 31 March 2015 was approximately HK$1.7 million and HK$1.4 million, respectively, calculated at 25% of the estimated assessable profit in the PRC.

Net Profit/(Loss) after tax

The Target Group recorded a loss of approximately HK$8.4 million for the year ended 31 December 2012, and recorded a profit of approximately HK$70.1 million for the year ended 31 December 2013 mainly due to a significant increase in revenue from the development of the Target Group's financial leasing services business during the year ended 31 December 2013 and a one-off gain on bargain purchase, such increases being offset by the increases in operating expenses and other interest expenses, including the one-off fair value adjustment on long-term interest-free receivable recorded during the year ended 31 December 2013.

The profit for the Target Group decreased from approximately HK$70.1 million for the year ended 31 December 2013 to approximately HK$7.0 million for the year ended 31 December 2014, mainly due to the effect of the removal of the above mentioned one-off gain on bargain purchase which was recorded only for the year ended 31 December 2013 and the increase in operating expenses offset by the increase in revenue contributed by the continued growth in the Target Group's financial leasing services business, the one-off investment income recorded during the year ended 31 December 2014 and the effect of the removal of the one-off fair value adjustment on long-term interest-free receivable which has been recorded only for the year ended 31 December 2013.

The Target Group recorded a loss of approximately HK$8.9 million for the three months period ended 31 March 2015 as compared with a profit of HK$568,240 for the three months period ended 31 March 2014, mainly due to increased salary and operating lease costs during the three months period ended 31 March 2015, which is consistent with the continued trend of growth in staff and operating leases due to the expansion of the operations of the Target Group.

Net profit (loss) margin

The net profit (loss) margin of the Target Group, based on profit (loss) after tax divided by revenue, was nil for the year ended 31 December 2012 and increased to a net profit margin of approximately 372.0% for the year ended 31 December 2013. However, excluding the one-off items recorded, namely the gain on bargain purchase and the fair value adjustment on long-term interest-free receivable, the resulting adjusted net loss margin of approximately 35.1% for the year ended 31 December 2013 was mainly due to significant operating expenses (other than operating interest expenses) recorded for the year ended 31 December 2013 in relation to the development in the financial leasing business in its early stage, being approximately 95.7% of revenue for the same period.

The net profit margin for the year ended 31 December 2014 was approximately 9.0%, which decreased from approximately 372.0% for the year ended 31 December 2013. However, excluding the one-off item recorded, namely the investment income, the resulting adjusted net profit margin is approximately 2.9%, which had increased from the adjusted net loss margin of approximately 35.1% for the year ended 31 December 2013 mainly due to relatively slower growth in operating expenses (other than operating interest expenses) recorded for the year ended 31 December 2014, such operating expenses being approximately 34.4% of revenue for the same period.

The net loss margin for the three months period ended 31 March 2015 decreased to approximately 44.1% as compared with the net profit margin for the three months period ended 31 March 2014 of approximately 3.3%, mainly due to the higher growth in operating expenses (other than operating interest expenses) recorded for the three months period ended 31 March 2015 due to increased salary and operating lease costs resulting from the expansion of operations of the Target Group.

Liquidity and financial resources

The Target Group primarily finances its operations with cash flows generated internally from its operating activities and bank loans.

As at 31 December 2012, 31 December 2013 and 31 December 2014, the Target Group had net current assets of approximately HK$89.2 million, HK$118.7 million and HK$317.1 million, respectively. The increase in net current assets primarily reflected increases in loans receivables, other receivables, amount due from parent company and bank balances and cash. As at 31 March 2015, the Target Group had net current assets of approximately HK$314.6 million, which decreased slightly from HK$317.1 million as at 31 December 2014 mainly due to tax provisions made during the three months period ended 31 March 2015.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had Hong Kong dollar and RMB denominated interest-bearing bank loans in the aggregate amount of nil, approximately HK$789.9 million, approximately HK$749.2 million and approximately HK$795.9 million, respectively. Set out below are the maturity profile and interest rate structure of the Target

Group's interest-bearing bank loans as at the end of the reporting periods, which ignore the effect of any repayment on demand clause, as indicated:

	Effective interest rate per annum	Maturity	
As at 31 December 2012			
No bank borrowings	N/A	N/A	Nil
As at 31 December 2013			
Term loans – secured, floating rate	2.2% to 3.6%	Within 1 year	HK$28,228,200
Factoring loans – secured, fixed rate	7.1% to 8.0%	Within 1 year	HK$30,483,080
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 1 year but within 2 years	HK$68,907,130
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 2 years but within 5 years	HK$662,302,549
			HK$789,920,959
As at 31 December 2014			
Term loans – secured, floating rate	2.6% per annum	After 1 year but within 2 years	HK$36,000,000
Factoring loans – secured, fixed rate	7.1% to 8.0%	Within 1 year	HK$67,212,529
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 1 year but within 2 years	HK$121,557,232
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 2 years but within 5 years	HK$524,458,015
			HK$749,227,776
As at 31 March 2015			
Term loans – secured, floating rate	2.6% per annum	Within 1 year	HK$36,000,000
Factoring loans – secured, fixed rate	7.1% to 8.0%	Within 1 year	HK$112,084,904
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 1 year but within 2 years	HK$153,115,985
Factoring loans – secured, fixed rate	7.1% to 8.0%	After 2 years but within 5 years	HK$494,687,601
			HK$795,888,490

Note: The term loans presented in the table above were denominated in Hong Kong dollars whilst the factoring loans presented in the table above were denominated in Renminbi.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group's term loans were secured by a bankers' guarantee issued by PRC banks in the form of a standby letter of credit. The Target Group was required to deposit approximately HK$31.4 million, approximately HK$38.7 million and approximately HK$38.8 million at the PRC banks to secure the bankers' guarantee as at 31 December 2013, 31 December 2014 and 31 March 2015, respectively. In addition, the Target Company's and the Target Group's term loans were secured by personal guarantees executed by the directors of the Target Company.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group's factoring loans were secured by pledge deposits of approximately HK$78.3 million, approximately HK$76.3 million and approximately HK$76.4 million, respectively, and loans receivable of approximately HK$778.3 million, approximately HK$726.2 million and approximately HK$772.1 million, respectively.

Please refer to the section headed "Pledge of assets" below for further details.

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had amounts due to parent company, China Hover Dragon Group Limited of HK$3.0 million, approximately HK$38.5 million, approximately HK$2.8 million and nil, respectively, and were denominated in HKD, unsecured, interest-free and had no fixed terms of repayment.

The Target Group does not use financial instruments for hedging purpose. No foreign currency net investments are hedged by currency borrowings or other hedging instruments.

Capital structure

On 31 October 2012, the Target Company allotted 34,000,000 shares to its parent company, China Hover Dragon. These new shares allotted rank pari passu in all respects with the existing ordinary shares of the Target Company. As at 31 December 2012 and 31 December 2013, the issued share capital of the Target Company was HK$100,000,000 comprised of 100,000,000 issued and fully paid ordinary shares of HK$1 each.

On 19 February 2014, 31 October 2014 and 2 December 2014, the Target Company issued and allotted 38,500,000 shares, 111,500,000 shares and 50,000,000 shares, respectively, to its parent company, China Hover Dragon. All of these new shares were issued at HK$1 per share and rank pari passu in all respects with the existing ordinary shares of the Target Company. As at 31 December 2014, the issued share capital of the Target Company was HK$300,000,000 comprised of 300,000,000 issued and fully paid ordinary shares of HK$1 each.

On 12 February 2015, the Target Company further allotted 10,000,000 shares at HK$1 per each new share and these shares rank pari passu in all respects with the existing ordinary shares of the Target Company.

Save as disclosed above, there was no material change in the capital structure of the Target Company for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2015.

Gearing ratio

The Target Group is not subject to any externally imposed capital requirements, except for the subsidiaries operating financial leasing business. Pursuant to "The Measures for the Administration of Foreign-Funded Lease Industry" issued by Ministry of Commence in the PRC, the risk asset, which is defined to total asset less bank balances and cash, government bonds and leased assets, should not exceed 10 times of the net asset of the individual entity.

The Target Group monitors its capital structure using the gearing ratio, which is calculated as total equity divided by total assets less bank balances and cash. Set forth below are the gearing ratios of the Target Group as at the balance sheet dates indicated:

	As at 31 December			As at 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Total equity	92,830,656	170,289,810	370,553,973	372,197,436
Total assets	97,135,638	1,095,216,007	1,204,778,017	1,261,030,402
Less: bank balances and cash	(87,812,083)	(139,193,600)	(225,719,099)	(215,553,667)
	9,323,555	956,022,407	979,058,918	1,045,476,735
Gearing ratio (%)	995.7%	17.8%	37.9%	35.6%

Capital commitments

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, capital commitments of the Target Group were approximately HK$37.2 million, nil, HK$125.1 million and HK$114.3 million, respectively. The capital commitments as at 31 December 2012 were in relation to the acquisition of Xiang Long Finance. The capital commitments as at 31 December 2014 were comprised of capital contribution to its subsidiary, Shanghai Xiang Long, of approximately HK$114.3 million to be paid within 2 years after the date of establishment and capital commitments in respect of acquisition of property, plant and equipment of approximately HK$10.8 million, which were contracted but not provided for. The capital commitments as at 31 March 2015 were comprised of capital contribution to Shanghai Xiang Long of approximately HK$114.3 million as mentioned above.

Operating lease commitments in respect of land and buildings

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, 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 31 March
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	2,847,919	4,986,626	10,092,833	9,683,415
In the second to fifth years, inclusive	7,748,046	9,303,001	27,523,200	25,596,430
Over five years	8,016,759	6,584,728	4,747,134	4,333,916
	18,612,724	20,874,355	42,363,167	39,613,761

Loan commitments

As at 31 December 2012, loan commitments of the Target Group were approximately HK$124.4 million due to a loan agreement being entered into during the year ended 31 December 2012 but the relevant loan was not drawn until during the year ended 31 December 2013. There were no loan commitments as at 31 December 2013, 31 December 2014 and 31 March 2015.

Pledge of assets

As at 31 December 2012, the Target Group had no assets pledged.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the banking facilities of the Target Group were secured by bank deposits, bankers' guarantees issued by the PRC banks in the form of standby letter of credits, loans receivables and personal guarantee executed by the directors of the Target Company.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Company's and the Target Group's term loans were secured by bankers' guarantee issued by PRC banks in the form of a standby letter of credit. The Target Group was required to deposit approximately HK$31.4 million, approximately HK$38.7 million and approximately HK$38.8 million to the PRC banks to secure the bankers' guarantee as at 31 December 2013, 31 December 2014 and 31 March 2015, respectively. Details are set out in notes 22 and 24 to the Accountant's Report of the Target Group in Appendix II. In addition, the Target Company's and the Target Group's term loans were secured by personal guarantees executed by the directors of the Target Company.

As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group's factoring loans were secured by pledge deposits of approximately HK$78.2 million, approximately HK$76.3 million and approximately HK$76.4 million, respectively and loans receivable of approximately HK$778.3 million, approximately HK$726.2 million and approximately HK$772.1 million, respectively. Details of the pledged deposit and secured loans receivable are set out in notes 22 and 19(a) to the Accountant's Report of the Target Group in Appendix II, respectively.

Contingent Liabilities

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group did not have any material contingent liabilities.

Interest rate risk

The Target Group's interest rate positions arise from financial leasing activities. Interest rate risk is the risk that the Target Group's and the Target Company's positions may be adversely affected by a change of market interest rates. The Target Group's interest rate risk arises primarily results from the timing differences in the re-pricing of interest-bearing assets and liabilities.

Certain of the Target Group's loans receivable and bank borrowings are fixed rate. Although subject to interest rate risk, they are not re-measured in the Accountant's Report of the Target Group in Appendix II in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term.

Credit risk exposure

The Target Group's and the Target Company's maximum exposure to credit risk which will cause a financial loss of the Target Group and the Target Company due to the failure to perform an obligation by the counterparties as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015 is the carrying amount of the respective recognised financial assets as stated in the consolidated and the Target Company's statements of financial position without taking account of any collateral held and other credit enhancements that do not qualify for de-recognition or offsetting in the consolidated and the Target Company's statements of financial position.

The collaterals held comprise motor vehicles, equipment and plant and machineries transferred and cash collateral as security, as well as personal guarantee and real property liens.

The Target Group had stringent policies in place to manage its credit risk with loans receivable. All new borrowers of the Target Group are subject to account opening policies which include financial background checks for credit verification purpose. Normally, the Target Group entered into sale-and-leaseback financing agreements with the borrowers by passing the legal title of those collaterals to the Target Group as security and leasing back of the same collaterals to the borrowers. At the end of each reporting period, the credit department of the Target Group reviews the financial status and repayment history of the borrowers to determine the recoverability of each of the loans receivable. If the borrowers have significant default in repayment of loans receivable, the Target Group may take possession of the collateral and dispose the repossessed assets. As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, no loans receivable were in default and, therefore, the Target Group had not obtained any repossessed assets.

Liquidity risk exposure

As at 31 December 2012, the Target Company had net current assets of approximately HK$3.7 million and net assets of approximately HK$97.9 million. As at 31 December 2013, 31 December 2014 and 31 March 2015, the Target Company had net current liabilities of approximately HK$36.9 million, HK$30.0 million and HK$21.3 million, respectively and had net assets of approximately HK$94.2 million, HK$296.1 million and HK$304.5 million, respectively. As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had net current assets of approximately HK$89.2 million, HK$118.7 million, HK$317.1 million and HK$314.6 million, respectively, and had net assets of approximately HK$92.8 million, HK$170.3 million, HK$370.6 million and HK$372.2 million, respectively.

In the management of liquidity risk, the Target Group and the Target Company monitor and maintain a level of bank balances and cash deemed adequate by the management to finance the operations of the Target Group and the Target Company and mitigate the effects of fluctuations in cash flows. The management monitors the liquidity requirements from time to time.

Currency risk exposure

Currency risk arises when recognised assets and liabilities are denominated in currencies other than the respective functional currencies of the individual subsidiary in the Target Group to which they related. The Target Company and its subsidiaries have no currency risk as the financial assets and liabilities (including, among others, borrowings and cash and cash equivalents) are denominated in their respective functional currencies, namely Hong Kong dollars and Renminbi.

Significant investments

Save for investments in subsidiaries and the available-for-sale financial asset which details are set out in notes 16 and 20 of the Accountant's Report of the Target Group in Appendix II, respectively, the Target Group did not hold any significant investments as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015.

Material acquisitions and disposals

During the year ended 31 December 2013, the Target Group acquired Xiang Long Finance, which was completed on 19 April 2013. Further details are disclosed in note 27(b) of the Accountant's Report of the Target Group in Appendix II.

During the year ended 31 December 2014, China Hover Dragon Finance Limited, a fellow subsidiary of the Target Group, transferred its entire interest in Shenzhen Chuan Long and Beijing Chuan Long to the Target Group (the "**Transfer**"), which was completed on 15 December 2014. The Target Group comprising Shenzhen Chuan Long, Beijing Chuan Long and other subsidiaries resulting from the Transfer is regarded as a continuing entity and accounts for the financial position and performance of Shenzhen Chuan Long and Beijing Chuan Long as if Shenzhen Chuan Long and Beijing Chuan Long had always been the subsidiaries of the Target Group using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combinations". Further details are disclosed in note 1 of the Accountant's Report of the Target Group in Appendix II.

Save as disclosed above, the Target Group did not have any material acquisitions and disposals of subsidiaries and associated companies for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and for the three months period ended 31 March 2015.

The Target Group will continue to focus on the development of its financial leasing services business, which is expected to be funded by its bank deposits and cash flows generated internally from its operating activities as well as bank borrowings. Save as disclosed above, the Target Group did not have any future plans for material investments or capital assets.

Employees and remuneration policies

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 March 2015, the Target Group had 30, 36, 81 and 114 employees, respectively.

The Target Group remunerates its employees by reference to their qualifications, experiences, responsibilities, profitability of the Target Group and market conditions. The remuneration of the employees comprises basic salary, discretionary bonus, other allowances, benefits in kind and pension scheme contributions.

The Target Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Target Group in funds under control of trustees.

The employees of the Target Group's PRC subsidiaries are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit plan is to make the specified contributions.

Future plans for material investments or capital assets

Save as disclosed above, the Target Group does not have any plans for material investments or capital assets in the coming year.

The following is the text of a report received from the reporting accountant of the Company, Graham H. Y. Chan & Co., Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

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

Pursuant to sales and purchase agreement dated 8 April 2015 as supplemented by a supplemental agreement dated 29 July 2015 (collectively referred to as the "**S&P Agreement**") entered into among China Hover Dragon Group Limited ("**China Hover Dragon**"), Mr. Gao Chuanyi (together with China Hover Dragon, collectively referred to as the "**Vendors**"), and Shinning Seas Limited, a wholly-owned subsidiary of Heritage International Holdings Limited (the "**Company**", together with its subsidiaries hereinafter referred to as the "**Group**"), the Group will acquire the entire equity interest of Hong Kong Leasing Limited and its subsidiaries (the "**Target Group**", together with the Group hereinafter referred to as the "**Enlarged Group**"), involving issue of new shares under specific mandate (the "**Acquisition**").

The unaudited pro forma financial information consisting the unaudited pro forma consolidated statement of assets and liabilities (the "**Unaudited Pro Forma Consolidated Statement of Assets and Liabilities**") of the Enlarged Group at 31 March 2015 is prepared to illustrate the effect of the proposed Acquisition on the Group's financial position as at 31 March 2015 as if the Acquisition had been completed on 31 March 2015.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group is prepared based on (i) the published audited consolidated statement of financial position of the Group as at 31 March 2015 which has been extracted from the published annual report of the Company for the year ended 31 March 2015; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2015 which has been extracted from the accountant's report set out in Appendix II to this circular.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group has been prepared by the directors of the Company in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and is solely for the purpose of illustrating the financial position of the Enlarged Group as if the Acquisition had been completed on 31 March 2015.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments of the proposed Acquisition that are (i) directly attributable to the transactions; and (ii) factually supportable, is summarised in the accompanying notes.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group. Accordingly, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group does not purport to describe the financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 March 2015, nor purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group and the financial information of the Target Group as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

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

			Pro forma adjustments			Unaudited
	The Group as at 31 March 2015	The Target Group as at 31 March 2015	Fair value adjustments on identifiable assets and liabilities of the Target Group	Adjustment for goodwill and consideration payable for the Acquisition	Adjustment for transaction costs	Pro Forma Statement of Assets and Liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	(note 1)	*(note 2)*	*(note 3)*	*(note 3)*	*(note 5)*	
Non-current assets						
Property, plant and equipment	2,455	14,026	644			17,125
Prepaid lease payments	43,776	–				43,776
Intangible assets	789,709	–	1,297,000	47,626		2,134,335
Biological assets	61,242	–				61,242
Available-for-sale investments	4,600	2,532				7,132
Loans receivable, due after one year	–	670,182				670,182
Other receivables, due after one year	–	18,690				18,690
Investments at fair value through profit or loss	340,800	–				340,800
	1,242,582	705,430				3,293,282
Current assets						
Loans receivable, due within one year	45,000	185,825				230,825
Amounts due from a fellow subsidiary	–	5,992				5,992
Amount due from parent company	–	82,087				82,087
Investments at fair value through profit or loss	337,067	–				337,067
Prepayments, deposits and other receivables	15,269	66,142				81,411
Bank balances and cash	4,331	215,554			(2,303)	217,582
	401,667	555,600				954,964
Current liabilities						
Other payables and accruals	2,713	91,517				94,230
Tax payable	432	1,427				1,859
Borrowings, due within one year	10,503	148,085				158,588
	13,648	241,029				254,677
Net current assets	388,019	314,571				700,287
Total assets less current liabilities	1,630,601	1,020,001				3,993,569
Non-current liabilities						
Borrowings, due after one year	18,813	647,804				666,617
Deferred tax liabilities	190,715	–	324,411			515,126
	209,528	647,804				1,181,743
Net assets	1,421,073	372,197				2,811,826

Note:

1. The carrying amounts of assets and liabilities of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2015 set out in the published annual report of the Group for the year ended 31 March 2015.

2. The adjustment reflects the inclusion of the asset, liabilities and equity of the Target Group as if the Acquisition had been completed at the date reported on. The balances have been extracted from audited consolidated statement of financial position of the Target Group as at 31 March 2015 as set out in the accountant's report in Appendix II of this circular, and are rounded to nearest thousands.

3. For the purpose of preparing the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the directors of the Company account for the Acquisition in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations". The goodwill of approximately HK$47,626,000 arising from the Acquisition is calculated as follows:

	HK$'000
Fair value of identifiable assets acquired:	
Net assets of the Target Group as at 31 March 2015 attributable to owners of the Target Company	372,197
Fair value adjustments of property, plant and equipment *(note (a))*	644
Fair value adjustments of intangible assets *(note (b) and (d))*	1,297,000
Deferred tax liabilities arising from fair value adjustments *(note (c))*	(324,411)
	1,345,430
Goodwill *(note (d))*	47,626
Total consideration at fair value *(note 4(a))*	1,393,056

Note:

(a) This represents excess of the estimated fair value of property, plant and equipment held by the Target Group as at 31 March 2015 over their carrying amount, of approximately HK$644,000. In the opinion of the directors of the Company, the fair value of the property, plant and equipment as at 31 March 2015 is assumed to be approximately HK$14,670,000, which has been taken into consideration of a valuation report at 31 March 2015, prepared using depreciation replacement cost approach by Roma Appraisals Limited ("ROMA"), a firm of independent qualified valuers not connected with the Group.

(b) This represents excess of the estimated fair value of intangible assets held by the Target Group as at 31 March 2015 over their carrying amount, of approximately HK$1,297,000,000. In the opinion of the directors of the Company, the fair value of the intangible assets as at 31 March 2015 represents the fair value of business licenses (the "Licenses') for carrying out financial leasing business and operation of financial services platform in the People's Republic of China (the "PRC"), which has been taken into consideration of a valuation report at 31 March 2015, prepared using excess earnings method by ROMA. This method determines the value of the Licenses as the present values of the profits attributable to the Licenses after deducting the proportion of profits that are attributable to fixed assets, working capital and assembled workforce.

The principal assumptions involved in the valuation are as follows:

– the list of assets and liabilities of the Target Group, other than the licenses, as at the date of valuation was sourced from the consolidated financial statements of the Target Group as at 31 March 2015 as provided by the Target Group. It is assumed that the list of assets and liabilities of the Target Group together with the Licenses constitutes all the assets and liabilities of the Target Group as at 31 March 2015;

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

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

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

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

– The financial information in respect of the assets and liabilities of the Target Group has been prepared on a reasonable basis, which reflects estimates that have been arrived at after due and careful consideration by the management of the Target Group; and

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

(c) Deferred tax of approximately HK$324,411,000 is provided on the fair value adjustments of the intangible assets of HK$1,297,000,000 and property, plant and equipment of HK$644,000 at a PRC Enterprise Income Tax rate of 25%.

(d) The directors of the Company have assessed whether there is any impairment on the intangible assets and goodwill arising from the Acquisition as at 31 March 2015 as disclosed in the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the valuations for the intangible assets as at 31 March 2015 performed by ROMA, the directors of the Company have concluded that there is no impairment of the intangible assets and goodwill arising from the Acquisition. The directors of the Company have confirmed that they will apply consistent accounting policies and principal assumptions as used in the valuation report and the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities to assess impairment of intangible assets and goodwill annually in future financial statements, or more frequently when there is indication of impairment. The directors of the Company have considered that there is no indication that the intangible assets and goodwill are impaired at 31 May 2015 and do not estimate the recoverable amount of the cash generating unit of the intangible assets and goodwill at 31 May 2015 accordingly. The Company's auditor agreed on the Company's view on the above accounting policies and principal assumptions in assessing the impairment in future financial statements.

(e) On Completion, the fair value of the identifiable assets, liabilities and contingent liabilities of the Target Group, including the property, plant and equipment, intangible assets and deferred tax liability, the amount of contingent consideration and the amount of goodwill are subject to change and would be recalculated upon the actual completion of the Acquisition and also depends on the fair value of the consideration shares issued and allotted by the Company at the date of completion of the Acquisition.

4. (a) Pursuant to the S&P Agreement, the consideration payable amounting to HK$1,558,334,000 (the "**Base Consideration**") is settled by procuring the Company to allot and issue an aggregate of 2,361,112,121 new shares (the "**Base Consideration Shares**") to the Vendors.

The fair value of the Base Consideration Shares as of 31 March 2015 was approximately HK$1,393,056,000, which was determined by reference to the published closing market price of HK$0.59 per share at 31 March 2015 as if the Acquisition had been completed on 31 March 2015 and is subject to finalisation at the date of completion of the Acquisition.

(b) Pursuant to S&P Agreement, the Base Consideration may be adjusted under the following circumstances:

(i) if the audited net profit after tax of the Target Group for the 12 months period commencing from the completion date (the "**First Audited Net Profit**") exceeds HK$150,000,000, additional consideration shares ("**1st Additional Consideration Shares**") are allotted by the Company and shall be calculated as the difference between the First Audited Net Profit (subject to a maximum of HK$200,000,000) and HK$150,000,000 multiplied by 5.156/0.66. The maximum number of 1st Additional Consideration Shares that may be allotted by the Company is 390,606,061 shares of the Company ("**Listco Shares**").

(ii) if the First Audited Net Profit is less than HK$100,000,000, a portion of Base Consideration Shares ("**1st Repurchase Shares**") are repurchased by the Company at nil consideration and shall be calculated as the difference between HK$100,000,000 and the First Audited Net Profit multiplied by 4.006/0.66. If the First Audited Net Profit is negative, the First Audited Net Profit shall be zero when calculating the number of 1st Repurchase Shares. The maximum number of 1st Repurchase Shares that may be repurchased by the Company at nil consideration is 606,969,697 Listco Shares.

(iii) if the audited net profit after tax of the Target Group for the 12 months period commencing after 12 months from the completion date (the "**Second Audited Net Profit**") exceeds HK$300,000,000, additional consideration shares ("**2nd Additional Consideration Shares**") are allotted by the Company and shall be calculated as the difference between the Second Audited Net Profit (subject to a maximum of HK$400,000,000) and HK$300,000,000 multiplied by 5.156/0.66. The maximum number of 2nd Additional Consideration Shares that may be allotted by the Company is 781,212,121 Listco Shares.

(iv) if the Second Audited Net Profit is less than HK$200,000,000, a portion of Base Consideration Shares ("**2nd Repurchase Shares**") are repurchased by the Company at nil consideration and shall be calculated as the difference between HK$200,000,000 and the Second Audited Net Profit multiplied by 4.006/0.66. If the Second Audited Net Profit is negative, then the Second Audited Net Profit shall be zero when calculating the number of 2nd Repurchase Shares. The maximum number of 2nd Repurchase Shares that may be repurchased by the Company at nil consideration is 1,213,939,394 Listco Shares.

(v) if the net asset value of the Target Group at the date of completion (the "**Completion NAV**") basing on the completion audited account of the Target Group is less than HK$389,000,000, the Base Consideration shall be adjusted by repurchasing a portion of Base Consideration Shares ("**Completion Accounts Repurchase Shares**") by the Company at nil consideration and shall be calculated as the difference between HK$389,000,000 and the Completion NAV, multiplied by 4.006/0.66. The maximum number of Completion Accounts Repurchase Shares that may be repurchased by the Company at nil consideration is 2,361,112,121 Listco Shares.

(vi) if the amounts due from Hainan Xinli Industry Limited ("**Hainan Xinli**") of RMB34,380,000 (or equivalent to approximately HK$43,010,000 at 31 March 2015) and China Hover Dragon of RMB65,620,000 (or equivalent to approximately HK$82,087,000 at 31 March 2015) are not recovered in full within 24 months from the date of completion (the "**Bad Debt**"), the Bad Debt shall be deducted from the Base Consideration by repurchasing a portion of Base Consideration Shares ("**Bad Debt Repurchase Shares**") by the Company at nil consideration and shall be calculated at the Bad Debt multiplied by 4.006/0.66. The maximum number of Bad Debt Repurchase Shares that may be repurchased by the Company at nil consideration is 758,712,121 Listco Shares.

Pursuant to S&P Agreement, the aggregate number of 1st Repurchase Shares, 2nd Repurchase Shares, Bad Debt Repurchase Shares and Completion Account Repurchase Shares that may be repurchased by the Company at nil consideration shall not exceed the aggregate number of Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares.

The directors of the Company have reviewed the profits forecast for 28 months period commencing 1 June 2015 and ending 30 September 2017 (the "Profits Forecast") prepared by the Target Group. As at the date of this Unaudited Pro Forma Consolidated Statement of Assets and Liabilities, the directors of the Company expect the results of the Target Group for the 12 months period commencing the expected completion date and the 12 months period commencing 12 months from the expected completion date, as estimated in the Profits Forecast, will not be less than HK$100,000,000 and HK$200,000,000, respectively, or exceeding HK$150,000,000 and HK$300,000,000, respectively.

In addition, the directors of the Company have estimated that the Completion NAV at the expected completion date of the Acquisition will exceed HK$389,000,000.

On 4 May 2015, China Hover Dragon agreed to undertake the receivable due from Hainan Xinli (the "**Undertaking**") and repay the amount due from Hainan Xinli together with the amount due from China Hover Dragon within 24 months after the actual completion date of the proposed Acquisition. The directors of the Company have reviewed the financial status of China Hover Dragon and considered that the entire amount could be fully recovered.

Accordingly, the directors of the Company are of the opinion that the fair value of the contingent consideration payable or receivable is considered to be zero.

If the aggregate maximum numbers of 1st Additional Consideration Shares and 2nd Additional Consideration Shares were assessed to be issued without any Listco Shares repurchased at the date of completion, an additional amount of approximately HK$691,373,000 would have been added to the amount of goodwill, which is calculated by reference to the published closing market price of HK$0.59 per share at 31 March 2015, multiplied by 1,171,818,812 shares. Accordingly, the intangible assets, the total non-current assets, the total assets less current liabilities and the net assets of the Enlarged Group would have been HK$2,825,708,000, HK$3,984,655,000, HK$4,684,942,000 and HK$3,503,199,000, respectively.

If the entire number of Base Consideration Shares were assessed to be repurchased by the Company at nil consideration at the date of completion without issuance of any 1st Additional Consideration Shares and 2nd Additional Consideration Shares, the amount of goodwill would have been reduced by approximately HK$47,626,000 and a negative goodwill of approximately HK$1,345,430,000 would have been credited to the consolidated statement of comprehensive income of the Enlarged Group. Accordingly, the intangible assets, the total non-current assets, the total assets less current liabilities and the net assets of the Enlarged Group would have been HK$2,086,709,000, HK$3,245,656,000, HK$3,945,943,000 and HK$2,764,200,000, respectively.

5. This represents the total estimated acquisition-related costs for the Acquisition of the Target Group of approximately HK$2,303,000 which are to be incurred and be charged to the consolidated statement of comprehensive income upon the completion of the Acquisition.

6. No other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 March 2015. In particular, the Unaudited Pro Forma Consolidated Statement of Assets and Liabilities has not taken into account the disposal of the entire interest in Gold Mountain Limited and its subsidiaries pursuant to a sales and purchase agreement dated 21 May 2015. Details are set out in a circular of the Company dated 24 June 2015.

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

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

HONG KONG

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

TO THE DIRECTORS OF HERITAGE INTERNATIONAL HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Heritage International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities of the Group as at 31 March 2015 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix IV of the circular issued by the Company dated 30 July 2015 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information is set out in Section A of Appendix IV.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed major acquisition in relation to the acquisition of the entire issued share capital of Hong Kong Leasing Limited involving issue of new shares under specific mandate on the Group's financial position as at 31 March 2015 as if the proposed acquisition had taken place at 31 March 2015. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the year ended 31 March 2015, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2015 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 of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

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

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

30 July 2015

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 authorised and issued share capital of the Company (a) as at the Latest Practicable Date; (b) immediately after Completion (assuming there is no further issue or repurchase of Listco Shares between the Latest Practicable Date and the Completion Date); (c) immediately after Year 2015 Adjustment (assuming there is no repurchase of Listco Shares during the same period); and (d) immediately after Year 2016 Adjustment (assuming there is no repurchase of Listco Shares during the same period) will be as follows:

(a) As at the Latest Practicable Date

Authorised:		*HK$*
2,000,000,000,000	Listco Shares of HK$0.00025 each	500,000,000
Issued and fully paid:		
16,943,718,244	Listco Shares of HK$0.00025 each	4,235,929.56

(b) Immediately after Completion (assuming there is no further issue or repurchase of Listco Shares between the Latest Practicable Date and the Completion Date)

Authorised:		*HK$*
2,000,000,000,000	Listco Shares of HK$0.00025 each	500,000,000
Issued and fully paid:		
16,943,718,244	Listco Shares of HK$0.00025 each	4,235,929.56
2,361,112,121	Base Consideration Shares of HK$0.00025 each	590,278.03
19,304,830,365		4,826,207.59

(c) Immediately after Year 2015 Adjustment (assuming there is no repurchase of Listco Shares during the same period)

Authorised:		HK$
2,000,000,000,000	Listco Shares of HK$0.00025 each	500,000,000

Issued and fully paid:		
16,943,718,244	Listco Shares of HK$0.00025 each	4,235,929.56
2,361,112,121	Base Consideration Shares of HK$0.00025 each	590,278.03
390,606,061	1st Additional Consideration Shares of HK$0.00025 each (based on the maximum number of Listco Shares which may be allotted and issued pursuant to the terms of the S&P Agreement)	97,651.51
19,695,436,426		4,923,859.10

(d) Immediately after Year 2015 Adjustment and Year 2016 Adjustment (assuming there is no repurchase of Listco Shares during the same period)

Authorised:		*HK$*
2,000,000,000,000	Listco Shares of HK$0.00025 each	500,000,000

Issued and fully paid:		
16,943,718,244	Listco Shares of HK$0.00025 each	4,235,929.56
2,361,112,121	Base Consideration Shares of HK$0.00025 each	590,278.03
390,606,061	1st Additional Consideration Shares of HK$0.00025 each (based on the maximum number of Listco Shares which may be allotted and issued pursuant to the terms of the S&P Agreement)	97,651.51
781,212,121	2nd Additional Consideration Shares of HK$0.00025 each (based on the maximum number of Listco Shares which may be allotted and issued pursuant to the terms of the S&P Agreement)	195,303.03
20,476,648,547		5,119,162.13

3. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Listco Shares, underlying Listco Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

Name of Director	Number of Listco Shares (Long position)	Number of underlying Listco Shares (Long position)	Capacity	Percentage of total issued share capital as at Latest Practicable Date
Yau Wai Lung	1,910,150,000 *(Note 1)*	–	Interest of controlled corporations	11.27%
	–	169,400,000 *(Note 2)*	Beneficial owner	1.00%

Note:

1. Yau Wai Lung is deemed to be interested in 1,910,150,000 Listco Shares by virtue of his 100% beneficial holding in Leading Fortune International Group Limited, which holds 1,910,150,000 Listco Shares as at the Latest Practicable Date. Yau Wai Lung is also a director of Leading Fortune International Group Limited.

2. The 169,400,000 underlying Listco Shares are Listco Shares issuable upon the exercise of share options granted by the Company to Yau Wai Lung under the share option scheme of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Listco Shares, underlying Listco Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Listco Shares and underlying Listco Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

Since 31 March 2015, the date to which the latest published audited financial statements of the Group were made up, none of the Directors or proposed Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

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

5. SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group.

7. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which are or may be material:

(a) the subscription agreement dated 10 December 2013 entered into between Alpha Ease International Limited, an indirect wholly owned subsidiary of the Company, and Great Desire International Limited, an independent third party of the Company, in respect of the subscription of the convertible bond to be issued by Great Desire International Limited in the principal amount of HK$30 million due 2016;

(b) the subscription agreement dated 12 June 2014 entered into between Mass Nation Investments Limited, a wholly owned subsidiary of the Company, and HEC Capital Limited, an independent third party of the Company, pursuant to which HEC Capital Limited has conditionally agreed to issue and Mass Nation Investments Limited has conditionally agreed to subscribe for 38,000,000 shares of HEC Capital Limited at HK$228 million (subject to adjustment);

(c) the sale and purchase agreement dated 11 August 2014 entered into between Coupeville Limited, a wholly owned subsidiary of the Company, and Sun Metro Global Limited, a company wholly owned by a shareholder of the Company, in relation to the sale of the entire issued share capital of Golden Victory Holdings Limited, a subsidiary of Coupeville Limited, together with the shareholder loan advanced by Coupeville Limited, by Coupeville Limited to Sun Metro Global Limited for a cash consideration of HK$41,000,000;

(d) the sale and purchase agreement dated 5 November 2014 entered into between Power Global Limited, a wholly owned subsidiary of the Company, and High Rhine Limited, an independent third party of the Company, in relation to the sale of the entire issued share capital of Apex Corporate Investments Limited, a wholly owned subsidiary of the Company, together with the shareholder loan advanced by the Company, by Power Global Limited to High Rhine Limited for a consideration of HK$500,000;

(e) the S&P Agreement and the Supplemental Agreement; and

(f) the sale and purchase agreement dated 21 May 2015 entered into between the Company and Trillion Cheer Toprich Limited, an independent third party of the Company, in relation to the sale of the entire issued share capital of Gold Mountain Limited, a wholly owned subsidiary of the Company, together with the shareholder loan and other indebtedness owed by Gold Mountain Limited or its subsidiaries to the Company or its associates, by the Company to Trillion Cheer Toprich Limited for a cash consideration of HK$720,000,000.

9. QUALIFICATION

The following set out the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Graham H.Y. Chan & Co.	Certified Public Accountants (Practising)
Roma Appraisals Limited	Independent qualified valuers

As at the Latest Practicable Date, each of the experts above was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since 31 March 2015 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. CONSENT

Each of Graham H.Y. Chan & Co. and Roma Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, report or certificate or summary of its opinion (as the case may be) and references to its name in the form and context in which they appear herein.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours 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 material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the unaudited pro forma financial information of the Enlarged Group prepared by Graham H.Y. Chan & Co., the text of which is set out in Appendix IV to this circular;

(d) the Accountant's Report of the Target Company prepared by Graham H.Y. Chan & Co. for each of the three years ended 31 December 2014 and the three months period ended 31 March 2015, the text of which is set out in Appendix II to this circular;

(e) the audited statutory consolidated financial statements of the Target Group for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the audited consolidated financial statements of the Target Group for the three months period ended 31 March 2015;

(f) the written consents referred to in paragraph 10 in this appendix;

(g) the annual reports of the Company for the financial years ended 31 March 2013, 31 March 2014 and 31 March 2015, respectively; and

(h) the circular of the Company dated 24 June 2015 in relation to the major transaction involving the disposal of interests in Golden Mountain Limited.

12. MISCELLANEOUS

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is at 29/F., China United Centre, 28 Marble Road, North Point, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Lau Yau Chuen Louis who is a member of the Association of Chartered Certified Accountants.

(e) In the event of any inconsistencies, the English text of this circular and form of proxy shall prevail over the Chinese text.

HERITAGE INTERNATIONAL HOLDINGS LIMITED
漢基控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 412)

NOTICE IS HEREBY GIVEN that a special general meeting of Heritage International Holdings Limited (the "**Company**") will be held at YUE – Function Room, V234, 1/F., City Garden Hotel, 9 City Garden Road, North Point, Hong Kong at 9:30 a.m. on Tuesday, 18 August 2015 (the "**SGM**") for the purpose of considering and, if thought fit, pass the following resolutions as ordinary resolutions of the Company. Capitalised terms defined in the circular dated 30 July 2015 issued by the Company (the "**Circular**") shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTIONS

Resolution in relation to the Acquisition

"**THAT**:

1. (a) the S&P Agreement (including the Supplemental Agreement) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

   (b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to paragraph (a) of this resolution no. 1 and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company."

Resolution in relation to the grant of the Specific Mandate

"**THAT** subject to the passing of ordinary resolution no. 1:

2. (a) the grant of the Specific Mandate for the allotment and issue of Base Consideration Shares, 1st Additional Consideration Shares and 2nd Additional Consideration Shares subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and

* *For identification purpose only*

(b) the board of directors of the Company be and is hereby generally and unconditionally authorized to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to paragraph (a) of this resolution no. 2."

For and on behalf of the Board
Heritage International Holdings Limited
Yau Wai Lung
Executive Director

Hong Kong, 30 July 2015

Notes:

1. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 13 August 2015. The register of members of the Company will be closed from Friday, 14 August 2015 to Tuesday, 18 August 2015, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Listco Shares will be registered.

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

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

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

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

6. The form of proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.

7. As at the date of this notice, the Company has three executive directors, being Mr. Yau Wai Lung, Dr. Jonathan Ross and Mr. Ma Chao and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.