THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Pacific Plywood Holdings Limited (the "**Company**"), you should at once hand this Response Document to the purchaser or the transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

PPHL

PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

RESPONSE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES FOR AND ON BEHALF OF HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P. TO ACQUIRE ALL ISSUED SHARES IN PACIFIC PLYWOOD HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P.)

Financial adviser to
Pacific Plywood Holdings Limited

VEDA | CAPITAL
智略資本

Independent Financial Adviser to the Independent Board Committee

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

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

A letter from the Board is set out on pages 15 to 21 of this Response Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 22 to 23 of this Response Document.

A letter from Royal Excalibur containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 24 to 48 of this Response Document.

This Response Document will remain on the websites of the Stock Exchange at http://www.hkex.com.hk and the Company at http://www.irasia.com/listco/hk/pphl as long as the Offer remains open.

* *For identification purpose only*

21 September 2017

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Pages

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

"2015 VSA Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 20 May 2015 in relation to the P2P Acquisition (as supplemented by a supplemental agreement dated 10 July 2015) entered into among the Company, Allied Summit and Mr. Su
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Allied Summit"	Allied Summit Inc., a company incorporated in BVI with limited liability, which was a substantial shareholder of the Company holding 580,659,755 Shares, representing approximately 15.0% of the entire issued share capital of the Company, and the CN Holder, as at the Latest Practicable Date
"Amended and Restated Convertible Notes"	the amended and restated Convertible Notes in the aggregate outstanding principal amount of HK$2,182,400,000 pursuant to the CN Modification Deed
"Amended and Restated Sale and Purchase Agreement"	the Sale and Purchase Agreement as amended by the Amendment and Restatement Agreement
"Amendment and Restatement Agreement"	the amendment and restatement agreement dated 7 June 2017 entered into among the Shares Vendor, the Offeror, the Previous Guarantor and the Guarantor to vary and restate the Sale and Purchase Agreement and to vary certain terms and conditions of the Sale and Purchase Agreement
"associate"	has the meaning ascribed to it under the Takeovers Code
"Beijing Huiju Financial"	Beijing Huiju Financial Consulting Co. Limited# (北京滙聚融通財務顧問有限公司), a wholly-owned foreign enterprise established in the PRC with limited liability on 3 June 2013 and is wholly-owned by Century Fine

"Beijing Huiju Management"	Beijing Huiju Wealth Management Consultant Company Limited# (北京滙聚財富管理諮詢有限公司), a company established in the PRC with limited liability on 13 December 2012 and is wholly-owned by the Registered Shareholders
"Bermuda"	the Islands of Bermuda
"Board"	the board of Directors
"Business Day(s)"	a day on which banks in Hong Kong are open for business, other than: (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is issued in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"BVI"	the British Virgin Islands
"Century Fine"	Century Fine Limited, a company incorporated in Hong Kong with limited liability on 9 August 2010 and is wholly-owned by Katar Global
"Closing Date"	Friday, 6 October 2017, the closing date of the Offer, which is 28 days after the date on which the Offer Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"CN Chargor"	Allied Summit
"CN Holder(s)"	holder(s) of the Convertible Notes or the Amended and Restated Convertible Notes
"CN Modification Deed"	the modification deed dated 27 August 2016 entered into between the Company and the CN Holder in relation to the Proposed CN Amendments (as amended and supplemented by the Supplemental CN Modification Deed and the Second Supplemental CN Modification Deed)
"CN Transfer"	the sale and purchase of the Convertible Notes (if applicable, as amended by the CN Modification Deed) in accordance to the CN Transfer Agreement

"CN Transfer Agreement"	the conditional sale and purchase agreement dated 27 August 2016 (as amended and supplemented by the Supplemental CN Transfer Agreement and the Second Supplemental CN Transfer Agreement) entered into among the Shares Vendor, Previous CN Chargor and the Previous Guarantor in relation to the sale and purchase of the Convertible Notes (if applicable, as amended by the CN Modification Deed)
"Company"	Pacific Plywood Holdings Limited (Stock Code: 767), a company incorporated in Bermuda and the Shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Convertible Notes"	the convertible note or notes in the aggregate outstanding principal amount of HK$2,182,400,000 due in 2020 issued by the Company on 20 October 2015, including for the avoidance of doubt, such Convertible Notes as amended modified or supplemented from time to time (including the amendments pursuant to the Proposed CN Amendments) and any extension thereof
"Deed of CN Transfer Termination"	the deed of termination dated 31 March 2017 entered into among, the Shares Vendor, the Previous CN Chargor and the Previous Guarantor in relation to the termination of the CN Transfer Agreement (as amended and supplemented by the Supplemental CN Transfer Agreement and the Second Supplemental CN Transfer Agreement)
"Deed of Listed Shares Disposal Termination"	the deed of termination dated 31 March 2017 entered into among, the Company and the Listed Shares Disposal Purchaser in relation to the termination of the Listed Shares Disposal Agreement (as amended and supplemented by the Supplemental Listed Shares Disposal Agreement)
"Director(s)"	the director(s) of the Company
"Draft Law"	the draft Foreign Investment Law published by the Ministry of Commerce of the PRC

"Encumbrances"	any pledge, charge, lien (otherwise than arising by statute or operation of law), option, other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale and purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the same
"Exclusive Technical Licensing and Business Cooperation Agreement"	the exclusive technical licensing and business cooperation agreement dated 21 July 2016 entered into between Beijing Huiju Financial and Beijing Huiju Management
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
"Extension Announcements"	the announcements dated 30 December 2016 and 30 June 2017 jointly issued by the Company and the Offeror in relation to the extension of the long stop dates for the Sale and Purchase Agreement, the Listed Shares Disposal Agreement, the CN Transfer Agreement and the CN Modification Deed
"Fifth Joint Announcement"	the announcement dated 1 June 2017 jointly issued by the Company and the Offeror in relation to the update on the Amended and Restated Sale and Purchase Agreement
"First Joint Announcement"	the announcement dated 5 October 2016 jointly issued by the Company and the Offeror in respect of, amongst others, the Sale and Purchase Agreement, the Previous Special Deals and the Offer
"FLP Transfer"	the transfer of the entire limited partnership interest of 5.09% in the Offeror to another existing limited partner of the Offeror by the Former Limited Partner pursuant to the transfer agreement dated 30 September 2016 entered by the Former Limited Partner
"Form of Acceptance"	the accompanying form of acceptance in respect of the Offer
"Former Limited Partner"	the former limited partner of the Offeror

"Fourth Joint Announcement"	the announcement dated 31 March 2017 jointly issued by the Company and the Offeror in relation to (i) the extension of the long stop dates for the Sale and Purchase Agreement and the CN Modification Deed; and (ii) the Deed of CN Transfer Termination and the Deed of Listed Shares Disposal Termination
"General Partner"	Huarong International Capital Limited, a Cayman Islands exempted limited liability company, being the general partner of the Offeror
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Su
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wong Chun Hung, Mr. Zheng Zhen and Mr. To Langa Samuelson, which has been established by the Company to make recommendation to the Independent Shareholders in respect of whether the Offer is fair and reasonable and as to acceptance
"Independent Financial Adviser" or "Royal Excalibur"	Royal Excalibur Corporate Finance Company Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offer
"Independent Shareholder(s)"	the Shareholders other than (i) the Shares Vendor, the CN Holder, the Guarantor, their associates and parties acting in concert with any of them; (ii) the Offeror and its ultimate beneficial owner, their respective associates and parties acting in concert with any of them (including the Former Limited Partner); and (iii) those who are involved in or interested in the Amended and Restated Sale and Purchase Agreement, the Revised Special Deals and the New Business Model Proposal

"Initial Announcement"	the initial announcement of the Company dated 5 July 2016 pursuant to Rule 3.7 of the Takeovers Code on which the Offer Period commenced
"IPIH"	Imperial Pacific International Holdings Limited (Stock Code: 1076), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"IPIH Sale Shares"	5,426,900,000 IPIH Shares and in case of consolidation or subdivision, the securities into which the IPIH Sale Shares have been consolidated or subdivided (subject to any share subdivision which may be announced by IPIH)
"IPIH Shares"	ordinary share(s) of IPIH of HK$0.0005 each
"Joint Announcements"	the First Joint Announcement, the Second Joint Announcement, the Third Joint Announcement, the Extension Announcements, the Fourth Joint Announcement, the Update Announcements, the Fifth Joint Announcement and the Sixth Joint Announcement
"Joy Wealth Finance"	Joy Wealth Finance Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of the Company
"Katar Global"	Katar Global Limited, a company incorporated in BVI, which is a non-wholly owned subsidiary of the Company
"Katar Global Group"	Katar Global and its subsidiaries
"Kingston Securities"	Kingston Securities Limited, a licensed corporation to carry out type 1 (dealing in securities) regulated activity under the SFO
"KPM"	KPM Holding Limited (Stock Code: 8027), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange

"KPM Sale Shares"	29,600,000 KPM Shares and in case of consolidation or subdivision, the securities into which the KPM Sale Shares have been consolidated or subdivided
"KPM Shares"	ordinary share(s) of KPM of HK$0.00125 each
"Last Trading Day"	26 August 2016, being the last trading day immediately prior to suspension of trading in the Shares pending the release of the First Joint Announcement
"Latest Practicable Date"	18 September 2017, being the latest practicable date prior to the printing of this Response Document for ascertaining certain information contained herein
"Listed Sale Shares"	together, the IPIH Sale Shares and KPM Sale Shares
"Listed Shares Disposal"	the disposal of the Listed Sale Shares by the Company to Listed Shares Disposal Purchaser pursuant to the Listed Shares Disposal Agreement
"Listed Shares Disposal Agreement"	the conditional sale and purchase agreement dated 27 August 2016 (as amended and supplemented by the Supplemental Listed Shares Disposal Agreement) entered into between the Company as vendor and the Listed Shares Disposal Purchaser as purchaser in respect of the Listed Shares Disposal at an aggregate consideration of HK$776,342,000
"Listed Shares Disposal Purchaser"	Allied Summit
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	Main Board of the Stock Exchange (excludes the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

"Mr. Ng"	Mr. Ng Kwok Fai, who as at the Latest Practicable Date (i) was the ultimate beneficial owner holding 20% of the issued share capital of Allied Summit, which was beneficially holding 580,659,755 Shares, representing approximately 15.0% of the entire issued share capital of the Company; and (ii) personally did not hold any Shares or other securities in the Company
"Mr. Su"	Mr. Su Weibiao, who as at the Latest Practicable Date (i) was the ultimate beneficial owner holding 80% of the issued share capital of Allied Summit, which was beneficially holding 580,659,755 Shares, representing approximately 15.0% of the entire issued share capital of the Company; and (ii) personally did not hold any Shares or other securities in the Company
"Mr. Su's Undertaking"	the irrevocable undertaking given by Mr. Su to the Company that he shall at all times maintain "control'" of the Company as defined in and for the purpose of the Draft Law
"Mr. Su's Undertaking Termination"	the termination of Mr. Su's Undertaking
"New Business Model Proposal"	the revised Peer-to-Peer (P2P) online credit platform in the PRC business operation model of the Group after the entering into of the cooperation agreement, the revocation of the internet content provider license held by the Group and the unwinding of the New Structured Contracts and Mr. Su's Undertaking Termination, details of which is set out in the Special Deals Circular
"New Exclusive Option Agreement"	the exclusive option agreement dated 21 July 2016 and entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"New Structured Contracts"	collectively, the Exclusive Technical Licensing and Business Cooperation Agreement, the New Exclusive Option Agreement, the Share Pledge Agreement, the Power of Attorney and the Spousal Consent

"Offer"	the mandatory unconditional cash offer made by Kingston Securities for and on behalf of the Offeror, for all the issued Shares not already owned and/or agreed to be acquired by the Offeror in accordance with the Takeovers Code
"Offer Document"	the offer document dated 7 September 2017 issued by the Offeror, which sets out, among others, details of the Offer in accordance with the Takeovers Code
"Offer Period"	has the meaning ascribed to it under the Takeovers Code
"Offer Price"	the price at which the Offer will be made, being HK$0.3 per Offer Share
"Offer Share(s)"	Share(s) not already owned or agreed to be acquired by the Offeror
"Offeror"	Huarong Financial Services Asset Management L.P., a Cayman Islands exempted limited partnership
"P2P Acquisition"	the acquisition of 96% of the entire issued share capital of Katar Global Group from Allied Summit by the Group as completed on 20 October 2015
"Power of Attorney"	the power of attorney dated 21 July 2016 and entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"PRC"	the People's Republic of China which, for the purpose of this Response Document, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous CN Chargor"	Triple Sino Limited (三華有限公司), a company incorporated in BVI with limited liability and is wholly-owned by the Previous Guarantor
"Previous Guarantor"	Mr. Ma Hongyi, an individual being the previous guarantor under the Sale and Purchase Agreement and CN Transfer Agreement

"Previous Special Deals"	the Listed Shares Disposal, the Proposed CN Amendments, the CN Transfer Agreement, and the Right of First Offer and such transactions entered into by the Company or as contemplated under the Sale and Purchase Agreement which constitute special deals for the Company under Rule 25 of the Takeovers Code
"Proposed CN Amendments"	the proposed amendment of certain terms and conditions of the outstanding Convertible Notes pursuant to the CN Modification Deed (as amended and supplemented by the Supplemental CN Modification Deed and the Second Supplemental CN Modification Deed)
"Registered Shareholder(s)"	Beijing KangDingAo before 21 July 2016 or Mr. Guo Junfeng and Mr. Dong Zhitian since 21 July 2016 (as the case may be)
"Registrar"	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the company, with its address at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
"Relevant Period"	the period commencing on the date falling six months preceding 5 July 2016, being the date of the Initial Announcement, and ending on the Latest Practicable Date
"Response Document"	this response document issued by the Company, which sets out, among others, information relating to the Offer and the Group

"Revised Convertible Notes Charge"	a first ranking security document to be entered into by the CN Chargor in favour of the Offeror in respect of the Convertible Notes (as amended by the CN Modification Deed) to secure the performance of the obligations of the Shares Vendor under the Amended and Restated Sale and Purchase Agreement, the CN Modification Deed, the Revised Share Charges and the tax deed which shall be subject to partial release on the date falling on the first (1st) anniversary of the date of Sale and Purchase Completion and every six (6) months after the date falling on the first (1st) anniversary of the date of Sale and Purchase Completion Date
"Revised Share Charges"	first ranking security documents in respect of the entire issued share capital of the CN Chargor to be granted in favour of the Offeror to secure, among others, the performance of the obligations of the Shares Vendor and the Guarantor under the Amended and Restated Sale and Purchase Agreement, the CN Modification Deed, the Revised Convertible Notes Charge and the tax deed
"Revised Special Deals"	the Proposed CN Amendments and the Right of First Offer and such transactions entered into by the Company or as contemplated under the Amended and Restated Sale and Purchase Agreement which constitute special deals for the Company under Rule 25 of the Takeovers Code
"Right of First Offer"	the first right to transfer or dispose of all or part of the Amended and Restated Convertible Notes or any interests therein to any independent third party by the CN Chargor that the CN Chargor shall serve on the Offeror a notice in writing of its wish to do so and the Offeror may give notice in writing to the CN Chargor if it or its nominee intends to purchase the relevant Amended and Restated Convertible Notes based on the same terms

"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 27 August 2016 (as amended and supplemented by the Supplemental Sale and Purchase Agreement and the Second Supplemental Sale and Purchase Agreement and amended and restated by the Amendment and Restatement Agreement) entered into among the Shares Vendor, the Offeror, the Guarantor and the Previous Guarantor in respect of the Sale Shares
"Sale and Purchase Completion"	the completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
"Sale Share(s)"	an aggregate of 2,128,560,000 Shares acquired by the Offeror from the Shares Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement
"Second Joint Announcement"	the update announcement dated 18 October 2016 jointly issued by the Company and the Offeror in respect of the Previous Special Deals
"Second Supplemental CN Modification Deed"	the supplemental agreement dated 7 June 2017 entered into between the Company and the CN Holder in relation to the amendment of certain terms of the CN Modification Deed
"Second Supplemental CN Transfer Agreement"	the second supplemental agreement dated 15 November 2016 entered into among the Shares Vendor, the Previous CN Chargor and the Previous Guarantor in relation to the amendment of certain terms of the CN Transfer Agreement
"Second Supplemental Sale and Purchase Agreement"	the second supplemental agreement dated 15 November 2016 entered into among Shares Vendor, the Offeror and the Previous Guarantor in relation to the amendment of certain terms of the Sale and Purchase Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	the special general meeting of the Company convened on 27 July 2017 for the purpose of approving, among other things, the Revised Special Deals and the New Business Model Proposal and the transactions contemplated thereunder respectively
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Pledge Agreement"	the share pledge agreement dated 21 July 2016 entered into among Beijing Huiju Financial, Beijing Huiju Management and the Registered Shareholders
"Shares Vendor"	Allied Summit, a company incorporated in BVI, the vendor of the Sale Shares under the Sale and Purchase Agreement and a controlling shareholder of the Company immediately prior to Sale and Purchase Completion
"Sixth Joint Announcement"	the announcement dated 7 June 2017 jointly issued by the Company and the Offeror in relation to the entering into of the Amended and Restated Sale and Purchase Agreement
"Special Deals Circular"	the circular dated 6 July 2017 issued by the Company in relation to, among other things, the Revised Special Deals and the New Business Model Proposal and transactions contemplated thereunder
"Spousal Consent"	the spousal consent dated 21 July 2016 and signed by the spouse of each married shareholder of the Beijing Huiju Management
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental CN Modification Deed"	the supplemental agreement dated 4 October 2016 entered into between the Company and the CN Holder in relation to the amendment of certain terms of the CN Modification Deed

"Supplemental CN Transfer Agreement"	the supplemental agreement dated 4 October 2016 entered into among the Shares Vendor, the Previous CN Chargor and the Previous Guarantor in relation to the amendment of certain terms of the CN Transfer Agreement
"Supplemental Listed Shares Disposal Agreement"	the supplemental agreement dated 4 October 2016 entered into between the Company and the Listed Shares Disposal Purchaser in relation to the amendment of certain terms of the Listed Shares Disposal Agreement
"Supplemental Sale and Purchase Agreement"	the supplemental agreement dated 4 October 2016 entered into among the Shares Vendor, the Offeror and the Previous Guarantor in relation to the amendment of certain terms of the Sale and Purchase Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Third Joint Announcement"	the update announcement dated 15 November 2016 jointly issued by the Company and the Offeror in respect of the Second Supplemental Sale and Purchase Agreement and the Second Supplemental CN Transfer Agreement
"Trading Day"	a day when the Stock Exchange is open for trading in Hong Kong
"Update Announcements"	the update announcement dated 15 May 2017 and 1 June 2017 jointly issued by the Company and the Offeror in respect of the Amended and Restated Sale and Purchase Agreement
"Undertakings"	the undertakings given by each of the Shares Vendor and Offeror under the Sale and Purchase Agreement
''HK$''	Hong Kong dollars, the lawful currency of Hong Kong
''%''	per cent.

PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 767)

Executive Directors:
Ms. Gao Zhenyun *(Vice Chairlady)*
Mr. Li Jiuhua
Mr. Huang Chuan Fu
Mr. Liang Jian Hua
Ms. Jia Hui
Mr. Jiang Yi Ren

Non-Executive Directors:
Mr. Bai Tianhui *(Chairman)*
Mr. Yao Luo

Independent Non-Executive Directors:
Mr. Wong Chun Hung
Mr. Zheng Zhen
Mr. To Langa Samuelson

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

Head office and principal place of business:
Units 3301–3303, 33/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

21 September 2017

To the Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P. TO ACQUIRE ALL ISSUED SHARES IN PACIFIC PLYWOOD HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P.)

INTRODUCTION

References are made to the Joint Announcements and the Special Deals Circular.

* *For identification purpose only*

The Company and the Offeror jointly announced that on 27 August 2016, the Shares Vendor, the Offeror and the Previous Guarantor entered into the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Sale and Purchase Agreement dated 4 October 2016 and the Second Supplemental Sale and Purchase Agreement dated 15 November 2016), pursuant to which the Offeror has conditionally agreed to purchase and the Shares Vendor has conditionally agreed to sell, the 2,128,560,000 Sale Shares, representing approximately 55.00% of the entire issued share capital of the Company as at the Latest Practicable Date and the date of the Sale and Purchase Agreement at an initial consideration of HK$304,384,080 (equivalent to HK$0.143 per Sale Share), which may be subject to a downward adjustment. The Sale and Purchase Completion is conditional upon fulfilment (or, as appropriate, waiver by the Offeror) of the Sale and Purchase Conditions, which include, amongst others, the Revised Special Deals becoming unconditional (save for the condition requiring the Sale and Purchase Agreement to become unconditional or be completed (as the case may be)).

On 7 June 2017, the Shares Vendor, the Offeror, the Previous Guarantor and the Guarantor entered into the Amendment and Restatement Agreement to vary and restate the Sale and Purchase Agreement and to vary certain terms and conditions of the Sale and Purchase Agreement, details of which are set out in the Sixth Joint Announcement and the Special Deals Circular.

Pursuant to the Company's SGM poll results announcement dated 27 July 2017, the Shareholders who were not involved in nor interested in the Amended and Restated Sale and Purchase Agreement, the CN Modification Deed, the Right of First Offer and the New Business Model Proposal and the transactions contemplated therein approved the Revised Special Deals.

The Sale and Purchase Completion took place on 31 August 2017. Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it are interested in 2,709,219,759 Shares, representing approximately 70.00% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror. Kingston Securities, for and on behalf of the Offeror, is making the Offer.

The purpose of this Response Document is to provide you with, among other things, (i) information relating to the Offer and the Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from Royal Excalibur to the Independent Board Committee in relation to the Offer and as to its acceptance.

THE OFFER

As at the Latest Practicable Date, the Company has 3,870,102,650 Shares in issue and the outstanding Convertible Notes in the principal amount of HK$2,182,400,000. Save for the aforesaid, the Company does not have any outstanding options, derivatives, warrants, or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Offer is being made by Kingston Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in the Offer Document and the Form of Acceptance on the following basis:

For each Offer Share .... HK$0.30 in cash

The Offer Price of HK$0.30 per Offer Share represents and equals to the highest purchase price per Share paid by the Offeror and parties acting in concert with it (due to purchases of the Shares made by the Former Limited Partner, who was a party acting in concert with the Offeror when the Former Limited Partner was a limited partner of the Offeror which ceased following the FLP Transfer) during the six months prior to commencement of the Offer Period pursuant to Rule 26.3 of the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Response Document. The Offer is extended to all Shareholders other than the Offeror in accordance with the Takeovers Code.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Comparisons of value

The Offer Price of HK$0.30 per Offer Share represents:

(a) a discount of approximately 48.28% to the closing price of the Shares of HK$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 46.24% to the average closing price of the Shares of approximately HK$0.558 per Share for the five consecutive Trading Days immediately prior to and including the Last Trading Day;

(c) a discount of approximately 45.55% to the average closing price of the Shares of approximately HK$0.551 per Share for the 10 consecutive Trading Days immediately prior to and including the Last Trading Day;

(d) a discount of approximately 41.18% to the average closing price of the Shares of approximately HK$0.51 per Share for the 30 consecutive Trading Days immediately prior to and including the Last Trading Day;

(e) a discount of approximately 26.83% to the closing price of the Shares of HK$0.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(f) a discount of approximately 72.73% to the unaudited consolidated net assets value attributable to equity holders of the Company of approximately HK$1.10 per Share as at 30 June 2017 and 3,870,102,650 Shares in issue as at the Latest Practicable Date; and

(g) a discount of approximately 71.43% to the audited consolidated net assets value attributable to equity holders of the Company of approximately HK$1.05 per Share as at 31 December 2016 and 3,870,102,650 Shares in issue as at the Latest Practicable Date.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company (i) immediately before the Sale and Purchase Completion; (ii) immediately upon the Sale and Purchase Completion and assuming no conversion of the Amended and Restated Convertible Notes; and (iii) for illustrative purposes, immediately upon the Sale and Purchase Completion and assuming full conversion of the Amended and Restated Convertible Notes. The figures below have not taken into account the level of acceptance of the Offer:

	(i) Immediately before the Sale and Purchase Completion		**(ii) Immediately upon the Sale and Purchase Completion and assuming no conversion of the Amended and Restated Convertible Notes**		**(iii) For illustrative purposes, immediately upon the Sale and Purchase Completion (assuming full conversion of the Amended and Restated Convertible Notes)** *(Note 2)*	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
The Offeror and parties acting in concert:						
– The Offeror	–	–	2,128,560,000	55.00	2,128,560,000	14.40
– Kingston Securities	4	0.00	4	0.00	4	0.00
– Shares Vendor	2,709,219,755	70.00	580,659,755	15.00	11,492,659,755	77.75
Sub-total	2,709,219,759	70.00	2,709,219,759	70.00	13,621,219,759	92.15
Independent Shareholders	1,160,882,891	30.00	1,160,882,891	30.00	1,160,882,891	7.85
Total	3,870,102,650	100.00	3,870,102,650	100.00	14,782,102,650	100.00

Notes:

1. The percentages are subject to rounding difference, if any.

2. The shareholding structure set out in this column is shown for illustration purpose only. Pursuant to conversion restrictions under the terms and conditions of the Amended and Restated Convertible Notes, conversion right shall only be exercisable by the CN Holder upon maturity of the Amended and Restated Convertible Notes, so long as (a) the minimum public float of the issued share capital of the Company as enlarged by the issue of the conversion shares can be maintained in accordance with the relevant provisions of the Listing Rules, (b) such conversion shall not result in (i) the CN Holder and the parties acting in concert with it triggering any mandatory general offer obligations under the Takeovers Code; or (ii) a change in control (as defined in the Takeovers Code) of the Company.

INFORMATION OF THE GROUP

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of operation of P2P financing platform under the CAIJIA brand and other loan facilitation services, money lending and provision of credit and securities investments.

Set out below is an extract of the audited consolidated statement of financial information of the Group for the three years ended 31 December 2014, 2015 and 2016 as extracted from the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 respectively and the unaudited interim results of the Group for the six months ended 30 June 2016 and 2017 as extracted from the interim results announcement of the Company for the six months ended 30 June 2017:

	For the year ended 31 December			For the six months ended 30 June	
	2014	2015	2016	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
	(audited) *(Re-presented)*	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	65,165	102,490	555,386	187,973	215,934
Gross profit	64,234	101,072	554,605	187,192	215,934
Profit/(Loss) before taxation	(20,022)	(143,875)	422,354	100,714	138,545
Profit/(Loss) for the year attributable to owners of the Company	(26,008)	(148,282)	321,907	87,822	94,649
Net assets attributable to the owners of the Company	1,512,166	4,127,738	4,063,574	4,063,574	4,240,786

Your attention is drawn to the financial information of the Group set out in Appendix II to this Response Document.

INFORMATION OF THE OFFEROR AND THE INTENTIONS ON THE COMPANY

Your attention is drawn to the sections headed "Information on the Offeror" and "Intentions of the Offeror in relation to the Group" in the "Letter from Kingston Securities" of the Offer Document.

In particular, as stated in the Offer Document, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a detailed review of the operations of the Group with a view to developing corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Group should appropriate opportunities arise. As at the Latest Practicable Date, the Offeror has no intention, agreement or negotiation to introduce any major changes to the business of the Group (including disposal or downsize of existing business and acquisition of new business) or to dispose of or re-deploy the major operating assets of the Group, other than in the ordinary course of business of the Group, following completion of the Offer. Save for the proposed change of board composition as set out below, the Offeror does not intend nor does it have any existing plans to terminate the employment of any of the employees or other personnel of the Company.

The Board is currently made up of eleven Directors, comprising six executive Directors, two non-executive Directors and three independent non-executive Directors. It is expected that after completion of the Offer, four executive Directors including Mr. Huang Chuan Fu, Mr, Liang Jian Hua, Ms. Jia Hui and Mr. Jiang Yi Ren will resign. Such resignations will not take effect earlier than the date of the close of the Offer.

As at the Latest Practicable Date, the Offeror intends that Mr. Wong Chun Hung, Mr. Zheng Zhen and Mr. To Langa Samuelson will remain as independent non-executive Directors and all the terms and conditions of their appointment will remain unchanged. Further announcement(s) will be made by the Company in compliance with the requirements of the Takeovers Code and the Listing Rules as and when there are further changes in the composition of the Board.

The Board is aware of the Offeror's intentions in relation to the Group and is willing to render co-operation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

Save for the changes in the Board composition, the Offeror has no intention to (i) discontinue the employment of the employees of the Group; or (ii) re-deploy the assets of the Group other than those in its ordinary and usual course of business.

MAINTAINING THE LISTING STATUS OF THE COMPANY

As stated in the letter from Kingston Securities contained in the Offer Document, the Offeror intends to maintain the listing of the Shares on the Main Board of the Stock Exchange after the close of the Offer. The directors of the general partner of the Offeror and the new Directors (who have been nominated by the Offeror and appointed as Directors) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that a sufficient public float exists for the Shares following the close of the Offer.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

SPECIAL DEALS

Save for the Revised Special Deals as disclosed in the Special Deals Circular, there are no other agreements entered into or to be entered into between the Offeror and parties acting in concert with it on one hand and each of the Shares Vendor and parties acting in concert with them and other shareholders of the Company on the other hand which will constitute special deals under Rule 25 of the Takeovers Code.

RECOMMENDATIONS

Your attention is drawn to the ''Letter from the Independent Board Committee'' of this Response Document which sets out its recommendation to the Independent Shareholders in respect of the Offer. Your attention is also drawn to the ''Letter from Royal Excalibur'' of this Response Document which contains, among other things, the Independent Financial Adviser's advice to the Independent Board Committee in relation to the Offer.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

You are advised to read this Response Document together with the Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Response Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
Pacific Plywood Holdings Limited
Huang Chuan Fu
Executive Director

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Response Document.

PACIFIC PLYWOOD HOLDINGS LIMITED
太平洋實業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

21 September 2017

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P. TO ACQUIRE ALL ISSUED SHARES IN PACIFIC PLYWOOD HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P.)

INTRODUCTION

We refer to the Response Document dated 21 September 2017 issued by the Company in response to the Offer, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to give recommendations to the Independent Shareholders as to whether, in our opinion, the terms of the Offer is fair and reasonable so far as they are concerned and as to the acceptance of the Offer.

Royal Excalibur has been appointed as the independent financial adviser to advise us in this respect. Detail of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the "Letter from Royal Excalibur" on pages 24 to 48 of the Response Document.

* *For identification purpose only*

We also wish to draw your attention to the Offer Document, the ''Letter from the Board'' and the additional information set out in the Appendices to the Response Document.

RECOMMENDATIONS

Having taken into account the terms of the Offer and the advice and recommendation from the Independent Financial Adviser, we are of the opinion that the terms of the Offer are not fair and reasonable so far as the Independent Shareholders are concerned and therefore we recommend the Independent Shareholders not to accept the Offer.

Independent Shareholders are reminded that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Notwithstanding our recommendation, the Independent Shareholders are strongly advised that the decision to realise or to hold your investment in the Shares is subject to individual circumstances and investment objectives and they should consider carefully the terms of the Offer. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in the Offer Document.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Wong Chun Hung **Mr. Zheng Zhen** **Mr. To Langa Samuelson**

Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser in connection with the Offer which has been prepared for inclusion in this Response Document.

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED

ROYAL EXCALIBUR
CORPORATE FINANCE COMPANY LIMITED
Units 2303-2306, 23/F.,
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong
皇家駿溢財務顧問有限公司
香港灣仔港灣道23號
鷹君中心23樓2303-2306室

21 September 2017

To the Independent Board Committee and the Independent Shareholders of Pacific Plywood Holdings Limited

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY KINGSTON SECURITIES LIMITED FOR AND ON BEHALF OF HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P. TO ACQUIRE ALL ISSUED SHARES IN PACIFIC PLYWOOD HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY HUARONG FINANCIAL SERVICES ASSET MANAGEMENT L.P.)

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the response document dated 21 September 2017 (the "**Response Document**") issued by the Company, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Response Document unless the context otherwise requires.

The Company and the Offeror jointly announced that on 27 August 2016, the Shares Vendor, the Offeror and the Previous Guarantor entered into the Sale and Purchase Agreement (as amended and supplemented by the Supplemental Sale and Purchase Agreement dated 4 October 2016 and the Second Supplemental Sale and Purchase Agreement dated 15 November 2016), pursuant to which the Offeror has conditionally agreed to purchase and the Shares Vendor has conditionally agreed to sell, the 2,128,560,000 Sale Shares, representing approximately 55.00% of the entire issued share capital of the Company as at the Latest Practicable Date and the date of the Sale and

Purchase Agreement at an initial consideration of HK$304,384,080 (equivalent to HK$0.143 per Sale Share), which may be subject to a downward adjustment. The Sale and Purchase Completion is conditional upon fulfilment (or, as appropriate, waiver by the Offeror) of the Sale and Purchase Conditions, which include, amongst others, the Revised Special Deals becoming unconditional (save for the condition requiring the Sale and Purchase Agreement to become unconditional or be completed (as the case may be)).

On 7 June 2017, the Shares Vendor, the Offeror, the Previous Guarantor and the Guarantor entered into the Amendment and Restatement Agreement to vary and restate the Sale and Purchase Agreement and to vary certain terms and conditions of the Sale and Purchase Agreement, details of which are set out in the Sixth Joint Announcement and the Special Deals Circular.

Pursuant to the Company's SGM poll results announcement dated 27 July 2017, the Shareholders who were not involved in nor interested in the Amended and Restated Sale and Purchase Agreement, the CN Modification Deed, the Right of First Offer and the New Business Model Proposal and the transactions contemplated therein approved the Revised Special Deals.

The Sale and Purchase Completion took place on 31 August 2017. Upon the Sale and Purchase Completion, the Offeror and parties acting in concert with it are interested in 2,709,219,759 Shares, representing approximately 70.00% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror. Kingston Securities, for and on behalf of the Offeror, is making the Offer.

On 7 September 2017, the Offeror despatched the Offer Document setting out, among other things, terms and conditions of the Offer, together with the Form of Acceptance.

The Offer is being made by Kingston Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in the Offer Document and the Form of Acceptance on the following basis:

For each Offer Share . . . . HK$0.30 in cash

The Offer Price of HK$0.30 per Offer Share represents and equals to the highest purchase price per Share paid by the Offeror and parties acting in concert with it (due to purchases of the Shares made by the Former Limited Partner, who was a party acting in concert with the Offeror when the Former Limited Partner was a limited partner of the Offeror which ceased following the FLP Transfer) during the six months prior to commencement of the Offer Period pursuant to Rule 26.3 of the Takeovers Code.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Response Document. The Offer is extended to all Shareholders other than the Offeror in accordance with the Takeovers Code.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Chun Hung, Mr. Zheng Zhen and Mr. To Langa Samuelson, has been formed to make recommendations to the Independent Shareholders in relation to the Offer pursuant to Rule 2.1 of the Takeovers Code. We, Royal Excalibur, have been appointed by the Company with the approval from the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and, in particular, as to whether the Offer is fair and reasonable and as to the acceptance of the Offer pursuant to Rule 2.1 of the Takeovers Code.

INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, the Shares Vendor, the Guarantor or the Offeror and its concert parties that could reasonably be regarded as relevant to the independence of Royal Excalibur. In the last two years, save for our engagement as the independent financial adviser to the independent board committee and the independent shareholders of the Company in respect of the Revised Special Deals and the New Business Model Proposal (details of which are set out in the Company's circular dated 6 July 2017), no engagement has been performed between the Group, the Shares Vendor, the Guarantor or the Offeror and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, there are no arrangements which we will receive any fees or benefits from the Company, the Shares Vendor, the Guarantor and the Offeror and its concert parties, any of their subsidiaries or their respective associates. We are therefore independent from the Company pursuant to Rule 13.84 of the Listing Rules and our appointment by the Independent Board Committee is in compliance with Rule 2 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the statement, information and representations supplied, and the opinion expressed, by the Directors, management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Response Document are true, accurate and complete in all material respects as of the Latest Practicable Date. We have also relied on our discussion with the Directors regarding the Group and the Offer, including the information and representations contained in the Response Document. Should there be any subsequent material changes in such information during the Offer Period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided in the Response Document and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Response Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Response Document or to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Company and/or the Offeror.

Because of the variations in individual circumstances of Independent Shareholders, we have not taken the tax implications on Independent Shareholders into account in formulating our opinion in respect to the Offer. We are not responsible for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offer. In particular, Independent Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

1. Financial information of the Group and industry outlook

The Company is an investment holding company, and through its subsidiaries, is principally engaged in the business of operation of P2P financing platform under the CAIJIA brand and other loan facilitation services, money lending and provision of credit and securities investments.

Set out below are extracts of the consolidated income statement and consolidated statement of financial position of the Group for (i) the three years ended 31 December 2016 as extracted from the annual reports of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and 31 December 2016 (the "**2016 Annual Report**"); and (ii) the six months ended 30 June 2016 and 2017 as extracted from the interim results announcement of the Company dated 24 August 2017 for the six months ended 30 June 2017 (the "**2017 Interim Results Announcement**"):

Table 1: Consolidated income statement of the Group

	For the 6 months ended 30 June 2017 (unaudited)	For the 6 months ended 30 June 2016 (unaudited)	For the year ended 31 December 2016 (audited)	For the year ended 31 December 2015 (audited)	For the year ended 31 December 2014 (audited) (re-presented)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**215,934**	**187,973**	**555,386**	**102,490**	**65,165**
*– Interest income from loan receivables (from the money lending and provision of credit business (the "**Money Lending Business**"))*	52,468	28,843	64,374	66,457	63,327
*– Loan facilitation service income (from the operation of P2P financing platform and other loan facilitation services business (the "**P2P Financing Business**"))*	163,466	158,780	490,662	34,740	–
*– Consultancy service income (from the provision of corporate secretarial and consultancy services business (the "**Consulting Services Business**"))*	–	350	350	1,293	1,838
Gross Profit	**215,934**	**187,192**	**554,605**	**101,072**	**64,234**
Other income and gains	**14,222**	**19,327**	**53,422**	**77,100**	**30,909**
(Loss)/Profit for the year	**99,660**	**90,373**	**333,064**	**(149,838)**	**(26,921)**
(Loss)/Profit for the year attributable to:					
– Owners of the Company	**94,649**	**87,822**	**321,907**	**(148,282)**	**(26,008)**
– Non-controlling interests	**5,011**	**2,551**	**11,157**	**(1,556)**	**(913)**

Source: *2015 Annual Report, 2016 Annual Report and 2017 Interim Results Announcement*

Table 2: Consolidated statement of financial position of the Group

	As at 30 June 2017 (unaudited) *HK$'000*	As at 31 December 2016 (audited) *HK$'000*	As at 31 December 2015 (audited) *HK$'000*	As at 31 December 2014 (audited) (re-presented) *HK$'000*
Total assets	**4,438,299**	**4,141,659**	**4,180,251**	**1,521,952**
Total liabilities	174,621	60,590	44,899	9,644
Equity attributable to owner of the Company	4,240,786	4,063,574	4,127,738	1,512,166

Source: 2015 Annual Report, 2016 Annual Report and 2017 Interim Results Announcement

*Audited consolidated results for the year ended 31 December 2015 (the "**FY2015**")*

As depicted from the above table, the Group recorded an increase in the revenue of approximately 57.3%, from approximately HK$65.2 million for the year ended 31 December 2014 ("**FY2014**") to approximately HK$102.5 million for the FY2015. While the Money Lending Business remained stable with the recorded interest income from loan receivables accounting for approximately HK$66.5 million for the FY2015 (FY2014: HK$63.3 million), the increase in revenue was primarily due to the acquisition of the Katar Global Group being completed on 20 October 2015, which contributed approximately HK$34.7 million to the Group's revenue and recorded a segment profit of approximately HK$3.8 million for the FY2015.

The Group has recorded a loss attributable to owners of the Company of approximately HK$148.3 million for the FY2015 (FY2014: loss of HK$26.0 million). Such increase in loss was mainly due to the increase in other expenses from approximately HK$81.6 million for the FY2014 to approximately HK$239.2 million for the FY2015. We noted that the increase in other expenses was mainly due to the impairment loss of goodwill in relation to the forestry business of approximately HK$239.0 million for the FY2015 as compared to the amount of HK$67.0 million for the FY2014.

As at 31 December 2015, the Group recorded total assets, total liabilities and equity attributable to owners of the Company of approximately HK$4,180.3 million, HK$44.9 million and HK$4,127.7 million, respectively. The total asset increased from approximately HK$1,522.0 million as at 31 December 2014 to approximately HK$4,180.3 million as at 31 December 2015, representing an increase of approximately 174.7%, which was mainly attributable to (i) the increase in goodwill by approximately HK$1,943.7 million; and (ii) the increase in available-for-sale investments (booked in the non-current assets) by approximately HK$329.6 million.

*Audited consolidated results for the year ended 31 December 2016 ("**FY2016**")*

As depicted from the above table, the Group recorded an increase in the revenue of approximately 441.9%, from approximately HK$102.5 million for the FY2015 to approximately HK$555.4 million for the FY2016. The Group has recorded a profit attributable to owner of the Company of approximately HK$321.9 million for the FY2016, as compared to a loss attributable to owner of the Company of approximately HK$148.3 million for the FY2015.

The increase in revenue and profit was primarily attributable to the P2P Financing Business, contributing approximately HK$490.7 million to the Group's segment revenue and approximately HK$390.5 million to the Group's consolidated segment profit for the FY2016. The revenue from the P2P Financing Business increased from approximately HK$34.7 million for the FY2015 to HK$490.7 million for the FY2016. Such increment is mainly due to the full year effect on the revenue contributed from the P2P Financing Business of the Group while revenue was recognised by the Group on 20 October 2015 from the acquisition of the Katar Global Group for the FY2015. On the other hand, the Money Lending Business remained stable with the recorded interest income from loan receivables accounting for approximately HK$64.4 million for the FY2016 (FY2014: HK$63.3 million and FY2015: HK$66.5 million) and the consultancy service income recorded an overall percentage decrease of 81.0% from approximately HK$1.8 million for the FY2014 to approximately HK$0.35 million for the FY2016. As disclosed in the 2016 Annual Report, during the FY2016, the Company had disposed (i) the Consultancy Services Business as the business segment has underperformed and recorded continuous losses for the past years; and (ii) the forestry business of the Group since the Company considered it was highly uncertain when the official approvals could be obtained from the relevant government authorities.

As at 31 December 2016, the Group recorded total assets, total liabilities and equity attributable to owners of the Company of approximately HK$4,141.7 million, HK$60.6 million and HK$4,063.6 million, respectively. There were no material changes in the total assets, total liabilities and equity attributable to owners of the Company as compared to the FY2015.

*Unaudited consolidated results for the six months ended 30 June 2017 ("**the 6-month 2017**")*

As disclosed in 2017 Interim Results Announcement, the revenue for the 6-month 2017 amounted to approximately HK$215.9 million as compared to approximately HK$188.0 million for the six months ended 30 June 2016 ("**6-month 2016**"), representing an increase of approximately 14.9%. While the P2P Financing Business remained stable with the loan facilitation service income accounting for approximately HK$163.5 million for the 6-month 2017 (6-month 2016: HK$158.8 million), the Money Lending Business recorded an increase in the segment revenue of approximately 81.9% from approximately HK$28.8 million for the 6-month 2016 to approximately HK$52.5 million for the 6-month 2017. Given the increment in the revenue for the 6-month 2017, the profit attributable to the owners of the Company for the 6-month 2017 has also increased by approximately 7.8%, amounting to approximately HK$94.6 million (6-month 2016: HK$87.8 million).

As at 30 June 2017, the Group recorded total assets, total liabilities and equity attributable to owners of the Company of approximately HK$4,438.3 million, HK$174.6 million and HK$4,240.8 million, respectively. The total liabilities increased from approximately HK$60.6 million as at 31 December 2016 to approximately HK$174.6 million as at 30 June 2017, representing an increase of approximately 188.2%, which was mainly attributable to the increase in other payables and accruals by approximately HK$148.2 million.

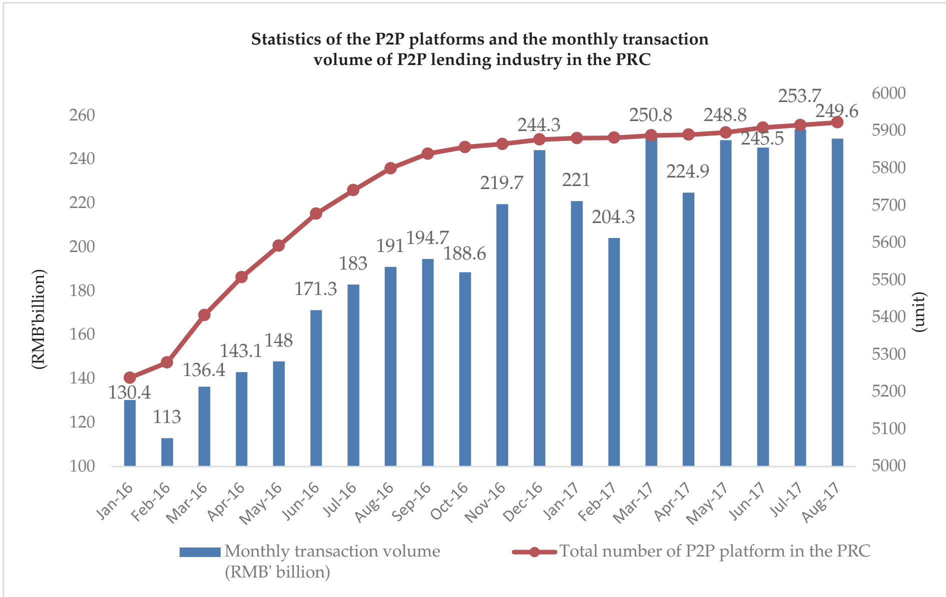
Industry outlook of the business of the Group

As depicted from the above tables, the revenue of the Group was substantially derived from the P2P Financing Business, accounting for approximately 88.3% and 75.7% of the total revenue of the Company for the FY2016 and 6-month 2017, respectively. Despite the satisfactory segment results for the FY2016 and 6-month 2017, it is disclosed in the 2017 Interim Results Announcement that the Group is of the view that the strong profit-making ability of this segment may or may not be sustainable in the future as the P2P lending industry is on the consolidation phase.

We noted that, on 24 August 2016, China Banking Regulatory Commission, Ministry of Industry and Information Technology, Ministry of Public Security and China Internet Network Information Office of the PRC jointly issued the Interim Measures on Administration of the Business Activities of Peer-to-Peer Lending Information Intermediaries (the "**Interim Measures**") (《網絡借貸信息中介機構業務活動管理暫行辦法》), which clearly defined the regulatory and operational requirements for P2P operators in China. With the introduction of principles under the Interim Measures such as specific borrowing caps, the PRC government authorities set out a clear objective to limit P2P lending to small-size transactions. Under the Interim Measures, the total amount that an individual can borrow on a single platform must not exceed RMB200,000, and RMB1 million on multiple platforms. The respective caps for a corporate entity are RMB1 million and RMB5 million. Based on the above, we consider that the business environment and the growth on P2P lending industry in China will be affected in the short run given the restriction on daily transactions limits, resulting in the uncertainties on the P2P lending industry in the short run. However, in long run, we consider that the small-scale lending on the P2P lending platform could diversify the risk of default in repayment of the borrowers, which could sustain a healthy growth of the P2P Financing Business of the Company.

Being promulgated by the State Council of the PRC on 13 October 2016, the Implementation Plan for Special Regulation on Internet Financial Risk (the "**Implementation Plan**") (《互聯網金融風險專項整治工作實施方案》) aims to standardise the regulation and supervision of the online finance sector by balancing the often competing goals of protecting consumers and encouraging financial innovation. One of the major regulatory objectives of the Implementation Plan in relation to the P2P platform is to prohibit P2P and crowdfunding platforms from various illegal activities such as illegal fundraising activities, making false and misleading claims, etc. The Implementation Plan also requires these platforms to segregate client funds in third party depository institutions. As such, we consider that the Implementation Plan could rebuild the regulatory concept of internet finance, leading the P2P lending industry to the consolidation phase. In this regard, the risk of the P2P platform is greatly reduced under the risk rectification work, which enhances the consumers' confident in the P2P lending platform.

We have also conducted research for the relevant statistics as regards to the P2P financing industry. We noted from the website of the National Internet Finance Association of China ("**NIFA**") (http://www.nifa.org.cn) (which is a national internet finance industry organization authorised by the General Office of the State Council of the PRC), NIFA had set up the Statistical Analysis Professional Committee in November 2016. Wangdaizhijia (網貸之家) (which is a statistics provider in the PRC for the P2P financing industry) is approved by NIFA, as a member of the Statistical Analysis Professional Committee (amongst other members including Financial Inclusion Affairs Department of China Banking Regulatory Commission, Department of Market Supervision of China Securities Regulatory Commission, etc.), to analyse and discuss internet loan industry affairs, including but not limited to, assisting NIFA to conduct researches and analyze data regarding the internet loan industry, study and formulate the analysis standards and regulations of the internet loan industry, and releasing industry information. In view of the authoritativeness of NIFA, we cast no doubt on the credibility of the statistics regarding the P2P financing industry from Wangdaizhijia. According to the statistics published on the website of Wangdaizhijia (www.wdzj.com), the monthly transaction volume of P2P lending industry as of August 2017 in the PRC amounted to RMB249.6 billion. The total transaction volume in the PRC for the eight months ended 31 August 2017 has increased by 56.1% as compared to that for the eight months ended 31 August 2016, reflecting the overall growth of the P2P lending industry in the PRC in 2017 as compared to 2016. The following chart sets forth the monthly number of P2P platform and the monthly transaction volume of P2P lending industry in the PRC.



Source: *the website of Wangdaizhijia (www.wdzj.com)*

The satisfactory segment results of the Group for the FY2016 and 6-month 2017 is in line with the overall increase in the monthly transaction volume of P2P lending industry in the PRC from January 2016 to June 2017. As set out in the 2017 Interim Results Announcement, the Group would continue developing the business of provision of other loan facilitation services, which has been generating satisfactory income to the Group, in order to maintain profitability in this segment. Save for the P2P Financing Business, it is disclosed that Money Lending Business will also continue to be one of the major business segments of the Group and contribute stable interest income to the Group. The Group will further develop this business segment, diversify the customer portfolio and seek new opportunities to cooperate with its business partners.

Conclusion

In summary, despite the uncertainties on the P2P lending industry due to stringent requirement, in particular, the restriction on daily transactions limits, as a result of the Interim Measures and the Implementation Plan in the short run, we consider that the implementation of the Interim Measures and the Implementation Plan are an important development towards the maturing of P2P platform in the PRC which could enhance the consumers' confidence in the P2P lending services on the P2P platforms in the form of stringent regulatory requirements of internet finance. As such, we consider that the implementation of the Interim Measures and the Implementation Plan can build a solid foundation on China's P2P lending industry and hence would be beneficial to the P2P Financing Business of the Group in the long run. Further, in light of the consolidation phase of the P2P lending industry, the Group will further diversify the customer portfolio and seek new opportunities to cooperate with its business partners. Moreover, as reflected by the segment revenue of the P2P Financing Business of the Company for the 6 months ended 30 June 2017 as disclosed in the 2017 Interim Results Announcement, we noted that the Company maintained the revenue at the level comparable to the corresponding period in 2016. As such, we consider the uncertainties on the P2P lending industry due to stringent requirement as a result of the Interim Measures and the Implementation Plan in the short run had not posed a material adverse impact on the P2P Financing Business of the Group for the 6 months ended 30 June 2017. In spite of the restriction on daily transactions limits, we are of the view that the demand for the P2P lending services will increase in long run owing to the increasing consumers' confidence with the risk rectification work under the Implementation Plan. Accordingly, the P2P Financing Business of the Group may thus be benefited from the increasing demand for the P2P lending services in the future.

In view that (i) the Group has been profit-making for the FY2016 and 6-month 2017, which is mainly attributable to the P2P Financing Business, and (ii) the implementation of the Interim Measures and the Implementation Plan may be beneficial to the P2P Financing Business of the Group in the long run, we are optimistic about the prospect on the business of the Group.

2. Information of the Offeror and the Offeror's intentions regarding the future of the Company

i. Information of the Offeror

Reference is made to the section headed "4. Information of the Offeror" in the "Letter from Kingston Securities" of the Offer Document.

The Offeror, Huarong Financial Services Asset Management L.P., a Cayman Islands limited partnership, is a private equity fund organised for the purpose of investing in listed companies which are principally engaged in online financing. The committed fund size of the Offeror is approximately HK$756.0 million. The general partner of the Offeror is Huarong International Capital Limited (the "**General Partner**"), which is a Cayman Islands exempted limited liability company. As at the Latest Practicable Date, the directors of the General Partner were Mr. Bai Tianhui and Mr. Li Jiuhua. The General Partner is wholly-owned by China Huarong International Holdings Limited ("**China Huarong International**"), an investment holding company which is in turn held as to 88.1% by Huarong Real Estate Co., Ltd. ("**Huarong Real Estate**") and as to 11.9% by Huarong Zhiyuan Investment & Management Co., Ltd. ("**Huarong Zhiyuan**"). China Huarong International is the international platform of China Huarong (as defined below) and its management is substantially independent of China Huarong. Each of Huarong Real Estate and Huarong Zhiyuan is wholly-owned by China Huarong Asset Management Co., Ltd., the shares of which is listed on the Stock Exchange (stock code: 2799) ("**China Huarong**"). China Huarong is principally engaged in providing financial asset management in the PRC, including distressed asset management, financial services and asset management and investment. The board of directors of China Huarong comprises Mr. Lai Xiaomin and Mr. Wang Lihua as executive directors; Mr. Wang Keyue, Mr. Li Yi, Ms. Wang Cong, Ms. Dai Lijia and Mr. Zhou Langlang as non-executive directors; Mr. Song Fengming, Mr. Tse Hau Yin, Mr. Liu Junmin and Mr. Shao Jingchun as independent non-executive directors.

On 30 September 2016, the Former Limited Partner entered into the FLP Transfer. The FLP Transfer was completed on 30 September 2016. The Offeror received an irrevocable undertaking (the "**FLP Undertaking**") from the Former Limited Partner that he shall not deal in any Shares from the date of the FLP Undertaking up to the date falling on the sixth month after the end of the Offer Period in respect of the Offer, and shall ensure compliance with the Takeovers Code for the purposes of the Offer.

Following the FLP Transfer, given that (i) the Offeror has not been acquainted with the Former Limited Partner before soliciting him as a limited partner of the Offeror and after the FLP Transfer, the Former Limited Partner has had no further relationship with the Offeror; (ii) the Offeror had no whatsoever influence or ability to restrain the dealings of the Former Limited Partner other than the FLP Undertaking; (iii) save for the FLP Undertaking, there were no other agreement or understanding (whether formal or informal) entered into between the Offeror and the Former Limited Partner after the FLP Transfer; (iv) the Former Limited Partner has no longer been in any role working with the Offeror to obtain or consolidate "control" of the Company; and (v) the Former Limited Partner no longer falls under the definition of "presumed parties acting in concert" under the Takeovers Code, the Former Limited Partner ceased to be a party acting in concert with the Offeror since its cessation as a limited partner of the Offeror upon completion of the FLP Transfer on 30 September 2016.

The Offeror is the purchaser in the Sale and Purchase Agreement. The Sale and Purchase Agreement was completed on 31 August 2017. As at the Latest Practicable Date, the Offeror was interested in 2,128,560,000 Shares.

Save for (i) the 2,128,560,000 Shares held by the Offeror; (ii) the 4 Shares held by Kingston Securities; (iii) 580,659,755 Shares which remained to be held by the Shares Vendor, and the Shares Vendor's interests in the Convertible Notes (as amended by the CN Modification Deed), none of the Offeror and parties acting in concert with it held any securities of the Company.

ii. Offeror's intentions on the Company

Upon the Sale and Purchase Completion, the Offeror became the controlling shareholder of the Company. As stated in the section headed "5. Intentions of the Offeror in relation to the Group" in the "Letter from Kingston Securities" of the Offer Document, the Offeror will, following completion of the Offer, conduct a detailed review of the operations of the Group with a view to developing corporate strategy to broaden its income stream, which may include expansion of the scope of business of the Group should appropriate opportunities arise. As at the Latest Practicable Date, the Offeror has no intention, agreement or negotiation to introduce any major changes to the business of the Group (including disposal or downsize of existing business and acquisition of new business) or to dispose of or re-deploy the major operating assets of the Group, other than in the ordinary course of business of the Group, following completion of the Offer. Save for the proposed change of board composition, the Offeror does not intend nor does it have any existing plans to terminate the employment of any of the employees or other personnel of the Company.

As stated in the section headed "Information of the Offeror and the intentions on the Company" in the Letter from the Board of this Response Document, the Board is aware of the Offeror's intentions in relation to the Group and is willing to render co-operate with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

As set out above, we believe that the nature of business of the Company will not have material change as the Offeror has no intention, agreement or negotiation to introduce any major changes to the business of the Group as at the Latest Practicable Date. However, formulation of business plans and strategies based on the Offeror's review on the operations of the Group following completion of the Offer, if any, may provide uncertainties for the Company's future prospect.

iii. Proposed change of Board composition

The Board is currently made up of eleven Directors, comprising six executive Directors, two non-executive Directors and three independent non-executive Directors. It is expected that after completion of the Offer, four executive Directors including Mr. Huang Chuan Fu, Mr. Liang Jian Hua, Ms. Jia Hui and Mr. Jiang Yi Ren will resign. Such resignations will not take effect earlier than the date of the close of the Offer. The Offeror intends that Mr. Wong Chun Hung, Mr. Zheng Zhen and Mr. To Langa Samuelson will remain as independent non-executive Directors and all the terms and conditions of their appointment will remain unchanged. Please refer to the announcement of the Company dated 7 September 2017 for the biographical details of the new Directors proposed by the Offeror.

Save for the changes in the Board composition, the Offeror has no intention to (i) discontinue the employment of the employees of the Group; or (ii) re-deploy the assets of the Group other than those in its ordinary and usual course of business.

iv. Public float and maintenance of the Listing Status of the Company

As set out to the paragraph headed "6. Compulsory acquisition and maintaining the listing status of the Company" in the "Letter from Kingston Securities" of the Offer Document, the Offeror does not intend to avail itself of any powers of compulsory acquisition in respect of the Company. The Offeror intends that the Company will remain listed on the Stock Exchange after the close of the Offer.

The Offeror will, together with the Company, use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than 25% of the entire issued share capital in the Company be held by the public in compliance with the Listing Rules. The directors of the General Partner and the new Director(s) being appointed have jointly and severally undertaken to the Stock Exchange to take appropriate steps following the close of the Offer to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon completion of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

3. Offer Price

The Offer is being made by Kingston Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the terms and conditions set out in the Offer Document and the Form of Acceptance on the following basis:

For each Offer Share . . . . HK$0.30 in cash

The Offer Price of HK$0.30 per Offer Share represents and equals to the highest purchase price per Share paid by the Offeror and parties acting in concert with it (due to purchases of the Shares made by the Former Limited Partner, who was a party acting in concert with the Offeror when the Former Limited Partner was a limited partner of the Offeror which ceased following the FLP Transfer) during the six months prior to commencement of the Offer Period pursuant to Rule 26.3 of the Takeovers Code.

As at the Latest Practicable Date, the Company has 3,870,102,650 Shares in issue and outstanding Convertible Notes in the principal amount of HK$2,182,400,000. Save for the aforesaid, the Company does not have any outstanding options, derivatives, warrants, or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Offer Shares to be acquired under the Offer shall be free from all Encumbrances and together with all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date on which the Offer is made, being the date of this Response Document. The Offer is extended to all Shareholders other than the Offeror in accordance with the Takeovers Code.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

Comparisons of value

The Offer Price of HK$0.3 per Offer Share represents:

(a) a discount of approximately 48.28% to the closing price of the Shares of HK$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 46.24% to the average closing price of the Shares of approximately HK$0.558 per Share for the five consecutive Trading Days immediately prior to and including the Last Trading Day;

(c) a discount of approximately 45.55% to the average closing price of the Shares of approximately HK$0.551 per Share for the 10 consecutive Trading Days immediately prior to and including the Last Trading Day;

(d) a discount of approximately 41.18% to the average closing price of the Shares of approximately HK$0.51 per Share for the 30 consecutive Trading Days immediately prior to and including the Last Trading Day;

(e) a discount of approximately 26.83% to the closing price of the Shares of HK$0.41 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

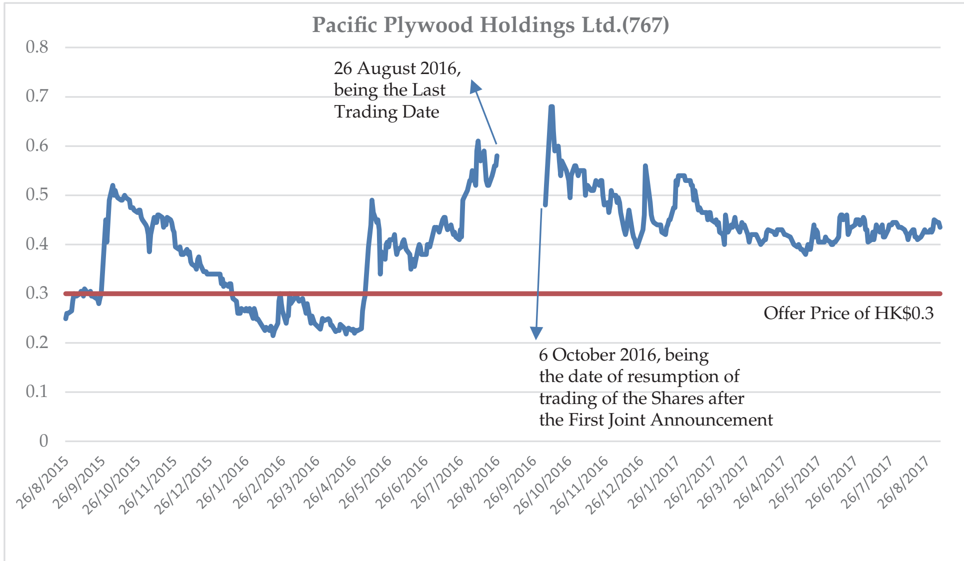
(f) a discount of approximately 72.73% to the unaudited consolidated net assets value attributable to equity holders of the Company of approximately HK$1.10 per Share as at 30 June 2017 and 3,870,102,650 Shares in issue as at the Latest Practicable Date;

(g) a discount of approximately 71.43% to the audited consolidated net assets value attributable to equity holders of the Company of approximately HK$1.05 per Share as at 31 December 2016 and 3,870,102,650 Shares in issue as at the Latest Practicable Date.

4. Historical Share price performance and trading liquidity

i. Historical Share price performance

Set out below is the chart showing the movement of the closing prices of the Shares (the "**Closing Price**") as quoted on the Stock Exchange during the period from 26 August 2015 (approximately one year before the Last Trading Day, being 26 August 2016) to 5 October 2016 (the date of the First Joint Announcement) with both dates inclusive (the "**Pre-Announcement Period**"), and from 6 October 2016 to the Latest Practicable Date (the "**Post-Announcement Period**" together with the Pre-Announcement Period, the "**Review Period**").



Source: *Stock Exchange*

Note: Trading of the Shares was suspended during the periods of 5 July 2016 and 29 August 2016 to 5 October 2016.

We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the recent trend of the closing price of the Shares and the Offer Price.

Pre-Announcement Period

As illustrated in the above chart, the closing price of the Shares was HK$0.249 per Share on 26 August 2015 at the beginning of the Review Period. The closing price of the Shares then gradually increased to its peak of HK$0.52 per Share on 5 October 2015, representing approximately two times of the closing price of the Share on 26 August 2015. As advised by management of the Company, the Company was not aware of any reasons for such turnaround and the rising trend of the Shares. Since then, the closing price of the Shares demonstrated a downward trend and reached the bottom of HK$0.215 per Share on 18 February 2016, which was the lowest closing price recorded throughout the Review Period. Since 18 February 2016 and up to 3 May 2016, the closing prices of Shares had been generally fluctuating between the closing price of HK$0.218 per Share and HK$0.3 per Share. On 4 May 2016, the closing price of the Shares had commenced to surge gradually to the peak at HK$0.49 per Share on 12 May 2016. One of the reasons may be the market speculation due to an announcement made by the Company on 6 May 2016 as regards to the inside information of the possible change in control of the Company.

Post-Announcement Period

Subsequent to the fluctuation of the closing price of the Share during the period from 13 May 2016 to 25 August 2016, the Shares closed at HK$0.58 per Share on the Last Trading Day. Upon the resumption of trading in the Shares on 6 October 2016, the closing prices of the Shares dropped to HK$0.48 on 6 October 2016. Following the drop, the closing price of the Shares rebounded to HK0.68 per Share on 11 October 2016, being the highest closing price during the Review Period. Such substantial surge in the Share price after the release of the First Joint Announcement might be due to the market speculation on the Group's prospects as a result of the First Joint Announcement. The closing price of the Share showed a general downward trend thereafter.

In addition, we noticed that the Offer Price was lower than the closing price of the Shares most of the time for the Review Period, for 378 out of the 497 trading days since 26 August 2015. The lowest and highest closing price of the Shares during the Review Period was HK$0.215 per Share recorded on 18 February 2016 and HK$0.68 per Share recorded on 11 October 2016 and 12 October 2016 respectively, with an average closing price during the Review Period of approximately HK$0.41. The Share Offer Price represents (i) a premium of approximately 39.5% over the lowest closing price; (ii) a discount of approximately 55.9% to the highest closing price; and (iii) a discount of approximately 27.3% to the average closing price during the Review Period.

Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the price of the Shares may increase or decrease from its closing price as at the Last Practicable Date.

Having taken into account the historical closing price of the Shares during the Review Period and the fact that the Offer Price (i) is below closing price of the Shares for most of the time during the Review Period; and (ii) represents a discount of approximately 27.3% to the average closing price during the Review Period, we have come to the opinion that the Offer Price is unattractive and is not fair and reasonable so far as the Independent Shareholders are concerned. Nevertheless, there is no assurance that the closing price of the Shares will continue to rise or be maintained at a level equal to or above the Offer Price after the Latest Practicable Date or after the close of the Offer. We would remind the Independent Shareholders and, in particular those who may wish to realise their investments in the Shares, to monitor closely the market price of the Shares during the Offer Period.

ii. Trading liquidity

The table set out below is the historical trading volume of the Shares during the Review Period.

	Number of trading days of the Shares	Total monthly trading volume of Shares for the month/ period	Average daily trading volume of Shares for the month/ period *(Note 1)*	Total number of issued Shares at month end *(Note 2)*	Percentage of average daily trading volume of Shares to the total issued Shares
2015					
August	21	230,935,215	10,996,915	2,782,102,650	0.3953%
September	20	325,793,942	16,289,697	2,782,102,650	0.5855%
October	20	314,936,394	15,746,820	2,782,102,650	0.5660%
November	21	90,226,671	4,296,508	2,782,102,650	0.1544%
December	22	72,267,054	3,284,866	2,782,102,650	0.1181%
2016					
January	20	56,043,627	2,802,181	2,782,102,650	0.1007%
February	18	137,672,947	7,648,497	2,782,102,650	0.2749%
March	21	131,755,893	6,274,090	2,782,102,650	0.2255%
April	20	63,873,818	3,193,691	2,782,102,650	0.1148%
May	21	676,348,487	32,207,071	3,870,102,650 *(Note 4)*	0.8322%
June	21	102,275,177	4,870,247	3,870,102,650	0.1258%
July	19	174,713,250	9,195,434	3,870,102,650	0.2376%
August	19	453,000,071	23,842,109	3,870,102,650	0.6161%
September *(Note 3)*	0	N/A	N/A	3,870,102,650	N/A
October	16	354,895,027	22,180,939	3,870,102,650	0.5731%
November	22	97,026,574	4,410,299	3,870,102,650	0.1140%
December	20	362,944,047	18,147,202	3,870,102,650	0.4689%
2017					
January	19	101,732,746	5,354,355	3,870,102,650	0.1384%
February	20	107,461,187	5,373,059	3,870,102,650	0.1388%
March	23	138,649,776	6,028,251	3,870,102,650	0.1558%
April	17	89,239,463	5,249,380	3,870,102,650	0.2218%
May	20	171,652,375	8,582,619	3,870,102,650	0.2218%
June	22	111,867,142	5,084,870	3,870,102,650	0.1314%
July	21	60,989,438	2,904,259	3,870,102,650	0.0750%
August	22	22,474,652	1,021,575	3,870,102,650	0.0264%
September (up to the Latest Practicable Date)	12	33,609,931	2,800,828	3,870,102,650	0.0724%

Source: Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.

3. The trading in the Shares of the Company on the Stock Exchange was suspended from 29 August 2016 to 5 October 2016 pending the release of an announcement by the Company regarding the Revised Special Deals.

4. A total of 1,088,000,000 new Shares are issued and allotted to Allied Summit due to its exercise of the conversion rights attached to the convertible notes in the aggregate amount of HK$217,600,000 held by Allied Summit at the conversion price of HK$0.2 per Share.

As illustrated in the above table, the average daily trading volume of the Shares as a percentage of the total issued Shares ranged from approximately 0.0264% to approximately 0.8322% during the Review Period.

We consider that the trading volume of the Shares has been thin as a whole during the Review Period. Since the Shares are illiquid, the disposal of large block of Shares held by the Shareholders in the open market may trigger a fall in the price of the Shares. There is no guarantee that the Independent Shareholders will be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price which is substantially higher than the Offer Price. As such, we consider that the Share Offer provides an alternative exit route for Independent Shareholders who would like to realise their investments in the Shares.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market or are able to identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer and selling their Shares in the open market and/or, to such potential purchaser(s) having regard to their own circumstances. In this case, the net proceeds from the sale of their Shares may exceed the net amount receivable under the Offer.

Accordingly, the Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group, the intentions of the Offeror in relation to the Company in the future, and the potential difficulties the Independent Shareholders may encounter in disposing of their investments in the Shares after the close of the Offer.

5. Comparable analysis

Price-to-earnings ratio ("**P/E Ratio**") and price-to-book ratio ("**P/B Ratio**") are the most commonly used benchmarks in valuing a company as the data for calculating the ratios can be obtained fairly and directly from publicly available information and reflect the value of the companies determined by the open market. P/B Ratio is generally useful for evaluating the value of companies engaging in capital-intensive businesses or financial businesses with plenty of assets on books and is not meaningful for service-based companies with few tangible assets. As the Group is principally engaged in the P2P Financing Business and Money Lending Business and its business model is service-based and tangible asset-light, we consider the comparison of the P/B Ratio may not be meaningful and indicative. As to the P/E Ratio, based on the fact that (i) the Group has been profit-making for the FY2016; and (ii) the Group has recorded a profit attributable to the owners for the 6-month 2017, being approximately 7.8% higher than the corresponding period in 2016, which substantiates that the Group could maintain the profit-making position for the first half year in 2017, we consider the P/E Ratio analysis is appropriate.

As illustrated in the section headed "1. Financial information of the Group and industry outlook" in this letter, the Group derived its revenue substantially from the P2P Financing Business and Money Lending Business for the FY2015, FY2016 and 6-month 2017. Accordingly, we have attempted to identify the companies which are (i) listed on the Stock Exchange; (ii) principally engaged in P2P financing business and/or money lending business, with over 70% revenue generated from loan interest income and/or loan facilitation service income; and (iii) with market capitalisation below HK$5 billion given the Company's market capitalisation as at the Latest Practicable Date being approximately HK$1.6 billion which is classified as the small capitalisation company. Based on the aforesaid selection criteria, we have, to our best knowledge and efforts, identified the following 5 comparable companies (the "**Comparable Companies**"), which represent an exhaustive list of comparable companies identified on the Stock Exchange's website based on the above said criteria. Although the Comparable Companies may exhibit differences such as operations, financial positions, market capitalisation, trading prospect, target market, product mix and capital structure as compared with the Company, we consider that the Comparable Companies, in general, serve as fair and representative samples for the purpose of comparison with the Company since the Comparable Companies are selected by the abovementioned criteria and thus encountering comparable business risks and opportunities.

The table set out below shows the respective P/E Ratio of the Comparable Companies:

The Comparable Companies (Stock code)	**Principal Business**	**Market Capitalisation as at the Latest Practicable Date**	**Profit attributable to owners**	**P/E Ratio**
		(Note 1)	*(Note 2)*	*(Note 3)*
		HK$	*HK$*	*times*
Hong Kong Finance Group Ltd. (1273)	Money lending business of providing property mortgage loans in Hong Kong.	340,300,000	46,299,000	7.35
China Financial Services Holdings Ltd. (605)	Provision of integrated short-term financing services, comprising short-term financing, loan guarantee services and related management and consultancy services.	2,839,045,009	329,958,000	8.60
Public Financial Holdings Ltd. (626)	Provision of retail & commercial banking & lending services, stockbroking, letting of investment properties, provision of financing to purchasers of taxi & public light buses, trading of taxi cabs & taxi licences & leasing of taxis.	3,930,545,072	406,561,000	9.67
Emperor Capital Group Ltd. (717)	Provision of securities, options, futures, insurance & other wealth management products broking services; margin financing & money lending services; placing & underwriting services; corporate finance advisory; & asset management services.	4,718,592,007	525,621,000	8.98

The Comparable Companies (Stock code)	Principal Business	Market Capitalisation as at the Latest Practicable Date *(Note 1)* *HK$*	Profit attributable to owners *(Note 2)* *HK$*	P/E Ratio *(Note 3)* *times*
China Huirong Financial Holdings Ltd. (1290)	Provision of comprehensive financing service in the PRC.	1,240,536,770	44,057,745 *(Note 4)*	28.16
			Average	**12.55**
			Maximum	**28.16**
			Minimum	**7.35**

		Implied market capitalisation *(Note 5)*	Profit attributable to owners of the Company	Implied P/E Ratio *(Note 6)*
Company	**Operation of P2P financing platform and other loan facilitation services, money lending and provision of credit**	**1,161,030,795**	**321,907,000**	**3.61**

Source: *Stock Exchange and the respective companies' latest annual reports*

Notes:

1. The market capitalisations are calculated as the closing price of the shares of the respective Comparable Companies multiplied by the corresponding number of issued shares as at the Latest Practicable Date.

2. The profit attributable to owners of the Comparable Companies/Company is extracted from their respective latest published annual reports.

3. The P/E Ratios are obtained by dividing the market capitalisation of the Comparable Companies as at the Latest Practicable Date by their respective profit attributable to owners of the Comparable Companies as extracted from their latest published annual reports.

4. The exchange rate of RMB1:HK$1.0993 as of 31 December 2016, the date of the respective annual report, being quoted from the Hong Kong Association of Banks, is used in the analysis.

5. The implied market capitalisation is calculated as the Offer Price multiplied by the corresponding number of issued shares as at the Latest Practicable Date.

6. The implied P/E Ratio of the Offer was obtained by dividing the implied market capitalisation (calculated in point (5) above) by the profit attributable to owners of the Company as extracted from 2016 Annual Report.

As shown above, the Comparable Companies were trading at the P/E Ratio ranging from approximately 7.35 times to approximately 28.16 times with an average of 12.55 times.

We note that the Offer Price amounts to an implied P/E Ratio of the Company of approximately 3.61 times, which is out of range and below the average P/E Ratio of the Comparable Companies. As the P/E Ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings, the low implied P/E Ratio of the Company as implied by the Offer Price means that the Company is under-valued at the Offer Price comparing to the Comparable Companies. Therefore, we are of the view that the Offer Price is not fair and reasonable to the Independent Shareholders.

6. Special Deals

Reference is made to the Special Deals Circular, in which we, as the independent financial adviser to the then independent board committee and the then independent shareholders of the Company in respect of the Revised Special Deals, had expressed our view on whether the Revised Special Deals, including the Proposed CN Amendments and the Right of First Offer and such transactions entered into by the Company or as contemplated under the Amended and Restated Sale and Purchase Agreement, are fair and reasonable as far as the Shareholders and the Company as a whole are concerned. As evaluated and discussed in the Special Deals Circular, we are of the opinion that the Revised Special Deals, in substance, would procure the Offeror to maintain its controlling shareholdings in the Company, minimising the disruption in the Group's business operations and development and therefore are fair and reasonable as far as the Shareholders and the Company as a whole are concerned. For details, please refer to the Special Deals Circular.

Pursuant to the Company's SGM poll results announcement dated 27 July 2017, the Shareholders who were not involved in nor interested in the Amended and Restated Sale and Purchase Agreement, the CN Modification Deed, the Right of First Offer and the New Business Model Proposal and the transactions contemplated therein approved the Revised Special Deals. The completion of (i) the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement; and (ii) the Revised Special Deals (i.e. the Proposed CN Amendments and the Right of First Offer and such transactions entered into by the Company or as contemplated under the Amended and Restated Sale and Purchase Agreement) took place on 31 August 2017.

As disclosed in the "Letter from the Board" in the Response Document, save for the Revised Special Deals as disclosed in the Special Deals Circular, there are no other agreements entered into or to be entered into between the Offeror and parties acting in concert with it on one hand and each of the Shares Vendor and parties acting in concert with them on the other hand which will constitute special deals under Rule 25 of the Takeovers Code.

We are of the view that the Revised Special Deals would not (i) change the business of the Company; and (ii) pose a material financial effect on the Company. As such, in assessing the whether the Offer is fair and reasonable and in the interests of the Company as a whole, save for all the principal factors and reasons for the Offer having been discussed above, we are not aware of other factors caused by the Revised Special Deals would have impact on the Offer.

RECOMMENDATION

Having considered the principal factors and reasons for the Offer, in particular that:

(i) the Offer Price represents a discount of approximately 48.28% to the closing price of the Shares of HK$0.58 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of 26.83% to the closing price of HK$0.41 per Share as at the Latest Practicable Date;

(ii) the Offer Price represents a discount of approximately 27.3% to the average closing price during the Review Period;

(iii) we are optimistic about the prospect on the business of the Group due to the fact that (i) the Group has been profit-making for the FY2016 and 6-month 2017, which is attributable to the P2P Financing Business; and (ii) the implementation of the Interim Measures and the Implementation Plan may be beneficial to the P2P Financing Business of the Group in the long run;

(iv) the implied P/E Ratio of the Company as implied by the Offer Price is out of range and lower than the average P/E Ratio of the Comparable Companies.

we consider the terms of the Offer are not attractive to the Independent Shareholders and therefore in this sense not fair and reasonable so far as the Independent Shareholders are concerned and advise the Independent Board Committee to recommend the Independent Shareholders not to accept the Offer.

Nevertheless, given that the trading volume in the Shares has been thin during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a large block of Shares in the open market without depressing the Share price. As such, we consider that the Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares.

Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or, by identifying potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they rather having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Offer.

Nonetheless, those Independent Shareholders who are optimistic about the future prospects of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

We would like to remind the Independent Shareholders that they should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intentions of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer.

Yours faithfully,
For and on behalf of
Royal Excalibur Corporate Finance Company Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Royal Excalibur Corporate Finance Company Limited and has over 19 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated statement of financial information of the Group for the three years ended 31 December 2014, 2015 and 2016 as extracted from the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016 respectively and the unaudited interim results of the Group for the six months ended 30 June 2016 and 2017 as extracted from the interim results announcement of the Company for the six months ended 30 June 2017.

The auditors of the Company for the year ended 31 December 2014, ZHONGLEI (HK) CPA Limited and each of the two years ended 31 December 2015 and 2016, Zenith CPA Limited, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the consolidated financial statements of the Group for each of the three years ended 31 December 2014, 2015 and 2016.

The Company had no items which are exceptional or extraordinary because of size, nature or incidence for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

	For the six months ended 30 June	For the year ended 31 December		
	2017	**2016**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Re-presented)
	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	215,934	555,386	102,490	65,165
Profit/(Loss) before tax	138,545	422,354	(143,875)	(20,022)
Income tax credit/(expense)	(38,885)	(89,290)	(5,963)	(6,899)
Profit/(Loss) for the year	99,660	333,064	(149,838)	(26,921)
Attributable to:				
Owners of the Company	94,649	321,907	(148,282)	(26,008)
Non-controlling interests	5,011	11,157	(1,556)	(913)
Earnings/(loss) per share attributable to ordinary equity holders of the parent				
– Basic	HK2.45 cents	HK9.40 cents	HK(5.33) cents	HK(0.93) cents
– Diluted	HK0.64 cents	HK2.18 cents	HK(5.33) cents	HK(0.93) cents
Dividend per Share	–	–	–	–

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	555,386	102,490
Cost of services		(781)	(1,418)
Gross profit		554,605	101,072
Other income and gains	5	53,422	77,100
Selling and distribution expenses		(15,030)	(9,943)
Administrative expenses		(147,473)	(72,775)
Other expenses		(23,170)	(239,230)
Interest on other loan		–	(99)
PROFIT/(LOSS) BEFORE TAX	6	422,354	(143,875)
Income tax expense	9	(89,290)	(5,963)
PROFIT/(LOSS) FOR THE YEAR		333,064	(149,838)
Attributable to:			
Owners of the parent		321,907	(148,282)
Non-controlling interests		11,157	(1,556)
		333,064	(149,838)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit/(loss) for the year	11	HK9.40 cents	HK(5.33) cents
Diluted			
– For profit/(loss) for the year		HK2.18 cents	HK(5.33) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
PROFIT/(LOSS) FOR THE YEAR		333,064	(149,838)
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value		(339,817)	430,367
Reclassification adjustments for gain/(loss) included in the consolidated statement of profit or loss			
– gain on disposal	*5*	(30,291)	(5,582)
– impairment losses	*15*	1,600	–
		(368,508)	424,785
Exchange differences:			
Exchange differences on translation of foreign operations		(16,473)	(1,507)
Reclassification adjustments for foreign operations disposal of during the year	*28*	(1,446)	–
		(17,919)	(1,507)
NET OTHER COMPREHENSIVE (LOSS)/INCOME TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(386,427)	423,278
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		(53,363)	273,440
Attributable to:			
Owners of the parent		(64,164)	273,676
Non-controlling interests		10,801	(236)
		(53,363)	273,440

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	12	2,908	17,802
Goodwill	13	2,182,663	2,182,663
Intangible assets	14	–	1,194
Available-for-sale investments	15	718,465	1,127,088
Total non-current assets		2,904,036	3,328,747
CURRENT ASSETS			
Loan and interest receivables	16	878,079	555,180
Trade and other receivables	17	5,638	55,419
Available-for-sale investments	15	–	41,672
Tax recoverable		5,549	2,174
Cash and cash equivalents	18	348,357	197,059
Total current assets		1,237,623	851,504
CURRENT LIABILITIES			
Other payables and accruals	19	13,333	21,967
Tax payable		47,179	22,628
Total current liabilities		60,512	44,595
NET CURRENT ASSETS		1,177,111	806,909
TOTAL ASSETS LESS CURRENT LIABILITIES		4,081,147	4,135,656
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	78	304
Net assets		4,081,069	4,135,352
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	3,870	2,782
Reserves		4,059,704	4,124,956
		4,063,574	4,127,738
Non-controlling interests		17,495	7,614
Total equity		4,081,069	4,135,352

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the parent											
	Share capital *HK$'000* *(note 22)*	Share premium account *HK$'000*	Share option reserve *HK$'000* *(note 23)*	Available-for-sale investment revaluation reserve *HK$'000*	Contributed surplus *HK$'000*	PRC statutory reserve *HK$'000* *(note 24)*	Exchange fluctuation reserve *HK$'000*	Equity component of convertible notes *HK$'000*	Retained profits/ (accumulated losses) *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2015	2,782	721,226	1,367	574,487	277,102	–	681	–	(65,479)	1,512,166	142	1,512,308
Loss for the year	–	–	–	–	–	–	–	–	(148,282)	(148,282)	(1,556)	(149,838)
Other comprehensive income/(loss) for the year:												
Available-for-sale investments:												
– Change in fair value	–	–	–	430,367	–	–	–	–	–	430,367	–	430,367
– Reclassification adjustments	–	–	–	(5,582)	–	–	–	–	–	(5,582)	–	(5,582)
Exchange differences related to foreign operations	–	–	–	–	–	–	(2,827)	–	–	(2,827)	1,320	(1,507)
Total comprehensive income/(loss) for the year	–	–	–	424,785	–	–	(2,827)	–	(148,282)	273,676	(236)	273,440
Issue of mandatory convertible notes *(note 20)*	–	–	–	–	–	–	–	2,341,896	–	2,341,896	5,796	2,347,692
Appropriation to statutory reserve	–	–	–	–	–	5,282	–	–	(5,282)	–	–	–
Capital injection	–	–	–	–	–	–	–	–	–	–	1,912	1,912
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(1,367)	–	–	–	–	–	1,367	–	–	–
At 31 December 2015 and 1 January 2016	2,782	721,226	–	999,272	277,102	5,282	(2,146)	2,341,896	(217,676)	4,127,738	7,614	4,135,352
Profit for the year	–	–	–	–	–	–	–	–	321,907	321,907	11,157	333,064
Other comprehensive loss for the year:												
Available-for-sale investments:												
– Change in fair value	–	–	–	(339,817)	–	–	–	–	–	(339,817)	–	(339,817)
– Reclassification adjustments	–	–	–	(28,691)	–	–	–	–	–	(28,691)	–	(28,691)
Exchange differences related to foreign operations	–	–	–	–	–	–	(12,372)	–	–	(12,372)	(4,101)	(16,473)
Adjustments relating to disposal of subsidiaries *(note 28)*	–	–	–	–	–	–	(5,191)	–	–	(5,191)	3,745	(1,446)
Total comprehensive (loss)/income for the year	–	–	–	(368,508)	–	–	(17,563)	–	321,907	(64,164)	10,801	(53,363)
Capital injection	–	–	–	–	–	–	–	–	–	–	1,000	1,000
Issue of new shares upon conversion of the mandatory convertible notes	1,088	211,244	–	–	–	–	–	(212,332)	–	–	–	–
Appropriation to statutory reserve	–	–	–	–	–	15,758	–	–	(15,758)	–	–	–
Disposal of subsidiaries *(note 28)*	–	–	–	–	–	–	–	–	–	–	(1,920)	(1,920)
At 31 December 2016	3,870	932,470*	–	630,764*	277,102*	21,040*	(19,709)*	2,129,564*	88,473*	4,063,574	17,495	4,081,069

* These reserve accounts comprise the consolidated reserves of HK$4,059,704,000 (2015: HK$4,124,956,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		422,354	(143,875)
Adjustments for:			
Bank interest income	5	(1,150)	(107)
Dividend income from available-forsale investments	5	(4,193)	(57,425)
Finance costs		–	99
Depreciation	6	4,339	1,268
Reversal of impairment of loan and interest receivables	5	–	(12,690)
Impairment of goodwill	6	–	239,000
Impairment of other receivables	6	1,941	–
Impairment of deposit for acquisition of logging concession	6	–	190
Impairment of available-for-sale investments	6	11,280	–
Gain on disposal of available-for-sale investments	5	(30,189)	(5,550)
Gain on disposal of subsidiaries	5	(16,201)	(198)
Loss on disposal of items of plant and equipment	6	9,949	40
		398,130	20,752
Increase in loan and interest receivables		(322,899)	(150,906)
Decrease in trade and other receivables		44,752	100,731
Increase in cash held on behalf of brokerage clients		(12,820)	–
Increase in account payable to brokerage clients		12,820	–
Decrease in other payables and accruals		(8,585)	(45,068)
Cash generated from/(used in) operations		111,398	(74,491)
Bank interest received		1,150	107
Interest paid		–	(99)
Hong Kong profits tax paid		(4,376)	(13,674)
PRC income tax paid		(18,278)	(359)
Withholding tax paid		(43,000)	–
Net cash flows from/(used in) operating activities		46,894	(88,516)

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		110,044	100,750
Dividend received from listed investments		–	47,815
Dividend received from unlisted investments		4,193	9,610
Purchases of available-for-sale investments		(10,013)	–
Acquisition of subsidiaries	26	–	59,221
Acquisition of assets and liabilities	27	487	–
Acquisition of intangible assets	14	(500)	–
Acquisition of other long term assets		(205)	–
Disposal of subsidiaries	28	17,889	190
Purchase of items of plant and equipment		(1,174)	(667)
Proceeds from disposal of items of plant and equipment		729	–
Net cash flows from investing activities		121,450	216,919
CASH FLOWS FROM FINANCING ACTIVITIES			
New other loans		–	25,000
Repayment of other loans		–	(25,000)
Capital injection from a non-controlling shareholder		1,000	1,912
Net cash flows from financing activities		1,000	1,912
NET INCREASE IN CASH AND CASH EQUIVALENTS		169,344	130,315
Cash and bank balances at beginning of year		197,059	67,734
Effect of foreign exchange rate changes, net		(18,046)	(990)
CASH AND CASH EQUIVALENTS AT END OF YEAR		348,357	197,059
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	239,735	197,059
Non-pledged time deposits with original maturity of less than three months when acquired	18	108,622	–
		348,357	197,059

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

Pacific Plywood Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered address of the Company is located at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal place of business of the Company is located at Units 3301– 03, 33/F, West Tower Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

During the year, the Group was in involved in the following principal activities:

- Operation of peer-to-peer ("**P2P**") financing platform under the "CAIJIA" brand and other loan facilitation services
- Money lending and provision of credit
- Securities investments
- Provision of corporate secretarial and consultancy services (disposed during the year)
- Forestry business (disposed during the year)

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Allied Summit Inc., which is incorporated in the British Virgin Islands ("**BVI**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best Harvest Asia Limited[6]	BVI/Hong Kong	United States Dollars ("**USD**") 1	100%	–	Securities trading
Joy Wealth Finance Limited	Hong Kong	Hong Kong Dollars ("**HK$**") 1	100%	–	Money lending
Pacific Vision Advisory Services Limited[5]	Hong Kong	HK$1	N/A	N/A	Provision for corporate secretarial and consultancy services
Profit Grand Enterprises Limited[1, 5, 6] ("**Profit Grand**")	BVI	USD170	N/A	N/A	Investment holding
I-Sky Natural Resources (PNG) Limited[1, 5, 6] ("**I-Sky Natural**")	Independent State of Papua New Guinea ("**PNG**")	Papua New Guinean Kina ("**PGK**") 100	N/A	N/A	Forestry business

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Huiju Wealth Management Consultant Company Limited# 3, 6	People's Republic of China ("**PRC**")	Renminbi ("**RMB**") 50,000,000	–	96%	Operation of an internet financing platform
Chongqing KangDingAo Financing Consulting Co. Limited# 2, 6	PRC	USD1,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Chengdu Subang Management Consulting Co. Limited# 2, 6	PRC	USD1,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Sheuyang Subang Management Consulting Co. Limited# 2, 6	PRC	RMB10,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Kunming Subang Enterprise Management Co. Limited# 3, 6	PRC	RMB6,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Shenzhen Subang Management Consulting Co. Limited# 3, 6	PRC	RMB10,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Wuxi Subang Management Consulting Co. Limited# 3, 6	PRC	RMB6,000,000	–	96%	Provision of services in relation to the promotion and application of the internet financing platform
Shanghai Yugong Financial Consulting Co., Limited# 3, 4, 6	PRC	RMB1,050,000	–	96%	Provision of loan facilitation services
Katar Global Limited6	BVI	USD1,000	–	96%	Provision of loan facilitation services

The English names of the Chinese entitles are translation of their Chinese names and are included herein for identification purpose only.

1. Those companies are non-wholly-owned subsidiaries of the Company and accordingly, are accounted for as subsidiaries by virtue of the Company's control over them.

2. These entities are registered as wholly-foreign- owned enterprises under PRC law.

3. These entities are registered as limited liability companies under PRC law.

4. This entity was incorporated during the year.

5. These entities were disposed during the year. Further details are included in note 28 to the financial statements.

6. Not audited by Zenith CPA Limited.

As at 31 December 2016, the Group is committed to make capital contributions as registered share capital to certain of its subsidiaries in the PRC of RMB8,900,000 and RMB5,000,000 by 12 October 2035 and 28 October 2065, respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain of equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full o n consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. T he Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) Amendments to HKAS 1 include narrow -focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue – based method for the calculation of depreciation of its non-current assets.

(c) The HKAS 27 (2011) Amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively. The amendments are not applicable to the Group's consolidated financial statements.

(d) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non – current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

- HKFRS 7 *Financial Instruments: Disclosures:* Clarifies that the disclosures in respect of the offsetting of financial assets and financial liabilities in HKFRS 7 are not required in the condensed interim financial statements, except where the disclosures provide a significant update to the information reported in the most recent annual report, in which case the disclosures should be included in the condensed interim financial statements. The amendments are not applicable to the Group's annual consolidated financial statements.

- HKFRS 7 *Financial Instruments: Disclosures:* Clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the HKFRS 7 disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments. The amendments have had no impact on the Group as the Group does not have any servicing contracts.

- HKAS 19 *Employee Benefits:* Clarifies that market depth of high quality corporate bonds used for discounting the post- employment benefit obligation for defined benefit plans is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment has had no impact on the Group as the Group does not have any defined benefit plans.

- HKAS 34 *Interim Financial Reporting:* Clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report. The amendment also specifies that the information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is not applicable to the Group's annual consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, 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 Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard upon adoption and expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for 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 structured approach for measuring and recognising revenue. The standard 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 bet ween periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 *Leases,* HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low- value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Leasehold improvement	Over the shorter of period of the lease terms and 20%
Furniture, fittings and equipment	20% to 33%
Motor vehicles	20%

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Purchased licenses and trading rights with infinite live are stated at cost less any impairment loss and no amortisation is provided.

Leases

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses for loans and receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available/for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available–for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income and gains in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or
- the 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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 Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the 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 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 the Group could be required to repay.

Impairment of financial assets

The 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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 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 other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment less than cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include other payables and receipt in advance.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement 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 statement of profit or loss.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to b e utilised. Unrecognised deferred tax asset s are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Income from the rendering of services, when the services are rendered;

(b) Realised fair value gains or losses on securities trading are recognised on a trade date basis whilst unrealised fair value gains or losses on securities with reference to the prices ruling at the end of the reporting period;

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

(d) Dividend income, when the shareholders' right to receive payment has been established.

Share-based payments

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless the fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the shares options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

Other employee benefits

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries of their payroll costs depending on the location of the subsidiaries of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 borrowing of funds.

Foreign currencies

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the 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 statements:

Consolidation of entities in which the Group holds less than a majority of voting rights

Profit Grand was a subsidiary of the Group despite the fact that the Group had only 30% equity interest of the Profit Grand and its subsidiary, I-Sky Natural (the "**Profit Grand Group**"). The Group obtained the control over the majority composition of the board of directors of Profit Grand and 51% of the total voting rights in the general meetings of Profit Grand, in which they control the relevant activities of the Group. After assessment, the directors concluded that the Group had control over the Profit Grand Group, which was disposed during the year.

Estimation uncertainty

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

Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognised movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2016, impairment loss of HK$11,280,000 have been recognised for available-for-sale investments (2015: Nil). Further details are given in note 15 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13 to the financial statements.

Impairment of loan and interest receivables

The Group establishes, through charges against the statement of profit or loss, impairment allowances in respect of estimated incurred loss in loan and interest receivables. The allowances consist of individual impairment allowances. The overall impairment allowances represent the aggregate amount by which the management considers necessary to write-down its loan portfolio in order to state it in the consolidated statement of financial position at its estimated net recoverable value.

In determining individual impairment allowances, management considers objective evidence of impairment. When loan receivable is impaired, an individual impairment allowance is assessed by a discounted cash flow method, measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors reassess the impairment at the end of each reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as follows:

(a) Loan facilitation services: operation of P2P financing platform under the CAIJIA brand and other loan facilitation services;

(b) Money lending: money lending and provision of credit for interest income;

(c) Securities investments: trading of securities and investment in long-term securities;

(d) Consultancy services: provision of corporate secretarial and consultancy services; and

(e) Forestry business: forest logging and harvesting.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, gain on disposal of subsidiaries and finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2016	**Loan facilitation services**	**Money lending**	**Securities investments**	**Consultancy services**	**Forestry business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue						
Revenue from external customers	490,662	64,374	–	350	–	555,386
Segment results	390,504	64,406	23,036	(1,376)	(5)	476,565
Reconciliation:						
Bank interest income						1,150
Gain on disposal of subsidiaries						16,201
Corporate and other unallocated expenses						(71,562)
Profit before tax						422,354
Other segment information included in consolidated statement of profit or loss						
Depreciation	3,984	12	–	–	–	3,996
Dividend income	–	–	(4,193)	–	–	(4,193)
Gain on disposal of available-for-sale investments	–	–	(30,189)	–	–	(30,189)
Impairment of available-for-sale investments	–	–	11,280	–	–	11,280
Impairment of other receivables	1,941	–	–	–	–	1,941
Loss on disposal of items of plant and equipment	9,949	–	–	–	–	9,949
Capital expenditure*	301	–	–	–	–	301

Year ended 31 December 2015	Loan facilitation services HK$'000	Money lending HK$'000	Securities investments HK$'000	Consultancy services HK$'000	Forestry business HK$'000	Total HK$'000
Segment revenue						
Revenue from external customers	34,740	66,457	–	1,293	–	102,490
Segment results	3,810	80,014	62,754	(3,823)	(243,948)	(101,193)
Reconciliation:						
Bank interest income						107
Gain on disposal of subsidiaries						198
Finance costs						(99)
Corporate and other unallocated expenses						(42,888)
Loss before tax						(143,875)
Other segment information included in consolidated statement of profit or loss						
Depreciation	1,007	–	–	–	–	1,007
Dividend income	–	–	(57,425)	–	–	(57,425)
Gain on disposal of available-for-sale investments	–	–	(5,550)	–	–	(5,550)
Impairment of deposit for acquisition of logging concession	–	–	–	–	190	190
Impairment of goodwill	–	–	–	–	239,000	239,000
Loss on disposal of items of plant and equipment	40	–	–	–	–	40
Reversal of impairment of loan and interest receivables	–	(12,690)	–	–	–	(12,690)
Capital expenditure*	18,584	–	–	–	–	18,584

* Capital expenditure consists of additions to plant and equipment including assets from the acquisition of subsidiaries.

31 December 2016	**Loan facilitation services**	**Money lending**	**Securities investments**	**Consultancy services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,441,052	889,234	781,170	–	4,111,456
Reconciliation:					
Tax recoverable					5,549
Corporate and other unallocated assets					24,654
Total assets					4,141,659
Segment liabilities	10,842	–	–	–	10,842
Reconciliation:					
Tax payable					47,179
Deferred tax liabilities					78
Corporate and other unallocated liabilities					2,491
Total liabilities					60,590

31 December 2015	**Loan facilitation services**	**Money lending**	**Securities investments**	**Consultancy services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	2,387,768	622,326	1,149,327	1,578	4,160,999
Reconciliation:					
Tax recoverable					2,174
Corporate and other unallocated assets					17,078
Total assets					4,180,251
Segment liabilities	17,247	–	–	81	17,328
Reconciliation:					
Tax payable					22,628
Deferred tax liabilities					304
Corporate and other unallocated liabilities					4,639
Total liabilities					44,899

Geographical information

	Revenue from external customers		Non-current assets	
	2016	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	62,606	67,750	679	1,947
Mainland China	492,780	34,740	2,184,892	2,199,712
	555,386	102,490	2,185,571	2,201,659

The revenue information is based on the location of customers. The non- current assets are based on the locations of the assets and exclude available -for-sale investments.

Information about major customers

Revenue of HK$284,766,000 (2015: HK$23,110,000) representing 51% (2015: 23%) of the Group's total revenue, were derived from loan facilitation services and money lending segments to three customers (2015: two customers), including services provided by a group of entities which are known to be under common control with these customers. A summary of revenue earned from each of these major customers and segments is set out below:

			2016	**2015**
	Loan facilitation services segment	**Money lending segment**	**Total**	**Money lending segment**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Customer A	147,500	–	147,500	N/A*
Customer B	N/A*	N/A*	N/A*	12,310
Customer C	N/A*	N/A*	N/A*	10,800
Customer D	69,449	–	69,449	N/A*
Customer E	67,500	317	67,817	N/A*
	284,449	317	284,766	23,110

* The corresponding revenue of these customers is not disclosed as they individually did not contribute over 10% of the Group's total revenue for the year.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) the net invoiced value of services rendered from operation of P2P financing platform under the CAIJIA brand and other loan facilitation services; (ii) gross proceeds from money lending and provision of credit; and (iii) gross proceeds from provision of corporate secretarial and consultancy services received and receivable during the year.

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Interest income from loan receivables	64,374	66,457
Loan facilitation services income	490,662	34,740
Consultancy services income	350	1,293
	555,386	102,490

		2016	2015
	Notes	*HK$'000*	*HK$'000*
Other income and gains			
Bank interest income		1,150	107
Reversal of impairment of loan and interest receivables	*16*	–	12,690
Dividend income from available-for-sale investments		4,193	57,425
Gain on disposal of available-for-sale investments (transfer from equity on disposal of HK$30,291,000 (2015: HK$5,582,000), net of transaction costs)		30,189	5,550
Gain on disposal of subsidiaries	*28*	16,201	198
Others		1,689	1,130
		53,422	77,100

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging:

	Notes	2016 HK$'000	2015 HK$'000
Cost of services provided		781	1,418
Depreciation	12	4,339	1,268
Impairment of goodwill*	13	–	239,000
Impairment of available-for-sale investments*		11,280	–
Impairment of other receivables*		1,941	–
Impairment of deposit for acquisition of logging concession*		–	190
Minimum lease payments under operating leases		19,720	5,854
Auditor's remuneration		1,500	1,500
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 7)*):			
– Wages and salaries		67,101	29,352
– Pension scheme contributions		13,653	5,743
		82,572	35,095
Foreign exchange differences, net		742	2,126
Loss on disposal of items of plant and equipment*		9,949	40

* Items are included in "other expenses" in the consolidated statement of profit or loss.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees	Salaries, allowances and benefits in kind	Pension scheme contribution	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2016:				
Executive directors:				
Mr. Huang Chuan Fu	–	–	–	–
Mr. Liang Jian Hua	–	–	–	–
Ms. Jia Hui	–	–	–	–
Mr. Jiang Yi Ren	–	–	–	–
	–	–	–	–
Independent non-executive directors:				
Mr. Wong Chun Hung	240	–	–	240
Mr. Zheng Zhen	120	–	–	120
Mr. To Langa Samuelson	120	–	–	120
	480	–	–	480
Chief executive:				
Ms. Yu Yang[1]	–	1,800	18	1,818
	480	1,800	18	2,298

	Fees
	HK$'000
2015:	
Executive directors:	
Mr. Huang Chuan Fu	–
Mr. Liang Jian Hua	–
Ms. Jia Hui	–
Mr. Jiang Yi Ren	–
	–
Independent non-executive directors:	
Mr. Wong Chun Hung	240
Mr. Zheng Zhen	120
Mr. Lau Yiu Tung[2]	19
Mr. To Lange Samuelson[3]	99
	478
	478

1 Appointed on 20 January 2016
2 Resigned on 27 February 2015
3 Appointed on 4 March 2015

There were no other emoluments paid or payable to the directors during the year (2015: Nil).

There were no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one chief executive (2015: none), details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining four (2015: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	6,276	3,072
Performance related bonus	2,054	2,879
Pension scheme contributions	90	90
	8,420	6,041

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

	Number of individuals	
	2016	**2015**
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	–	2
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$3,500,000	1	–
	4	5

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Subsidiaries established in the PRC are subject to the PRC corporate income tax at the standard rate of 25%, except for one of the subsidiaries was registered as an information services enterprise and subject to the PRC corporate income tax at a rate of 15% on its assessable profits for the seven years ended 31 December 2020.

Withholding tax represented withholding tax paid in respect of the Group's income from the provision of loan facilitation services to customers who were located outside Hong Kong.

	2016	**2015**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	–	5,580
Under/(over)-provision in prior years	1,002	(40)
	1,002	5,540
Current – PRC		
Charge for the year	44,559	423
Underprovision in prior years	955	–
	45,514	423
Withholding tax	43,000	–
Deferred *(note 21)*	(226)	–
Total tax charge for the year	89,290	5,963

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate of Hong Kong, where the Company is headquartered, to the tax expense are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Profit/(loss) before tax	422,354	(143,875)
Tax charged/(credit) at the Hong Kong statutory tax rate of 16.5%	69,688	(23,739)
Difference in tax rates of subsidiaries operating in other jurisdictions	14,783	(230)
Expenses not deductible for tax	2,061	40,449
Income not subject for tax	(43,134)	(10,423)
Tax losses not recognised	882	130
Under/(over)-provision in respect of prior years	1,957	(40)
Withholding tax	43,000	–
Others	53	(184)
Tax charge at the Group's effective rate of 21.1% (2015: -4.1%)	89,290	5,963

10. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

11. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,424,201,000 (2015: 2,782,102,000) in issue during the year.

The calculation of the diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings/(loss) per share are based on:

	2016 *HK$'000*	2015 *HK$'000*
Earnings/(loss):		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	321,907	(148,282)

	Number of shares 2016	2015
Shares:		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	3,424,201,000	2,782,102,000
Effect of dilution – weighted average number of ordinary shares:		
Mandatory convertible notes	11,357,901,000	–
	14,782,102,000	2,782,102,000

12. PLANT AND EQUIPMENT

31 December 2016	Leasehold improvement *HK$'000*	Furniture, fittings and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2015 and at 1 January 2016:				
Cost	11,355	10,428	778	22,561
Accumulated depreciation	(2,955)	(1,259)	(545)	(4,759)
Net carrying amount	8,400	9,169	233	17,802
At 1 January 2016, net of accumulated depreciation	8,400	9,169	233	17,802
Additions	90	1,084	–	1,174
Disposals	(5,992)	(4,686)	–	(10,678)
Disposal of subsidiaries *(note 28)*	–	(464)	(139)	(603)
Depreciation provided during the year *(note 6)*	(1,784)	(2,461)	(94)	(4,339)
Exchange realignment	(228)	(220)	–	(448)
At 31 December 2016, net of accumulated depreciation	486	2,422	–	2,908
At 31 December 2016:				
Cost	3,481	5,148	–	8,629
Accumulated depreciation	(2,995)	(2,726)	–	(5,721)
Net carrying amount	486	2,422	–	2,908

31 December 2015	Leasehold improvement *HK$'000*	Furniture, fittings and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 1 January 2015:				
Cost	2,500	740	778	4,018
Accumulated depreciation	(2,500)	(602)	(389)	(3,491)
Net carrying amount	–	138	389	527
At 1 January 2015, net of accumulated depreciation	–	138	389	527
Additions	95	572	–	667
Disposals	–	(40)	–	(40)
Acquisition of subsidiaries *(note 26)*	9,032	9,370	–	18,402
Depreciation provided during the year *(note 6)*	(455)	(657)	(156)	(1,268)
Exchange realignment	(272)	(214)	–	(486)
At 31 December 2015, net of accumulated depreciation	8,400	9,169	233	17,802
At 31 December 2015:				
Cost	11,355	10,428	778	22,561
Accumulated depreciation	(2,955)	(1,259)	(545)	(4,759)
Net carrying amount	8,400	9,169	233	17,802

13. GOODWILL

	Total
	HK$'000
At 1 January 2015:	
Cost	306,019
Accumulated impairment	(67,019)
Net carrying amount	239,000
Cost at 1 January 2015, net of accumulated impairment	239,000
Acquisition of subsidiaries *(note 26)*	2,182,663
Impairment during the year *(note 6)*	(239,000)
At 31 December 2015	2,182,663
At 31 December 2015:	
Cost	2,488,682
Accumulated impairment	(306,019)
Net carrying amount	2,182,663
Cost at 1 January 2016, net of accumulated impairment	2,182,663
Attributable to disposal of subsidiaries *(note 28)*	–
Cost and net carrying amount as at 31 December 2016	2,182,663
At 31 December 2016:	
Cost	2,182,663
Accumulated impairment	–
Net carrying amount	2,182,663

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash – generating units for impairment testing:

– Loan facilitation cash-generating unit (the "**Loan Facilitation CGU**"); and

– Forestry cash-generating unit (the "**Forestry CGU**").

Loan Facilitation CGU

The recoverable amount of the Loan Facilitation CGU has been determined by value in use approach adopted by BMI Appraisals Limited, an independent qualified valuer, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Average revenue growth rate of 3.11% (2015: 30.41%) with reference to the average performance in the past and the expected returns within the relevant industry;
- Discount rate of 17.43% (2015: 18.79%) is used with reference to the current market data for the relevant industry and comparable companies; and
- Terminal growth rate of 3% (2015: 3%) is used with reference to the PRC's average inflation rate in the past five years.

The values assigned to the above key assumption on market development of loan facilitation services industry, discount rates and inflation rate are consistent with external information sources.

Forestry GCU

In 2015, the Forestry GCU was attributable to the acquisition of 30% equity interest in the Profit Grand Group by Century Praise Limited, a 100% wholly-owned subsidiary of the Company. Profit Grand Group had been granted the right to operate sawmills, harvest trees and sell logs in the forest located in the PNG. Century Praise Limited and the Profit Grand Group were disposed of during the year.

Upon the completion of acquisition in 2012, the Group would intensively managed and operated their forest industry in a plot of land being Potion 643C Milinch of Goldie (NE) Kase (SE) Kokoda (SW) and Nisbet (NW) Fourmil of Monresby and Buna in the Central Province of PNG with the size of 65,800 hectares (the "**Project Area**"). Details of which the acquisition is set out in the Company's investment circular dated 29 February 2012.

Prior to the acquisition and on 30 May 2011, I-Sky Natural, a directly owned subsidiary of Profit Grand, had entered into a project agreement with Vabari Development Corporation Limited (the "**Landowners**") for a forest development project in which forest logs would be harvested for the purposes of sale and export and other related activities incidental to and arising out of the project in the Project Area (the "**Vabari Agro-Forestry Project**"). Pursuant to the project agreement, I-Sky Natural was going to acquire an agricultural lease, from the Landowners for a term of 99 years.

In order to conduct forestry business and to enjoy and exercise the logging concession in the PNG, I-Sky Natural was also required to apply for the Forest Clearance Authority granted by the Forest Authority of PNG ("**FCA**") regarding lawful permission to clear forest areas and harvest merchantable logs, and to prepare an Environment Impact Statement ("**EIS**") for the approval of Department of Environment and Conservation (the "**DEC**"), so as to granting the environmental permit ("**EP**") regarding the Project Area issued under the Environment Act 2000 of PNG.

The first DEC Council meeting had been held in July 2013 and after several amendments of the EIS report of the Vabari Agro-Forestry Project was finally accepted by the DEC Council in September 2013. The DEC Council then transmitted the Approval In Principle ("**AIP**") for endorsement by the DEC Minister (the "**Minister**") in September 2013. However, the AIP could not be granted before the end of 2013 despite of the continual request of the status, meeting the local officials and pressure from the Landowners.

In May 2014, the Secretary of the Landowners (the "**Secretary**") protested at the lobby of the DEC office for the unexplained delay in granting the EP. The action continued for three weeks but the Minister was busy at the PNG Parliament session and had not shown up.

In the meantime, the Secretary still kept on giving pressure to the DEC and finally they had the chance to meet the Secretary of the Minister at his office in October 2014. The Secretary had requested the meeting with the Minister but he replied that the Minister was busy and not available for the meeting. The Secretary then requested the granting of the AIP and the explanation of the unreasonable delay. The Secretary of the Minister advised that since all Special Agricultural and Business Leases were under the review of the Independent Review Committee, as a result, no AIP can be granted during that time.

In 2015, the Secretary had further submitted a AIP follow-up letter to the Minister's office and tried to make an appointment but was advised that the Minister was once again not available, and the officers could not give them a proper answer of the AIP status because no instruction was given by the Minister.

In the light of the foregoing, the directors considered that the aforesaid potential risks associated with the time required for obtaining relevant licenses become unreasonable and not optimistic that the application process could be finalised in the foreseeable future, also, the development of the Vabari Agro-Forestry Project were highly uncertain and difficult to predict accurately due to policy changes of the government as well as the changing political environment in PNG in which they were out of the Group's control. Accordingly, a full provision for impairment of HK$239,000,000 against the goodwill due to prolonged period of non-performance in the Forestry CGU, was charged to the consolidated statements of profit or loss during the year ended 31 December 2015.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Loan Facilitation CGU		**Forestry CGU**		**Total**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of goodwill	2,182,663	2,182,663	N/A	–	2,182,663	2,182,663

14. INTANGIBLE ASSETS

31 December 2016	**Trading rights** *HK$'000*	**Licence** *HK$'000*	**Total** *HK$'000*
Cost at 1 January 2016, net of accumulated amortisation	–	1,194	1,194
Additions	500	–	500
Disposal of subsidiaries *(note 28)*	(500)	(1,194)	(1,694)
At 31 December 2016	–	–	–
At 31 December 2016:			
Cost	–	–	–
Accumulated amortisation	–	–	–
Net carrying amount	–	–	–

31 December 2015	**Licence** *HK$'000*
Cost at 1 January 2015 and 31 December 2015, net of accumulated amortisation	1,194
At 31 December 2015 and 1 January 2016:	
Cost	1,194
Accumulated amortisation	–
Net carrying amount	1,194

The licence represented the licence plate which enable the vehicle to travel and hang licence plate in both PRC and Hong Kong. The licence was renewable every year at minimal cost and they were considered as having an indefinite useful life because it was expected to generate economic benefit to the Group indefinitely.

The trading rights represented the eligibility rights to trade on or through the Stock Exchange and had no foreseeable limit to the period over which the Group could use to generate net cash flows. As a result, the trading rights were considered by the management of the Group as had indefinite useful lives because they were expected to contribute to net cash inflows indefinitely.

During the year, the license and the trading rights were disposed and further details are set out in note 28 to the financial statements.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Non-current portion:		
Listed equity investments, at fair value	718,465	1,127,088
Current portion:		
Unlisted fund trust investments	–	41,672

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$339,817,000 (2015: gross gain of HK$430,367,000), of which HK$28,691,000 (2015: HK$5,582,000) was reclassified from other comprehensive income to the statement of profit or loss for the year.

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

There was a significant decline in the market value of certain listed equity investment during the year. The directors consider that such decline indicates that the listed equity investments have been impaired and an impairment loss of HK$11,280,000 (2015: Nil), which included a reclassification from other comprehensive income of HK$1,600,000 (2015: Nil), has been recognised in the statement of profit or loss for the year.

A s at 31 December 2015, the unlisted fund trust investments with a carrying amount of HK$41,672,000 were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that their fair value could not be measured reliably. The unlisted fund investments were matured during the year.

16. LOAN AND INTEREST RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Loan and interest receivables	878,079	555,180

The terms of loan entered with its customers are on credit. The credit period is generally within one year, extending up to two years, after monitoring assessment and further creditworthiness analysis on the debtors reviewed by senior management. The loan receivables carried at fixed interest rate ranging from 9% to 15% (2015: 10% to 36%) per annum. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's loan and interest receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group held collateral or other credit enhancements over its certain of its loan and interest receivable balances.

An aged analysis of the loan and interest receivables as at the end of the reporting period, based on the commencement of loan agreement entered and the date of interest income accrued, and net of provisions, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	145,026	74,046
30 to 90 days	93,026	360,825
91 to 180 days	91,208	–
181 to 365 days	230,561	39,413
Over 365 days	318,258	80,896
	878,079	555,180

The movements in provision for impairment of loan and interest receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	–	30,984
Impairment losses reversed *(note 5)*	–	(12,690)
Amount written off as uncollectible	–	(18,294)
	–	–

The aged analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	453,650	468,894
Less than 30 days past due	93,026	5,390
30 to 90 days past due	8,895	32,391
91 to 180 days past due	–	3,505
181 to 365 days past due	283,086	–
Over 365 days past due	39,422	45,000
	878,079	555,180

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that have a good track record to the Group and they were subject to collateral for listed shares, with a fair value of HK$63,600,000 (2015: HK$90,390,000); convertible notes issued by a listed company with fair value of HK$159,000,000 (2015: 253,500,000); and consumable goods with fair value of HK$48,000,000 (2015: Nil).

Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of those receivables that were past due but not impaired as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	670	40,791
Impairment	–	(60)
	670	40,731
Deposits	2,845	5,176
Prepayments	1,533	4,945
Other receivables *(note)*	590	4,567
	4,968	14,688
Total trade and other receivables	5,638	55,419

Note: Other receivables are either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 90 days for its trade receivables. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2016	2015
	HK$'000	*HK$'000*
Within 30 days	–	3,147
31 to 60 days	670	14,478
61 to 90 days	–	16,741
Over 90 days	–	6,365
	670	40,731

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	60	60
Impairment loss reversed	(60)	–
	–	60

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	–	101
Less than 30 days past due	670	3,147
30 to 90 days past due	–	14,377
Over 90 days past due	–	23,106
	670	40,731

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

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

18. CASH AND CASH EQUIVALENTS

	2016	2015
	HK$'000	*HK$'000*
Cash and bank balances	239,735	197,059
Time deposits	108,622	–
Cash and cash equivalents	348,357	197,059

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$144,440,000 (2015: HK$96,660,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for others currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rate based on daily bank deposit rates. Short term time deposits are made for period of seven days depending on the immediate cash requirements of the Group, and earn interests at the respective short term time deposits rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

19. OTHER PAYABLES AND ACCRUALS

	2016	2015
	HK$'000	*HK$'000*
Other payables	9,657	10,783
Accruals	3,676	11,120
Receipt in advance	–	64
	13,333	21,967

Other payables are non-interest-bearing and have an average term of one month.

20. MANDATORY CONVERTIBLE NOTES

On 20 October 2015, the Company issued zero coupon rate mandatory convertible notes with an aggregate principal amount of HK$2,400,000,000 ("**MCN**"), for the purpose of satisfying the consideration of HK$2,400,000,000 (subject to adjustment) pursuant to a sale and purchase agreement dated 20 May 2015 entered into between the Company, the controlling shareholder of the Company (the "**Vendor**") and the guarantor, to which the Company to acquire 96% equity interest of Katar Global Limited and its subsidiaries (collectively referred to as the "**Katar Global Group**").

The MCN bear no interest and will mature on 19 October 2020 (the "**Maturity Date**"). The Company may not redeem the MCN at its option while the holder of the MCN has the right to convert their MCN into shares of the Company at a conversion price of HK$0.2 per share at any time during the issue date to the Maturity Date, and the MCN is freely transferable by the holder of the MCN provided that they may not be transferred to any connected person of the Company without written consent of the Company and compliance of any applicable Listing Rules. Any outstanding MCN at the Maturity Date will automatically convert to shares of the Company.

The summarised information of the MCN is set out as follows:

Issuance date	20 October 2015
Maturity date	19 October 2020
Original principal amount	HK$2,400,000,000
Coupon rate	0%
Conversion price per ordinary share	HK$0.2

Further details regarding the principal terms and conditions of the MCN are contained in the circular of the Company dated 29 September 2015.

The MCN was classified under equity and no present value of the fixed interest payment was represented during the life of the MCN, therefore, no effective interest for the financial liability element being calculated. The acquisition of the Katar Global Group was completed on 20 October 2015 and on the completion date, the fair value of the MCN was HK$2,341,896,000, based on valuation performed by BMI Appraisals Limited, independent qualified valuer.

During the year, the MCN with a nominal value of HK$217,600,000 was converted into 1,088,000,000 ordinary shares of the Company at a conversion price of HK$0.2 per share. Immediately after the conversion, the outstanding principal amount of the MCN amounted to HK$2,182,400,000, with its fair value of HK$2,129,564,000 was included in equity component of convertible notes as at 31 December 2016.

21. DEFERRED TAXATION

The movements in deferred tax liabilities during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries *HK$'000*
At 1 January 2015	–
Acquisition of subsidiaries *(note 26)*	304
At 31 December 2015 and 1 January 2016	304
Deferred tax credited to the statement of profit or loss during the year *(note 9)*	(226)
At 31 December 2016	78

The Group has tax losses of HK$5,523,000 (2015: HK$4,299,000) that are available for offsetting against future profits of the companies in which the losses arose. Deferred tax asset has not been recognised in respect of these losses as the utilisation of which is uncertain.

22. SHARE CAPITAL

	2016 *HK$'000*	**2015** *HK$'000*
Authorised:		
400,000,000,000 shares of HK$0.001 each	400,000	400,000

	Number of shares in issue *'000*	**Share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
Issued and fully paid:				
At 31 December 2014, 1 January 2015 and 31 December 2015	2,782,102	2,782	721,226	724,008
Shares issued upon conversion of the MCN *(note)*	1,088,000	1,088	211,244	212,332
At 31 December 2016	3,870,102	3,870	932,470	936,340

Note: During the year, 1,088,000,000 shares were issued to Allied Summit Inc., a controlling shareholder of the Company, upon exercise of the conversion rights attaching to the MCN at a conversion price of HK$0.2 per share (note 20). The difference of HK$211,24 4,000 between nominal value of the ordinary shares issued and the then aggregate carrying amount of the equity component of the MCN at the date of conversion was transferred to the Company's share premium account.

23. SHARE OPTION SCHEME

During the annual general meeting held on 12 June 2012 (the "**AGM**"), the shareholders of the Company duly approved the relevant resolutions to adopt a new share option scheme (the "**New Share Option Scheme**") by authorising the directors to allot and issue up to the 10 percent of the issued share capital of the Company under the New Share Option Scheme. The directors or an authorised committee were authorised, at their/its absolute discretion, to grant options to any person, subjected to the selection criteria, being an employee, officer, agent, consultant or representative of the Group, including any executive or non-executive directors, in order to provide incentives to the guarantee to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that were valuable to the Group. Under the New Share Option Scheme, the Company might grant options to any participant, in the absolute discretion of the Board, who had made valuable contribution to the business of the Group. The subscription price would be a price determined by the Board and at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares.

Upon the completion of the acquisition of 30% equity interest in Profit Grand Group by Century Praise Limited, a 100% wholly-owned subsidiary of the Company on 12 April 2012, an option had been conditionally granted by the Company to each of (China Longjiang Forest Industry (Group) General Corporation[#]) (中國龍江森林工業(集團)總公司) ("**Longjiang Forest Industry**") and Jia Run Investments Limited ("**Jia Run**") to subscribe for not more than 49,517,009 shares of the Company after the proposed share consolidation became effective on 20 March 2012 (equivalent to 6,189,626 shares of the Company after the proposed share consolidation becoming effective on 10 September 2012) (the "**Longjiang Option**" and the "**Agent Option**" respectively). After the rights issue during the year ended 31 December 2012, the number of shares could be subscribed became 12,936,318 as at 31 December 2012. After the share consolidation and the right issue, became effective, the number of shares could be subscribed became 6,287,049 as at 31 December 2014. The Longjiang Option and Agent Option were granted to Longjiang Forest Industry and Jia Run respectively for the establishment of a strategic alliance between the Company and Longjiang Forest Industry with respect to the development and management of the forest acquired under the acquisition of 30% equity interest in the Profit Grand Group with the assistance of Jia Run as an agent. The Agent Option and Longjiang Option was lapsed on 31 December 2012 and 31 December 2015, respectively, and no other share options had been granted or exercised during the year ended 31 December 2015.

The English name of this company represents management's best effort to translate the Chinese name of this company, as no English name has been registered.

The movements of the share options of the Company during the year ended 31 December 2015 were as follows:

	Option type	Outstanding at 1 January 2015	Granted during 2015	Adjustment due to share consolidation	Adjustment due to right issue	Lapsed during 2015	Outstanding at 31 December 2015
Other eligible persons							
Longjiang Forest Industry	Longjiang Option	6,287,049	–	N/A	N/A	6,287,049	–
Weighted average exercise price		HK$8	–	N/A	N/A	HK$8	–

Details of specific categories of options were as follows:

	Date of grant	Vesting date	Exercise period	2015 Exercise price
Longjiang Option	12 April 2012	Upon the grant of Forestry Clearance Authority	For 1 year but no later than 31 December 2015	N/A

Share option expenses of HK$1,367,000 had been included in the consolidated statement of profit or loss for the year ended 31 December 2012. It gave rise to a share option reserve. No liabilities were recognised due to these equity-settled share option transactions.

The fair values of Longjiang Option and Agent Option determined at the date of grant using the Monte Carlo simulation method were HK$1,339,000 and HK$28,000 respectively.

As the fair value of the services received could not be estimated reliably by the Company, the fair value of service received from Longjiang Forest Industry and Jia Run was measured indirectly by reference to the fair value of the option granted.

The following assumptions were used to calculate the fair values of share options at the grant date:

	Longjiang Option
Grant date	12 April 2012
Share price	HK$0.083
Initial exercise price	HK$0.25 to HK$0.5
Expected option period	1.723 years
Expected volatility	205.924%
Risk-free interest rate	0.207%

The Monte Carlo simulation method had been used in computing the fair value of the share options based on the directors' best estimate. Changes in variables and assumptions might result in changes in fair value of the Longjiang Option.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page I-5 of Appendix I.

The Group's PRC statutory reserve represents a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to reserve fund which are restricted as to use.

25. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests:		
Profit Grand Group (disposed during the year)	N/A	70%
Cornerstone Securities Limited (disposed during the year)	N/A	20%
Katar Global Group	4%	4%

	2016	2015
	HK$'000	*HK$'000*
(Loss)/profit for the year allocated to non-controlling interests:		
Profit Grand Group	(324)	(1,624)
Cornerstone Securities Limited	(901)	(72)
Katar Global Group	12,382	140
Accumulated balances of non-controlling interests at the reporting dates:		
Profit Grand Group	–	(19)
Cornerstone Securities Limited	–	1,837
Katar Global Group	17,495	5,796

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Profit Grand Group	**Cornerstone Securities Limited**	**Katar Global Group**
	HK$'000	*HK$'000*	*HK$'000*
2016:			
Revenue	–	263	499,174
Total expenses	(462)	(4,770)	(189,624)
(Loss)/profit for the period/year	(462)	(4,507)	309,550
Total comprehensive (loss)/income for the year	(5)	(4,507)	292,617
Current assets	N/A	N/A	489,033
Non-current assets	N/A	N/A	6,473
Current liabilities	N/A	N/A	(58,022)
Non-current liabilities	N/A	N/A	(78)
Net cash flows (used in)/from operating activities	–	(5,067)	127,689
Net cash flows (used in)/from investing activities	–	(1,056)	47,264
Net cash flows from financing activities	–	5,000	–
Net (decrease)/increase in cash and cash equivalents	–	(1,123)	174,953
2015:			
Revenue	–	–	34,740
Total expenses	(2,320)	(361)	(31,248)
(Loss)/profit for the year	(2,320)	(361)	3,492
Total comprehensive loss for the year	(229)	(361)	(108)
Current assets	–	9,195	188,168
Non-current assets	–	–	20,990
Current liabilities	(27)	(10)	(64,258)
Non-current liabilities	–	–	–
Net cash flows (used in)/from operating activities	–	(1,440)	34,321
Net cash flows used in investing activities	–	–	(81)
Net cash flows from financing activities	–	8,900	–
Net increase in cash and cash equivalents	–	7,460	34,240

26. BUSINESS COMBINATION

In 2015, the Group acquired a 96% equity interest of the Katar Global Group from the Vendor at the consideration of HK$2,400,000,000. The Katar Global Group were engaged in the provision of services in relation to the promotion and application of the internet financing plat form. The acquisition was made as part of the Group's strategy to expand its money lending platform in the PRC. Details of the acquisition were set out in the Company's circular dated 29 September 2015. The consideration was in form of issuance of MCN and further details of the MCN were included in note 20 to the financial statements.

The fair values of the identifiable assets and liabilities of the Katar Global Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *HK$'000*
Plant and equipment	*12*	18,402
Cash and bank balances		59,221
Trade and other receivables		131,961
Available-for-sale investments		41,672
Tax payables		(22,564)
Other payables and accruals		(63,359)
Deferred tax liabilities	*21*	(304)
Total identifiable net assets at fair value		165,029
Non-controlling interests		(5,796)
		159,233
Goodwill on acquisition	*13*	2,182,663
Satisfied by MCN	*20*	2,341,896

The Group incurred transaction costs of HK$3,295,000 for this acquisition. These transaction costs had been expensed and were included in administrative expenses in the consolidated statement of profit or loss.

Analysis of cash flows in respect of the acquisition of the Katar Global Group was as follows:

	HK$'000
Cash consideration	–
Cash and bank balances	59,221
Net inflow of cash and cash equivalents included in cash flows from investing activities	59,221
Transaction costs of the acquisition included in cash flows from operating activities	(3,295)
	55,926

Pursuant to the sale and purchase agreement dated 20 May 2015, the Vendor irrevocably and unconditionally guarantees to the Company that the audited consolidated profit before tax of the Katar Global Group (excluding any extraordinary items) for each of the years ended 31 December 2015 and 2016 shall not be less than the amount set opposite to the relevant guaranteed periods as defined in the table below (each the "**Guaranteed Profit**"):

Guaranteed Period	Guaranteed Profit
1 January 2015 to 31 December 2015	HK$100,000,000
1 January 2016 to 31 December 2016	HK$350,000,000

If the aggregate actual audited consolidated profit before tax of the Group (excluding any extraordinary items) (the "**Actual Profit**") for any of the guaranteed periods shall be less than the relevant Guaranteed Profit, the Consideration shall be reduced according to the following formula:

A = (Guaranteed Profit – Actual Profit) x 5.3333

whereas A is the amount of reduction ("**Reduction Amount**") to be made to the Consideration. Where the Actual Profit is negative, it shall be deemed to be zero. For the avoidance of doubt, depending on the Actual Profit, two reductions may be made to the Consideration and no adjustment will be made to the Consideration if the Actual Profit is more than the Guaranteed Profit. The total maximum amount of the Reduction Amount shall be the Consideration.

Since the acquisition, the Katar Global Group contributed HK$34,740,000 to the Group's revenue and profit of HK$3,492,000 to the consolidated loss of the year ended 31 December 2015.

Had the combination taken place at the beginning of the year ended 31 December 2015, the revenue of the Group and the loss of the Group for the year ended 31 December 2015 would had been HK$355,066,000 and HK$66,233,000 respectively.

27. ACQUISITION OF ASSETS AND LIABILITIES

On 14 January 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Beijing Ling Sheng Tian Xia Technology Limited# ("**Ling Sheng**"). Ling Sheng planned to engage in an internet financing platform in the PRC, but at the time of acquisition, Ling Sheng did not have any employees and had not actively engaged in internet financing business. In the opinion of the directors, the acquisition of Ling Sheng does not constitute a business combination but an acquisition of assets and liabilities. The carrying amounts of the identifiable assets and liabilities of Ling Sheng as at the date of acquisition were as follows:

The English name of this company represents management's best effort to translate the Chinese name of this company, as no English name has been registered.

	HK$'000
Net assets acquired:	
Cash and bank balances	487
Other receivables	104
Other payables	(591)
Total identifiable net assets acquired	–

An analysis of cash flows in respect of the acquisition of Ling Sheng is as follows:

	2016
	HK$'000
Consideration	–
Cash and bank balances acquired	487
Net inflow of cash and cash equivalents included in cash flows from investing activities	487

28. DISPOSAL OF SUBSIDIARIES

	Notes	2016 *HK$'000*	2015 *HK$'000*
Net (liabilities)/assets disposed of:			
Plant and equipment	*12*	603	–
Goodwill	*13*	–	–
Intangible assets	*14*	1,694	–
Other long term assets		205	–
Cash and bank balances		6,611	810
Prepayments and other receivables		5,997	–
Cash held on behalf of brokerage clients		12,820	–
Account payable to brokerage clients		(12,820)	–
Other payables and accruals		(339,733)	(8)
Non-controlling interests		(1,920)	–
		(326,543)	802
Exchange fluctuation reserves		(1,446)	–
Other payables assigned		336,288	–
Gain on disposal of subsidiaries	*5*	16,201	198
		24,500	1,000
Satisfied by:			
Cash		24,500	1,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Cash consideration	24,500	1,000
Cash and bank balances disposed of	(6,611)	(810)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	17,889	190

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (2015: one to five years).

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Within one year	9,315	21,058
In the second to fifth years, inclusive	3,054	11,067
	12,369	32,125

30. COMMITMENTS

At the end of the reporting period, the Group did not have any significant capital commitments.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties:

(i) During the year, 1,088,000,000 shares were issued to Allied Summit Inc., the controlling shareholder of the Company, upon exercise of the conversion rights attaching to the MCN at a conversion price of HK$0.2 per share. Further details of which are set out in the Company's announcement dated 26 May 2016 and note 22 to the financial statements.

(ii) In 2015, the Group acquired the Katar Global Group from Allied Summit Inc., the controlling shareholder of the Company, at a consideration of HK$2,400,000,000, based on a business valuation performed by the directors of the Company. Further details of the transaction are included in notes 20 and 26 to the financial statements.

(b) Compensation of key management personnel of the Group:

In the opinion of the directors, the directors and chief executive represented the key management personnel of the Group and details are included in note 7 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets	Loans and receivables	Available-for-sale investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	718,465	718,465
Loan and interest receivables	878,079	–	878,079
Trade receivables	670	–	670
Deposits	2,845	–	2,845
Other receivables	590	–	590
Cash and cash equivalents	348,357	–	348,357
	1,230,541	718,465	1,949,006

Financial liabilities	Financial liabilities at amortised cost
	HK$'000
Other payables	9,657

2015

Financial assets	Loans and receivables	Available-for-sale investments	Total
	HK$'000	*HK$'000*	*HK$'000*
Available-for-sale investments	–	1,168,760	1,168,760
Loan and interest receivables	555,180	–	555,180
Trade receivables	40,731	–	40,731
Deposits	5,176	–	5,176
Other receivables	4,567	–	4,567
Cash and cash equivalents	197,059	–	197,059
	802,713	1,168,760	1,971,473

Financial liabilities	Financial liabilities at amortised cost
	HK$'000
Other payables	10,783
Receipt in advance	64
	10,847

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, loan and interest receivables, available-for-sale investments, trade and other receivables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The valuation requires the directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
As at 31 December 2016	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments	718,465	–	–	718,465
	718,465	–	–	718,465

	Fair value measurement using			
As at 31 December 2015	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments	1,127,088	–	–	1,127,088
	1,127,088	–	–	1,127,088

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets (2015: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are used to raise finance for the Group's operations and investments. The Group has various other financial assets and liabilities such as loan and interest receivables, trade receivables and other payables which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest- bearing financial assets. Interest-bearing financial assets are the interest on loan receivables and deposit with banks. Interests on deposits with banks based on deposit rates offered by bank while interests on loan receivables are based on fixed rates. Therefore, changes in interest rate would not affect the profit or loss of the Group.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from available- for-sale investments (note 15) as at 31 December 2016 and 2015. The Group's listed investments are listed on the Stock Exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity index for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2016	High/low 2016	31 December 2015	High/low 2015
Hong Kong – Hang Seng Index	22,000	24,099/18,319	21,914	28,442/20,556

The following table demonstrates the sensitivity to every 5% (2015: 5%) change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity instruments	**Increase/ decrease in profit before tax**	**Increase/ decrease in equity**
	HK$'000	*HK$'000*	*HK$'000*
2016			
Investments listed in:			
Hong Kong – Available-for-sale	718,465	–	35,923
2015			
Investments listed in:			
Hong Kong – Available-for-sale	1,127,088	–	56,354

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to the loan, interest and trade receivables. In order to minimise the credit risk, the Group has established policies and systems for monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow up action is taken to recover overdue debts. In addition, management reviews the recoverable amounts of loan, interest and trade receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of those instruments.

At the end of the reporting period, the Group had certain concentrations of credit risk as 0% (2015: 0%) and 31% (2015: 20%) of the Group's loan, interest and trade receivables were due from the Group's largest customer and the five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from these receivables are disclosed in notes 16 and 17 to the financial statements.

Liquidity risk

Internally generated cash flows are the general sources of funds to finance the operations of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes diversifying the funding sources.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016	2015
	On demand or within one year	
	HK$'000	*HK$'000*
Other payables	9,657	10,783
Receipt in advance	–	64
	9,657	10,847

Capital risk management

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

The capital structure of the Group consists of net debt, cash and cash equivalents and total equity comprising issued share capital and reserves.

The directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associate with each class of capital, and take appropriate actions to adjust the Group's capital structure.

35. EVENTS AFTER THE REPORTING PERIOD

On 2 February 2017, the Group entered into a loan agreement with a borrower (the "**Borrower**"), an independent third party, pursuant to which the Group has agreed to provide loan with principal amount of up to HK$6,500,000 to the Borrower in accordance with the terms thereunder. Prior to 2 February 2017, the Group provided the previous loan facilities to the Borrower and its associates (as defined under the Listing Rules) with loan principal amounts of HK$47,000,000 in aggregate. Further details of which are set out in the Company's announcement dated 2 February 2017.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of reporting period is as follows:

	2016	2015
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Plant and equipment	679	519
Investments in subsidiaries	2,317,519	2,317,519
Available-for-sale investments	606,267	945,946
Total non-current assets	2,924,465	3,263,984
CURRENT ASSETS		
Other receivables	2,672	2,940
Due from subsidiaries	611,530	767,973
Tax recoverable	188	626
Cash and bank balances	22,128	7,460
Total current assets	636,518	778,999
CURRENT LIABILITIES		
Other payables and accruals	2,491	4,634
Due to subsidiaries	201,136	29,420
Total current liabilities	203,627	34,054
NET CURRENT ASSETS	432,891	744,945
TOTAL ASSETS LESS CURRENT LIABILITIES	3,357,356	4,008,929
EQUITY		
Share capital	3,870	2,782
Reserves *(note)*	3,353,486	4,006,147
Total equity	3,357,356	4,008,929

Note:

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

	Share premium account HK$'000	Share option reserve HK$'000	Available-for-sale investments revaluation reserve HK$'000	Contributed surplus HK$'000	Equity component of convertible notes HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	721,226	1,367	494,490	277,102	–	(182,614)	1,311,571
Profit for the year	–	–	–	–	–	4,914	4,914
Other comprehensive income/(loss) for the year:							
Available-for-sale investments:							
– Change in fair value	–	–	350,645	–	–	–	350,645
– Reclassification adjustment	–	–	(2,879)	–	–	–	(2,879)
Total comprehensive income for the year	–	–	347,766	–	–	4,914	352,680
Issue of mandatory convertible notes *(note 20)*	–	–	–	–	2,341,896	–	2,341,896
Transfer of share option reserve upon the forfeiture or expiry of share options	–	(1,367)	–	–	–	1,367	–
At 31 December 2015 and 1 January 2016	721,226	–	842,256	277,102	2,341,896	(176,333)	4,006,147
Loss for the year	–	–	–	–	–	(313,161)	(313,161)
Other comprehensive (loss)/income for the year:							
Available-for-sale investments:							
– Change in fair value	–	–	(340,012)	–	–	–	(340,012)
– Reclassification adjustments	–	–	1,600	–	–	–	1,600
Total comprehensive loss for the year	–	–	(338,412)	–	–	(313,161)	(651,573)
Issue of new shares upon conversion of the mandatory convertible notes	211,244	–	–	–	(212,332)	–	(1,088)
At 31 December 2016	932,470	–	503,844	277,102	2,129,564	(489,494)	3,353,486

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 March 2017.

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP

Set out below are the unaudited financial results of the Group for the six months ended 30 June 2017 with comparable figures, as extracted from the announcement of the Company for the interim results of the Group dated 24 August 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Six months ended 30 June 2017

		Six months ended 30 June	
		2017	**2016**
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
REVENUE	*5*	215,934	187,973
Cost of services		–	(781)
Gross profit		215,934	187,192
Other income and gains	*6*	14,222	19,327
Selling and distribution expenses		(95)	(13,852)
Administrative expenses		(72,734)	(80,753)
Other expenses		(18,782)	(11,200)
PROFIT BEFORE TAX	*7*	138,545	100,714
Income tax expense	*8*	(38,885)	(10,341)
PROFIT FOR THE PERIOD		99,660	90,373
Attributable to:			
Owners of the parent		94,649	87,822
Non-controlling interests		5,011	2,551
		99,660	90,373
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		HK2.45 cents	HK2.95 cents
Diluted		HK0.64 cents	HK0.59 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2017

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	99,660	90,373
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	54,928	(161,903)
Reclassification adjustments for gains/(losses) included in the interim condensed consolidated statement of profit or loss		
– gain on disposal	–	(4,865)
– impairment losses	18,359	11,200
	73,287	(155,568)
Exchange differences on translation of foreign operations	9,662	(3,719)
Adjustments relating to disposal of subsidiaries	–	(1,425)
	9,662	(5,144)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	82,949	(160,712)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	182,609	(70,339)
Attributable to:		
Owners of the parent	177,212	(73,066)
Non-controlling interests	5,397	2,727
	182,609	(70,339)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Audited) HK$'000
NON-CURRENT ASSETS			
Plant and equipment	11	2,158	2,908
Goodwill	12	2,182,663	2,182,663
Available-for-sale investments	13	823,415	718,465
Total non-current assets		3,008,236	2,904,036
CURRENT ASSETS			
Loan and interest receivables	14	1,215,011	878,079
Trade and other receivables	15	109,524	5,638
Tax recoverable		5,361	5,549
Cash and cash equivalents		100,167	348,357
Total current assets		1,430,063	1,237,623
CURRENT LIABILITIES			
Other payables and accruals	16	161,511	13,333
Tax payable		13,053	47,179
Total current liabilities		174,564	60,512
NET CURRENT ASSETS		1,255,499	1,177,111
TOTAL ASSETS LESS CURRENT LIABILITIES		4,263,735	4,081,147
NON-CURRENT LIABILITIES			
Deferred tax liabilities		57	78
Net assets		4,263,678	4,081,069
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	3,870	3,870
Reserves		4,236,916	4,059,704
		4,240,786	4,063,574
Non-controlling interests		22,892	17,495
Total equity		4,263,678	4,081,069

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2017

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered address of the Company is located at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal place of business of the Company is located at Units 3301–03, 33/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.

During the period, the Group was involved in the following principal activities:

- Operation of peer-to-peer ("**P2P**") financing platform under the "CAIJIA" brand and other loan facilitation services
- Money lending and provision of credit
- Securities investments
- Provision of corporate secretarial and consultancy services (disposed during the year ended 31 December 2016)
- Forestry business (disposed during the year ended 31 December 2016)

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Allied Summit Inc., which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The accounting policies and the basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 3 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain of financial instruments, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classifications and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers to Investment Property*[1]
Annual Improvements 2014–2016 Cycle	Amendments to a number of HKFRSs[4]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty Over Income Tax Treatment*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption
4 Effective for annual periods beginning on or after 1 January 2018, with early application permitted

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

5. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as follows:

(a) Loan facilitation services: operation of P2P financing platform under the "CAIJIA" brand and other loan facilitation services

(b) Money lending: money lending and provision of credit for interest income

(c) Securities investments: trading of securities and investment in long-term securities

(d) Consultancy services: provision of corporate secretarial and consultancy services (disposed during the year ended 31 December 2016)

(e) Forestry business: forest logging and harvesting (disposed during the year ended 31 December 2016)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, gain on disposal of subsidiaries as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2017

	Loan facilitation services (Unaudited) *HK$'000*	**Money lending** (Unaudited) *HK$'000*	**Securities investments** (Unaudited) *HK$'000*	**Total** (Unaudited) *HK$'000*
Segment revenue				
Sales to external customers	163,466	52,468	–	215,934
Segment results	146,747	26,973	(18,252)	155,468
Reconciliation:				
Bank interest income				465
Gain on disposal of a subsidiary				1
Corporate and other unallocated expenses, net				(17,389)
Profit before tax				138,545
Other segment information included in interim condensed consolidated statement of profit and loss				
Depreciation	498	–	–	498
Impairment of available-for-sale investments	–	–	18,359	18,359
Impairment of other receivables	423	–	–	423
Loss on disposal of items of plant and equipment	249	–	–	249
Capital expenditure	–	–	–	–

Six months ended 30 June 2016

	Loan facilitation services (Unaudited) *HK$'000*	Money lending (Unaudited) *HK$'000*	Securities investments (Unaudited) *HK$'000*	Consultancy services (Unaudited) *HK$'000*	Forestry business (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue						
Sales to external customers	158,780	28,843	–	350	–	187,973
Segment results	92,119	28,824	(8,626)	(1,353)	(462)	110,502
Reconciliation:						
Bank interest income						251
Gain on disposal of subsidiaries						11,425
Corporate and other unallocated expenses, net						(21,464)
Profit before tax						100,714
Other segment information included in interim condensed consolidated statement of profit and loss						
Depreciation	2,975	–	–	–	–	2,975
Dividend income	–	–	(1,986)	–	–	(1,986)
Gain on disposal of available-for-sale investments	–	–	(4,824)	–	–	(4,824)
Impairment of available-for-sale investments	–	–	11,200	–	–	11,200
Loss on disposal of items of plant and equipment	2,562	–	–	–	–	2,562
Capital expenditure	1,121	–	–	–	–	1,121

30 June 2017

	Loan facilitation services (Unaudited) *HK$'000*	Money lending (Unaudited) *HK$'000*	Securities investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment assets	2,371,914	1,217,208	827,206	4,416,328
Reconciliation:				
Tax recoverable				5,361
Corporate and other unallocated assets				16,610
Total assets				4,438,299
Segment liabilities	20,837	130,000	–	150,837
Reconciliation:				
Tax payable				13,053
Deferred tax liabilities				57
Corporate and other unallocated liabilities				10,674
Total liabilities				174,621

31 December 2016

	Loan facilitation services (Audited) *HK$'000*	Money lending (Audited) *HK$'000*	Securities investments (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	2,441,052	889,234	781,170	4,111,456
Reconciliation:				
Tax recoverable				5,549
Corporate and other unallocated assets				24,654
Total assets				4,141,659
Segment liabilities	10,842	–	–	10,842
Reconciliation:				
Tax payable				47,179
Deferred tax liabilities				78
Corporate and other unallocated liabilities				2,491
Total liabilities				60,590

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	465	251
Dividend income from available-for-sale investments	–	1,986
Gain on disposal of available-for-sale investments (transfer from equity on disposal, and net of transaction costs)	–	4,824
Gain on disposal of subsidiaries	1	11,425
Agency services fee income	13,000	–
Others	756	841
	14,222	19,327

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	593	3,134
Impairment of available-for-sale investments*	18,359	11,200
Impairment of other receivables*	423	–
Loss on disposal of items of plant and equipment	249	2,562
Employee benefit expenses (including directors' and chief executive's remuneration)		
– Wages and salaries	11,926	47,236
– Pension scheme contributions	1,570	9,709
	13,496	56,945
Foreign exchange difference, net	(2)	739

* Included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss.

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Withholding tax represented withholding tax paid in respect of the Group's income from the provision of loan facilitation services to customers who were located outside Hong Kong.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	188	1,067
Overprovision in prior periods	–	(11)
	188	1,056
Current – People's Republic of China ("**PRC**")		
Charge for the period	12,884	9,326
Overprovision in prior periods	(166)	–
	12,718	9,326
Withholding tax	26,000	–
Deferred	(21)	(41)
Total tax expense for the period	38,885	10,341

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2017 (30 June 2016: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	94,649	87,822

	Number of shares Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	*'000*
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,870,102	2,973,399
Effect of dilution – weighted average number of ordinary shares:		
Mandatory convertible notes	10,912,000	11,808,703
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	14,782,102	14,782,102

11. PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group has addition of plant and equipment at a total cost of HK$43,000 (30 June 2016: HK$1,776,000).

12. GOODWILL

At 30 June 2017 and 31 December 2016, the carrying amount of goodwill of HK$2,182,663,000 was allocated to operation of loan facilitation services business. In the opinion of the Directors, there was no indicator for impairment on the goodwill for the six months ended 30 June 2017 (30 June 2016: Nil) in relation to loan facilitation cash- generating unit based on the current operation performance and the expected future revenue growth rate.

13. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 (Unaudited) *HK$'000*	**31 December 2016** (Audited) *HK$'000*
Listed equity investments, at fair value	823,415	718,465

During the six months ended 30 June 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$54,928,000 (30 June 2016: gross loss of HK$161,903,000), of which HK$18,359,000 (30 June 2016: HK$6,335,000) was reclassified from other comprehensive income to the statement of profit or loss for the period.

The above investments consist of investments in listed equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

14. LOAN AND INTEREST RECEIVABLES

The term of loans entered with its customers are on credit. The credit period is generally within one year, extending up to two years, after monitoring assessment and further creditworthiness analysis on the debtors reviewed by senior management. All loan and interest receivables are denominated in HK$. The loan receivables carried fixed interest rate ranging from 8% to 15% (31 December 2016: 9% to 15%) per annum.

An aged analysis of the loan and interest receivables at the end of the reporting period, based on the loan agreement commencement date and the date of interest income accrued, is as follows:

	30 June 2017 (Unaudited) *HK$'000*	**31 December 2016** (Audited) *HK$'000*
Within 30 days	58,006	145,026
31 to 90 days	162,194	93,026
91 to 180 days	233,156	91,208
181 to 365 days	294,237	230,561
Over 365 days	467,418	318,258
	1,215,011	878,079

15. TRADE AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Trade receivables	94,291	670
Deposits	2,512	2,845
Prepayments	1,247	1,533
Other receivables	11,474	590
	15,233	4,968
Total trade and other receivables	109,524	5,638

The Group's trading terms with its customers are mainly on credit. The credit periods are ranging from 30 to 45 days for its trade receivables. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within 30 days	93,600	–
31 to 60 days	–	670
61 to 90 days	–	–
Over 90 days	691	–
	94,291	670

16. OTHER PAYABLES AND ACCRUALS

	30 June 2017 *HK$'000* (Unaudited)	31 December 2016 *HK$'000* (Audited)
Other payables	160,350	9,657
Accruals	1,161	3,676
	161,511	13,333

Other payables are non-interest-bearing. Included in the above other payables is the refundable deposit of HK$110,000,000 offered by an independent third party for the procurement of consumable goods.

17. SHARE CAPITAL

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Authorised:		
400,000,000,000 shares of HK$0.001 each	400,000	400,000
Issued and fully paid:		
3,870,102,650 (31 December 2016: 3,870,102,650) ordinary shares of HK$0.001 each	3,870	3,870

18. OPERATING LEASES ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Within one year	6,344	9,315
In the second to fifth years, inclusive	2,046	3,054
	8,390	12,369

19. CAPITAL COMMITMENT

The Group did not have any significant capital commitment as at 30 June 2017 (31 December 2016: Nil).

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

At 30 June 2017 and 31 December 2016, the Group's available-for-sale investments include investment in equity securities listed in Hong Kong.

Subsequent to initial recognition at fair value, investment in equity securities listed on the Stock Exchange is measured based on the quoted price (unadjusted) in active market (Level 1 fair value measurement). At 30 June 2017, HK$823,415,000 (31 December 2016: HK$718,465,000) investment in equity securities is measured at fair value on a recurring basis.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 December 2016. The Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the unaudited interim condensed consolidated financial statements approximate to their fair values. There was no transfer between Level 1 and 2 in the current and prior periods.

21. RELATED PARTY TRANSACTIONS

(a) Transaction with a related party

During the six months ended 30 June 2016, 1,088,000,000 shares of the Company were issued to Allied Summit Inc., a controlling shareholder of the Company, upon exercise of the conversion rights attaching to the mandatory convertible notes of the Company at a conversion price of HK$0.2 per share. Further details of which are set out in the Company's announcement dated 26 May 2016.

(b) Compensation of key management personnel of the Group

In the opinion of the Directors, the directors and chief executive of the Company represented the key management personnel of the Group and whose compensation are set out as follows:

	Six months ended 30 June	
	2017	**2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	1,149	1,149

22. EVENT AFTER THE END OF THE REPORTING PERIOD

On 24 August 2017, the Group entered into an extension letter with a borrower (the "**Borrower**"), an independent third party, pursuant to which the Group has agreed to extend the repayment date of a loan with principal amount of up to HK$82,000,000 to 22 August 2018. Prior to 24 August 2017, the Group provided the previous loan facilities to the Borrower with loan principal amounts of HK$298,000,000 in aggregate. Further details of which are set out in the Company's announcement dated 24 August 2017.

23. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 24 August 2017.

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Response Document, the Group had no outstanding borrowings or debt securities.

Disclaimer

Save as aforesaid and apart from intra-group liabilities, the Group did not have any borrowings (including bank overdrafts, liabilities under acceptances other than normal trade bills, acceptance credit and finance lease commitments), debt securities, mortgages and charges, loan capital and contingent liabilities or guarantees as at the close of business on 30 June 2017. The Board confirmed that there had been no material change in the indebtedness of the Group since 30 June 2017.

5. MATERIAL CHANGE

The Directors confirm that save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to and including the Latest Practicable Date:

(i) on 5 January 2017, the Company published an announcement which states that the Company plans and intends to adopt the Revised Business Model. Pursuant to the Revised Business Model, Beijing Huiju Management will then not be required to hold and maintain its ICP licence and the VIE Structure under the existing business model is no longer required and the New Structured Contracts and Mr. Su's Undertaking shall be terminated. The ordinary resolutions in relation to the New Business Model Proposal were duly passed by the Independent Shareholders by way of poll at the SGM. As at the date hereof, the New Business Model Proposal has not completed yet; and

(ii) on 24 August 2017, the Company published an interim result announcement which states that for the six months ended 30 June 2017, the Group recorded a profit attributable to the owners of the Company of HK$94,649,000, representing an increase of profit of approximately 7.77% as compared to the profit recorded for the six months ended 30 June 2016 of HK$87,822,000. The increase in profit was mainly attributed to the increase in revenue from the money lending business from HK$28,843,000 for the six months ended 30 June 2016 to HK$ 52,468,000 for the six months ended 30 June 2017, representing an increase of approximately 81.91%.

1. RESPONSIBILITY STATEMENT

This Response Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Company and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Response Document (other than those relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Response Document have been arrived at after due and careful consideration and there are no other facts not contained in this Response Document, the omission of which would make any statement in this Response Document misleading.

The information contained in this Response Document relating to the Offeror and the terms of the Offer has been extracted or derived from the Offer Document. The Directors jointly and severally accept full responsibility for the correctness and fairness of the reproduction or presentation of such information.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

		HK$
Authorised		
400,000,000,000	Shares	400,000,000.00
Issued and fully paid		
3,870,102,650	Shares	3,870,102.65

Since 31 December 2016 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, no new Shares had been issued by the Company.

All of the Shares currently in issue are fully paid up and rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting and capital.

Save for the outstanding Convertible Notes in the principal amount of HK$2,182,400,000, the Company did not have any other outstanding securities, options, derivatives, warrants or other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(i) Interests of the Directors or chief executive of the Company

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the existing Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(ii) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following person had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any member of the Group:

Name	Capacity and nature of interest	Number of Shares held (Position)	Percentage of the Company's issued share capital (%)
Mr. Su Weibiao *(Note 1)*	Interests held by controlled corporation	11,492,659,755 (Long)	296.96
Allied Summit *(Note 1)*	Beneficial owner	11,492,659,755 (Long)	296.96
The Offeror *(Note 2)*	Beneficial owner	2,128,560,000 (Long)	55.00
Kingston Securities *(Note 3)*	Beneficial owner	4 (Long)	0.00

Notes:

(1) Allied Summit is owned as to 80% by Mr. Su and as to remaining 20% by Mr. Ng. As at the Latest Practicable Date, Allied Summit was interested in (i) 580,659,755 Shares; and (ii) the Amended and Restated Convertible Notes in the aggregate outstanding principal amount of HK$2,182,400,000 and convertible into 10,912,000,000 Shares at the conversion price of HK$0.2 per conversion share.

(2) Huarong Financial Services Asset Management L.P., a Cayman Islands exempted limited partnership.

(3) The 4 Shares held by Kingston Securities which was created as a result of odd lots matching for the shares of the Company resulted from the capital reorganisation of the Company in 2013.

Save as disclosed above, the Directors or chief executive of the Company are not aware of any party who, as at the Latest Practicable Date, had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

(iii) Other interests

As at the Latest Practicable Date,

(i) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company were owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser);

(ii) there were no Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company which the Company and any Directors had borrowed or lent;

(iii) save for the Undertakings, no person who owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company had irrevocably committed himself/herself to accept or not to accept the Offer;

(iv) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;

(v) no Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options or derivatives of Company were managed on a discretionary basis by fund managers connected with the Company; and

(vi) none of the Directors had any interests in any Shares, convertible securities, warrants, options or other derivatives of the Company.

4. DEALING IN SECURITIES OF THE COMPANY

(a) During the Relevant Period, none of the Directors had dealt in any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

(b) During the Relevant Period,

(i) the Company and the Directors did not deal in any interest in the equity share capital or any convertible securities, warrants, options and derivatives of the Offeror;

(ii) none of the subsidiaries of the Company or a pension fund (if any) of any member of the Group or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) had dealt in any interest in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company;

(iii) no person, with whom the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company; and

(iv) no fund managers connected with the Company had dealt in the Shares or other securities of the Company carrying voting rights or any convertible securities, warrants, options and derivatives of the Company.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

Save as disclosed below, there were no other material contracts entered into after the date two years before commencement of the Offer Period, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Group:

(i) the 2015 VSA Sale and Purchase Agreement (as supplemented by the supplemental agreement dated 10 July 2015);

(ii) the sale and purchase agreement entered into between the Company as vendor and Sino Shine Global Limited as purchaser on 8 August 2016 in relation to the disposal of 100% of the entire issued share capital of Glory Creator Limited by the Company to Sino Shine Global Limited for a consideration of HK$12,850,000;

(iii) the Listed Shares Disposal Agreement;

(iv) the Supplemental Listed Shares Disposal Agreement;

(v) the CN Modification Deed;

(vi) the Supplemental CN Modification Deed;

(vii) the Second Supplemental CN Modification Deed;

(viii) the Deed of Listed Shares Disposal Termination; and

(ix) the New Structured Contracts.

7. ARRANGEMENT AFFECTING DIRECTORS

As at the Latest Practicable Date,

(i) none of the Directors had been given any benefit as compensation for loss of office or otherwise in connection with the Offer;

(ii) there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(iii) As at the Latest Practicable Date, there was no material contract entered into by the Offeror or any party acting in concert with it in which any Director had a material personal interest.

8. DIRECTORS' SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period;

(ii) are continuous contracts with a notice period of 12 months or more; and

(iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this Response Document:

Name	Qualification
Royal Excalibur	a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO

Royal Excalibur has given and has not withdrawn its written consent to the issue of this Response Document with the inclusion herein of its advice or report, as the case may be, and reference to its name in the form and context in which they are respectively included.

10. GENERAL

(i) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda;

(ii) The Company's principal place of business in Hong Kong is at Units 3301–3303, 33/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong;

(iii) The company secretary of the Company is Mr. Young Ho Kee Bernard (''**Mr. Young**''). Mr. Young is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom;

(iv) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;

(v) The registered office of Royal Excalibur is at Units 2303-2306, 23/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong;

(vi) The English texts of this Response Document shall prevail over the Chinese texts, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Units 3301–3303, 33/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (http://www.irasia.com/listco/hk/pphl/) from the date of this Response Document onwards for so long as the Offer remains open for acceptance:

(i) the Bye-laws of the Company;

(ii) the annual reports of the Company for each of the three financial years ended 31 December 2014, 2015 and 2016;

(iii) the letter from the Board, the text of which is set out on pages 15 to 21 of this Response Document;

(iv) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 22 to 23 of this Response Document;

(v) the letter of advice from Royal Excalibur to the Independent Board Committee, the text of which is set out on pages 24 to 48 of this Response Document;

(vi) the written consents referred to in the paragraph headed "Expert and consent" of this appendix;

(vii) the material contracts referred to in the paragraph headed "Material contracts" in this appendix; and

(viii) this Response Document.