THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **China Soft Power Technology Holdings Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

China Soft Power Technology Holdings Limited
中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE SALE SHARE AND THE SALE LOAN,
PROPOSED RE-ELECTION OF DIRECTOR
AND
NOTICE OF SPECIAL GENERAL MEETING

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

Nuada Limited

A letter from the Board is set out on pages 5 to 22 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 44 of this circular.

A notice convening the SGM to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 21 April 2017 at 9:30 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend to attend the SGM (or any adjournment thereof), you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

31 March 2017

CONTENTS

In this circular, unless the context otherwise requires, the following terms have the corresponding definitions listed below:

"Agreement"	the sale and purchase agreement dated 28 November 2016 and entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share and the assignment of the Sale Loan, as supplemented by an extension letter dated 28 February 2017 and the Supplemental Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bank Loan"	the outstanding bank loan owed by the Target Group to bank(s), which shall not exceed HK$179,000,000 upon Completion
"Board"	the board of Directors
"Bondholder"	the holder of the Convertible Bonds
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CB Certificate"	the certificate of the Convertible Bonds issued to the Vendor or its nominee evidencing its holding of the Convertible Bonds
"CB Conditions"	the terms and conditions of the Convertible Bonds
"Company"	China Soft Power Technology Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 139)
"Completion"	the completion of the Proposed Acquisition in accordance with the Agreement
"Completion Date"	the date falling on the fifth Business Day after the fulfillment (or waiver) of the Conditions Precedent or such other date as the Vendor and the Purchaser may agree in writing (but in any event within one month upon the fulfillment or waiver of the Conditions Precedent)
"Conditions Precedent"	the conditions for Completion set forth in the paragraph headed "Conditions Precedent to Completion" of this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Consideration"	HK$227,000,000, being the aggregate consideration for the Sale Share and the Sale Loan payable by the Purchaser to the Vendor under the Agreement
"Conversion Price"	the price at which the Conversion Shares will be issued upon exercise of the Conversion Rights and initially will be HK$0.183 per Conversion Share (subject to adjustments pursuant to the CB Conditions)
"Conversion Rights"	the rights attached to the Convertible Bonds to convert the principal amount thereof into the Conversion Shares
"Conversion Share(s)"	the Share(s) falling to be allotted and issued by the Company upon exercise by the Bondholder of the Conversion Rights pursuant to the CB Conditions
"Convertible Bonds"	the two-year zero coupon Convertible Bonds in the principal amount of HK$205,000,000 to be issued by the Company to satisfy part of the Consideration (in the event that the Supplemental Agreement does not take effect) and for the time being outstanding or, as the context may require, any part of the principal amount
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Proposed Acquisition
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Subsidiary"	Metro Victor Limited, the wholly-owned subsidiary of the Target Company incorporated in Hong Kong with limited liability
"Independent Board Committee"	an independent committee of the Board, comprising all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition

"Independent Financial Adviser" or "Nuada"	Nuada Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition
"Independent Shareholders"	Shareholders, other than Skyway and Mr. Wang Haixiong and their respective associates, who have no material interest in the Proposed Acquisition
"Latest Practicable Date"	30 March 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 April 2017 (or such later time and date as the Vendor and the Purchaser may agree in writing), being the last time and date for fulfilment or, as the case may be, waiver of the Conditions Precedent
"Mr. Chen"	Mr. Chen Xiaodong, an executive Director and the chairman of the Company
"Percentage Ratios"	the applicable percentage ratios under Rule 14.07 of the Listing Rules
"Property"	the property located at No. 2, Lincoln Road, Kowloon, Hong Kong
"Proposed Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan by the Purchaser from the Vendor on and subject to the terms and conditions of the Agreement and the performance of the transactions contemplated thereunder
"Purchaser"	Celestial Lodge Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Sale Loan"	all obligations, liabilities and debts owing or incurred by the Target Group to the Vendor and its associates on or at any time prior to Completion whether actual, contingent or deferred and irrespective of whether the same is due and payable on Completion
"Sale Share"	one (1) share in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the Latest Practicable Date

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	the special general meeting of the Company to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 21 April 2017 at 9:30 a.m. to consider and, if thought fit, to approve the resolutions contained in the notice of the meeting which is set out on pages SGM-1 to SGM-2 of this circular
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Skyway"	Skyway Securities Group Limited (天順證券集團有限公司), a company incorporated in Bermuda with limited liability and a substantial shareholder of the Company holding 13.56% of the Shares in issue as at the Latest Practicable Date, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1141) and the ultimate holding company of the Vendor and the Target Group
"Skyway Independent Shareholders"	the shareholders of Skyway, other than the Company and its associates
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreement"	the supplemental agreement to the Agreement dated 7 March 2017
"Takeovers Code"	the Code on Takeovers and Mergers of Hong Kong
"Target Company"	Sky Eagle Global Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor
"Target Group"	the Target Company and the Hong Kong Subsidiary
"Vendor"	Gold Mission Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Skyway
"sq. ft."	square feet
"%"	per cent.

China Soft Power Technology Holdings Limited
中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

Executive Directors:
Mr. Chen Xiaodong *(Chairman)*
Ms. Lam Hay Yin
Mr. Yu Qingrui

Independent non-executive Directors:
Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Mai Qijian

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

Place of business in Hong Kong:
Room 1603–05
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

31 March 2017

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF THE SALE SHARE AND THE SALE LOAN, PROPOSED RE-ELECTION OF DIRECTOR AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 28 November 2016 in relation to, among other things, the Proposed Acquisition and the transactions contemplated thereunder; (ii) the announcement of the Company dated 28 February 2017 in relation to, among other things, the extension of the Long Stop Date; and (iii) the announcement of the Company dated 8 March 2017 in relation to, among other things, the entering into of the Supplemental Agreement.

On 28 November 2016, the Board announced that the Purchaser and the Vendor entered into the Agreement, pursuant to which the Group, through the Purchaser, has conditionally agreed to acquire from the Vendor the Sale Share and the Sale Loan at the Consideration of

HK$227,000,000, of which HK$22,000,000 has been satisfied by the Purchaser in cash and the remaining balance of HK$205,000,000 will be satisfied by the Purchaser by procuring the Company to issue the Convertible Bonds in the principal amount of HK$205,000,000 to the Vendor (or as the Vendor may direct) upon Completion.

On 28 February 2017, the Board announced that the Purchaser and the Vendor entered into an extension letter, pursuant to which the Purchaser and the Vendor agreed to extend the Long Stop Date from 28 February 2017 to 30 April 2017 (or such other date as the Vendor and the Purchaser may agree in writing).

On 7 March 2017, the Board announced that the Purchaser and the Vendor entered into the Supplemental Agreement, pursuant to which the Purchaser and the Vendor conditionally agreed to amend certain terms and conditions of the Agreement. The material amendment to the Agreement is to change the settlement method of the remaining balance of the Consideration of HK$205,000,000 from the issue of the Convertible Bonds in the principal amount of HK$205,000,000 by the Company to the Vendor (or as the Vendor may direct) to payment in cash by the Purchaser to the Vendor upon Completion.

The Proposed Acquisition constitutes a major transaction and a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Proposed Acquisition, and Nuada has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition.

The purpose of this circular is to provide you with, among other things, (i) details of the Proposed Acquisition and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among other things, the Proposed Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Proposed Acquisition; (iv) the proposed re-election of Director; (v) the financial information of the Group; (vi) the financial information of the Target Group; (vii) the unaudited pro forma financial information of the Enlarged Group assuming Completion had taken place on 30 September 2016; (viii) the property valuation report of the Property prepared by Ascent Partners Valuation Service Limited; (ix) other information as required under the Listing Rules; and (x) the notice convening the SGM.

THE AGREEMENT

Date: 28 November 2016

Parties:

- Vendor : Gold Mission Limited, a wholly-owned subsidiary of Skyway

- Purchaser : Celestial Lodge Limited, an indirect wholly-owned subsidiary of the Company

As at the Latest Practicable Date, Skyway is a substantial shareholder of the Company holding 13.56% of the Shares in issue, and is therefore a connected person of the Company. The Vendor, being a wholly-owned subsidiary of Skyway, is an associate of Skyway and is also a connected person of the Company.

As at the Latest Practicable Date, the Company is a substantial shareholder of Skyway holding 2,749,935,829 shares in Skyway, representing approximately 15.34% of the issued share capital of Skyway.

Assets to be acquired by the Group under the Agreement

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire from the Vendor (i) the Sale Share comprising one (1) share in the share capital of the Target Company, representing 100% of the entire issued share capital of the Target Company as at the Latest Practicable Date; and (ii) the Sale Loan amounting to approximately HK$181,128,000 as at 28 February 2017.

The paragraph below headed "INFORMATION ON THE TARGET GROUP AND THE PROPERTY" provides further information on the Target Group.

Consideration

The Consideration for the Proposed Acquisition is HK$227,000,000, which shall be satisfied by the Purchaser in the following manner:

(a) as to HK$22,000,000, being the deposit (the "**Deposit**") and the part payment towards the Consideration, has been paid by the Purchaser to the Vendor within ten (10) Business Days from the date of signing of the Agreement; and

(b) (in the event that the Supplemental Agreement does not take effect) as to the remaining balance of HK$205,000,000, shall be payable by the Purchaser by procuring the Company to issue the Convertible Bonds in the principal amount of HK$205,000,000 to the Vendor (or as the Vendor may direct) upon Completion.

The Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to, among others, (i) the preliminary property valuation of the Property of HK$410,000,000; and (ii) that the outstanding Bank Loan of the Target Company upon Completion shall not exceed HK$179,000,000. The Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The preliminary valuation of the Property was carried out by Ascent Partners Valuation Service Limited, an independent surveyor to the Company and the date of preliminary valuation was 28 November 2016. The valuer valued the Property by comparison method with reference to comparable market transactions as reported in the market at similar locations. The valuation report of the Property is set out in Appendix V to this circular. As at 28 February 2017, the outstanding Bank Loan amounts to approximately HK$178,299,000.

In the event that the Conditions Precedent have not been reasonably satisfied on or before the Long Stop Date or Completion does not take place in accordance with the terms of the Agreement on or before the Completion Date (including fulfilment of the obligation to settle the remaining balance of the Consideration on Completion), the Vendor shall immediately refund the Deposit in full to the Purchaser.

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are as follows:

Issuer:	The Company
Principal amount:	HK$205,000,000
Issue date:	Completion Date
Interest:	The Convertible Bonds shall not carry any interest
Maturity Date:	The second anniversary of the date of issue of the Convertible Bonds (which must be a Business Day, and if not, the Business Day immediately following).
Redemption:	Unless previously converted or cancelled under the CB Conditions, all the Convertible Bonds will be redeemed at its then outstanding principal amount on the Maturity Date. The Convertible Bonds may be redeemed, at the option of the Company and with consent from the Bondholder, in whole or in part, any time before the Maturity Date, on giving not less than seven Business Days' notice to the Bondholder.

Status:	The obligations of the Company arising under the Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, and rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bonds will rank at least equally with all its other present and future unsecured and unsubordinated obligations of the Company, save for such exceptions as may be provided by mandatory provisions of applicable law. The Conversion Shares shall rank pari passu in all respect with all other existing Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.
Conversion Price:	HK$0.183 per Conversion Share (subject to adjustments)
Conversion Shares:	Based on the initial Conversion Price of HK$0.183 per Conversion Share (subject to adjustments of the Conversion Price pursuant to the CB Conditions), a maximum number of 1,120,218,579 new Shares may fall to be allotted and issued upon exercise of the Conversion Rights in full. The 1,120,218,579 Conversion Shares representing (i) approximately 12.50% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 11.11% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
Transferability:	Subject to the CB Conditions, the Convertible Bonds will be freely transferable and shall be transferable in whole or in any part(s) in multiples of HK$500,000, provided that unless with the prior written consent of the Company and in full compliance of the Listing Rules and other requirements of the Stock Exchange, none of the Convertible Bonds may be transferred to a connected person of the Company.
Conversion Period:	The period commencing on the date of issue of the Convertible Bonds and expiring on the fifth day prior to the Maturity Date, both days inclusive (the "**Conversion Period**").

Conversion Rights:	Subject to the conversion restrictions below, the Bondholder shall have the right on any Business Day during the Conversion Period to convert in whole or in part the outstanding principal amount of the Convertible Bonds in whole or in integral multiples of HK$500,000 into Conversion Shares, subject to and upon compliance with the CB Conditions.
Conversion restrictions:	The Conversion Rights shall not be exercised by the Bondholder, if it comes to the notice of the Company that immediately following such conversion, (i) the Company will be unable to meet the public float requirement under the Listing Rules; or (ii) any conversion of the Convertible Bonds will trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder and its associates, together with parties acting in concert (as defined in the Takeovers Code) with it.
Adjustments to Conversion Price:	The Conversion Price is subject to adjustments upon the occurrence of the events as set out in Appendix VI to this circular.
Events of default:	After the occurrence of an event of default as specified in the CB Conditions, the Bondholder may give notice to the Company that the Convertible Bonds, on the giving of such notice, are due and payable on the Business Day falling after 10 days of the date of such notice.
Voting rights:	The Bondholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder of the Convertible Bonds.
Listing:	The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. The Conversion Shares will be issued pursuant to a specific mandate to be sought at the SGM. In the event that the Supplemental Agreement does not take effect, an application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

The initial Conversion Price of the Convertible Bonds of HK$0.183 per Conversion Share (subject to adjustments pursuant to the CB Conditions) represents:

(i) the same price as the closing price of HK$0.183 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a premium of approximately 0.33% to the average closing price of approximately HK$0.1824 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Agreement;

(iii) a premium of approximately 0.05% to the average closing price of approximately HK$0.1829 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the date of the Agreement;

(iv) a premium of approximately 17.31% to the closing price of HK$0.1560 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 49.63% to the unaudited consolidated net asset value per Share of approximately HK$0.1223 (based on the unaudited condensed consolidated statement of financial position of the Company as at 30 September 2016 and the number of Shares in issue as at the Latest Practicable Date).

In the event that the Supplemental Agreement does not take effect, as (i) the Consideration represents a slight discount of approximately 1.03% to the adjusted net assets of the Target Group (i.e. the net assets with the additions of the amounts due to its holding companies and the fair value gain of the Property based on the preliminary property valuation by the valuer as at 28 November 2016) of approximately HK$229.37 million as at 31 October 2016 attributable to the Sale Share and the Sale Loan; (ii) the Consideration will be primarily settled by means of the Convertible Bonds, which if partly or fully exercised will enlarge the capital base of the Company and this settlement method does not require immediate cash outlay of the Company in order to conserve cash of the Company; and (iii) the benefits to be derived by the Group from the Proposed Acquisition as set out in the section headed "REASONS FOR AND THE BENEFITS OF THE PROPOSED ACQUISITION" below, the Directors (including the independent non-executive Directors) consider that the small premium of the Conversion Price to the current price of the Share is considered to be fair and reasonable.

CHANGES IN THE SHAREHOLDING STRUCTURE

Assuming that there will be no other changes in the issued share capital of the Company, set out below are the shareholding structure of the Company (i) as at the date of the Latest Practicable Date; and (ii) upon full conversion of the Convertible Bonds:

	As at the date of the Latest Practicable Date		**Upon full conversion of the Convertible Bonds**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Directors				
Lam Hay Yin	13,176	0.01%	13,176	0.01%
Other shareholders				
Wei Zhenyu	2,150,000,000	23.98%	2,150,000,000	21.32%
Chen Xiangru	1,853,992,000	20.68%	1,853,992,000	18.38%
Skyway	1,215,971,647	13.56%	2,336,190,226	23.16%
Wang Haixiong	460,000,000	5.13%	460,000,000	4.56%
Public	3,285,152,157	36.64%	3,285,152,157	32.57%
Total	8,965,128,980	100.00%	10,085,347,559	100.00%

To the best knowledge and belief of the Directors, the allotment and issue of the Conversion Shares to the Vendor upon exercise of the Conversion Rights will not result in a change of control of the Company.

Conditions Precedent to Completion

The Proposed Acquisition is conditional upon the satisfaction of the following:

(a) the Purchaser being reasonably satisfied with the results of the due diligence review in particular the review of the assets, liabilities, operations and affairs of the Target Group as the Purchaser may reasonably consider appropriate;

(b) the Purchaser being reasonably satisfied that there are no title defects to the Property in accordance with Section 13 and Section 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong);

(c) production of written evidence by the Vendor to the reasonable satisfaction of the Purchaser that all debts and liabilities of the Target Company (other than the Sale Loan and the Bank Loan which shall not exceed HK$179,000,000 and other normal accruals in the ordinary course of business of the Target Group and acceptable by the Purchaser) having been discharged, released, waived or extinguished;

(d) all necessary consents and approvals required to be obtained on the part of the Purchaser, the Vendor and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;

(e) (i) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at a general meeting of the Company to be convened and held of the necessary ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares in the event that the Supplemental Agreement does not take effect), and all other consents and acts required to be obtained by the Purchaser under the Listing Rules and/or other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(ii) the passing by the Skyway Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at a general meeting of Skyway to be convened and held of the necessary ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder, and all other consents and acts required to be obtained by the Vendor under the Listing Rules and/or other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(f) the warranties provided by the Vendor under the Agreement remaining true, accurate and correct in all material respects;

(g) the despatch of this circular by the Company and the circular by Skyway as required under the Listing Rules;

(h) the Purchaser being reasonably satisfied that there has not been any material adverse change in respect of the Target Company since the date of the Agreement; and

(i) (in the event that the Supplemental Agreement does not take effect) the Stock Exchange granting the listing of and permission to deal in the Conversion Shares.

The Purchaser may at any time at its absolute and sole discretion waive in writing the conditions (a), (b), (f) and/or (h) (in whole or in part) set out above. The other conditions set out above are incapable of being waived. As at the Latest Practicable Date, the Purchaser has no current intention to waive any conditions. If the conditions set out above have not been satisfied on or before the Long Stop Date, subject to the refund of the Deposit, the Agreement shall cease and terminate and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies thereafter.

Completion

Completion is expected to take place on the fifth Business Day after the fulfilment (or waiver) of the Conditions Precedent, or such later date as the parties to the Agreement may agree in writing (but in any event within one (1) month upon the fulfillment or waiver of the Conditions Precedent) at the office of the Purchaser in Hong Kong or such other place as the Vendor and the Purchaser may agree in writing.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated with the Group.

THE SUPPLEMENTAL AGREEMENT

Date: 7 March 2017

Parties:

- The Vendor
- The Purchaser

Pursuant to the Supplemental Agreement, the material amendment to the Agreement is to change the settlement method of the remaining balance of the Consideration of HK$205,000,000 from the issue of the Convertible Bonds in the principal amount of HK$205,000,000 by the Company to the Vendor (or as the Vendor may direct) to payment in cash by the Purchaser to the Vendor upon Completion.

Save as disclosed above, all other material terms and conditions of the Agreement shall remain unchanged and in full force and effect.

Conditions to the Supplemental Agreement

The Supplemental Agreement is conditional upon the fulfillment of the following conditions:

(a) the passing by the Skyway Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules and the Takeovers Code at a general meeting of Skyway to be convened and held of the necessary ordinary resolution(s) to approve the Supplemental Agreement and the transactions contemplated thereunder; and

(b) all necessary consents and approvals required to be obtained (including the consent from CMBC International Investment Limited (民銀國際投資有限公司), the Skyway Independent Shareholders' approval, the Independent Shareholders' approval and the consent from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates for the special deal contemplated under the Supplemental Agreement) on the part of Skyway and the Company in respect of the Supplemental Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

None of the conditions set out above is capable of being waived. If the conditions set out above have not been satisfied on or before 30 April 2017, or such other date as the Vendor and the Purchaser may agree in writing, the Supplemental Agreement shall cease and terminate and thereafter neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. For the avoidance of doubt, in the event that the Supplemental Agreement shall cease and terminate as stated above, the Agreement shall continue to be valid and effective in accordance with its terms and conditions.

Reasons for entering into the Supplemental Agreement

Pursuant to the Agreement, one of the Conditions Precedent to Completion is the passing by the Skyway Independent Shareholders of the necessary ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder, and all other consents and acts required to be obtained by the Vendor under the Listing Rules and/or other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange. In order to facilitate the fulfilment of this Condition Precedent, Skyway and the Company agreed to consider the amendment to the Agreement as set out above.

In light of the above, the Directors have reconsidered the terms of the Agreement and have reassessed the following factors:

(i) that the amendment to the Agreement will facilitate the fulfilment of the Condition Precedent as set out above;

(ii) that the Group's current cash flow will be able to satisfy the payment of the remaining balance of the Consideration in cash by requesting the borrowers repay the loan receivables and/or disposing of equity investments in the equity investments portfolio as mentioned in "Working Capital" on page I-4;

(iii) that the Board takes an optimistic view with regards to the outlook of the luxurious property market in Hong Kong and considers that the value of the Property may rise in the future, which will be beneficial to the Group to proceed with the Proposed Acquisition; and

(iv) that the settlement of the remaining balance of the Consideration by cash will not result in any dilution of the shareholdings of the Shareholders.

The Group does not have specific funding methods for investment and takes into account the parties' negotiations and the financial position of the Group in deciding which method of funding to adopt. As the Directors are of the view that the Group has enough cash to settle the remaining balance of the Consideration as scheduled without conducting additional fund raising activities, and that the value of the Property may rise in the future, funding the Proposed Acquisition in cash is in line with the Company's investment strategy.

Apart from the opportunity cost of otherwise utilising the cash required for settlement of the remaining balance of the Consideration (such as interest income lost from lending out such sum), there is no major cost difference to the Group as at Completion between settling the remaining balance of the Consideration in cash and by way of issuing the Convertible Bonds.

For these reasons, the Board (including the independent non-executive Directors) agreed to enter into the Supplemental Agreement and considers that the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INFORMATION ON THE TARGET GROUP AND THE PROPERTY

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company is the legal and beneficial owner of the entire issued share capital of the Hong Kong Subsidiary, which in turn holds the Property. The Vendor had acquired the Sale Share and Sale Loan (which amounted to approximately HK$214,000,000 at the time of such acquisition) for a total consideration of HK$218,000,000 on 15 July 2016. As at the time of such acquisition by the Vendor, the Target Company owned 100% of the Hong Kong Subsidiary, which in turn held the Property. As at the Latest Practicable Date, the Target Company is held as to 100% by the Vendor. Immediately after Completion, the Purchaser shall be interested in the entire issued share capital of the Target Company and the Vendor shall cease to have any interests in the Target Company.

The Hong Kong Subsidiary is currently holding the Property located at No. 2, Lincoln Road, Kowloon, Hong Kong. The Property is a house with a gross floor area of approximately 6,702 sq. ft. and a saleable area of approximately 6,659 sq. ft. The Property comprises a 3-storey garden house with a swimming pool on the ground floor with an internal staircase and a lift. The Property is currently used for domestic purpose and is currently subject to a tenancy agreement with monthly rental of HK$450,000. Based on the land search record, the Property was acquired by the Hong Kong Subsidiary in 2010 at a consideration of HK$160,000,000.

Financial information of the Target Group

Set below is the financial information of the Hong Kong Subsidiary:

	For the year ended 31 December 2014	**For the year ended 31 December 2015**	**For the ten months ended 31 October 2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)
Profit/(loss) before taxation and extraordinary items	1,363	41,016	(184)
Profit/(loss) after taxation and extraordinary items	1,363	41,016	(184)
Net asset value	162,911	203,927	203,743

Set below is the financial information of the Target Company:

	From 30 October 2014 (date of incorporation) to 31 December 2014	**For the year ended 31 December 2015**	**For the ten months ended 31 October 2016**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) before taxation and extraordinary items	(11)	(303)	(8)
(Loss) after taxation and extraordinary items	(11)	(303)	(8)
Net (deficits)	(10)	(313)	(321)

The Target Group did not record any revenue for the years ended 31 December 2014. The Target Group recorded revenue of HK$450,000 for the year ended 31 December 2015 and revenue of HK$4,500,000 for the period ended 31 October 2016. The profits of the Target Group for the years ended 31 December 2014 and 2015 were mainly due to revaluation gain on the fair value of the Property and the loss for the period ended 31 October 2016 was mainly attributable to the rental income being not sufficient to cover administrative expenses and finance costs incurred.

The losses of the Target Company for the years ended 31 December 2014 and 2015 and the period ended 31 October 2016, were mainly due to the administrative costs and expenses.

The valuation report of the Property is set out in Appendix V to this circular.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Vendor is a wholly-owned subsidiary of Skyway, the issued shares of which are listed on the Main Board of the Stock Exchange under the stock code of 1141. Skyway together with its subsidiaries are principally engaged in investment holdings, provision of brokerage, securities margin financing and related services, securities investment and real estate.

INFORMATION ON THE PURCHASER AND THE GROUP

The Purchaser is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

The Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading, money lending business and the research and development of integrated circuit technology, information and big data technology.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Directors have been proactive in seeking appropriate investment opportunities to increase the return to the Shareholders. As stated in the interim results announcement of the Company for the six months ended 30 September 2016, it is the Group's plan to monitor the property market in Hong Kong to seize investment opportunities in this segment. The Directors are cautiously optimistic about the outlook of the property market for the following reasons: (i) the general growth in price index in the recent five years indicates a favourable environment for the private domestic market; and (ii) the recent introduction of a higher ad valorem stamp duty is not expected to materially adversely affect the property market since the previous cooling measures only seemed to have short term effects of around one year on the rents and prices in the private domestic property market.

Despite the fact that property investment is not one of the current principal activities of the Company, the management of the Group has had prior experience in the acquisition and disposal of an investment property in Hong Kong. In 2014, the Group acquired a property interest from an independent third party, and subsequently disposed of such property interest to another independent third party in 2015. From such acquisition and disposal, the Group had been able to recognise net profits of approximately HK$2.6 million. For further details of the acquisition and disposal of the property interest, please refer to the Company's announcements dated 28 November 2014 and 12 May 2015.

For the above reasons, the Directors (including the independent non-executive Directors) consider that the Group will benefit from the long term appreciation of the price in properties in Hong Kong, especially in respect of luxurious properties in this segment and that property investment is an appropriate investment which enables the Group to cope with and facilitate its expansion plan by bringing a steady source of income to the Group and to broaden its fixed asset base with potential capital appreciation.

The Company had no specific target in mind in terms of acquiring properties prior to the entering into of the Agreement. The Company decided to acquire from the Vendor, a connected person, for the following reasons: (i) cost-saving on the agency fee since the Vendor is a connected person; and (ii) the Consideration was considered reasonable by the Directors (including the independent non-executive Directors).

In addition, the Directors considered that the following factors are favourable to the Company and its Shareholders as a whole in deciding to acquire the Property:

(i) Price of the Property — the Consideration represents a discount to the adjusted net assets of the Target Group as described in the section headed "Principal terms of the Convertible Bonds";

(ii) (In the event that the Supplemental Agreement does not take effect) Initial cash outlay of the Proposed Acquisition — the cash portion of HK$22 million, representing merely approximately 9.69% of the Consideration, is considered to be minimal; and

(iii) Resellability of the Property — the Directors are of the view that the Property has a very high resellability in the property market as the Property had already been sold and purchased two times during the previous 14-month period.

In light of the preliminary valuation of the Property, the Board (including the independent non-executive Directors) considers that the Proposed Acquisition represents an appropriate investment opportunity. The Property is subject to a tenancy agreement which will provide a stable income to the Group. On 30 December 2016, the Hong Kong Subsidiary entered into a tenancy agreement with the existing tenant on the same terms with a monthly rental of HK$450,000 for a term of two years commencing on 1 January 2017. It is intended by the Company that the Property will continue to be held and used for rental purpose.

The Directors (including the independent non-executive Directors) consider the terms of the Agreement, the Supplemental Agreement and the Proposed Acquisition are reasonable and fair and in the interests of the Shareholders as a whole. The view of the independent non-executive Directors on the Proposed Acquisition on, among others, the fairness and reasonableness of the Proposed Acquisition on the terms of the Agreement and the Supplemental Agreement is set out on pages 23 to 24 of this circular.

LISTING RULES IMPLICATIONS

The Vendor, being a wholly-owned subsidiary of Skyway (a substantial shareholder of the Company), is an associate of Skyway and therefore a connected person of the Company. The Proposed Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios for the Proposed Acquisition exceeds 25% and the Consideration exceeds HK$10,000,000, the Proposed Acquisition is subject to reporting, announcement, and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

As one of the applicable Percentage Ratios in respect of the Proposed Acquisition exceeds 25% but is below 100%, the Proposed Acquisition also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification, publication and Shareholders' approval requirements.

At the SGM, any Shareholder with a material interest in the Proposed Acquisition are required to abstain from voting on the resolution approving the Proposed Acquisition and related matters. As such, Skyway and Mr. Wang Haixiong (being an executive director and the chief executive officer of Skyway) and their respective associates will abstain from voting on the resolution approving the Proposed Acquisition and related matters at the SGM. As at the Latest Practicable Date, to the extent that the Directors are aware having made all reasonable enquiries, (i) Skyway and its associates hold 1,215,971,647 Shares and (ii) Mr. Wang Haixiong and his associates hold 460,000,000 Shares, and they control or are entitled to exercise control over the voting rights in respect of their respective Shares.

No Director was required to abstain from voting on the Board resolution approving the Proposed Acquisition.

The Independent Board Committee has been established to consider the terms of the Proposed Acquisition and to advise the Independent Shareholders as to whether the Proposed Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other matters, the fairness and reasonableness of the Proposed Acquisition.

PROPOSED RE-ELECTION OF DIRECTOR

Reference is made to the announcement of the Company dated 2 December 2016 in relation to, among others, the appointment of Mr. Chen as an executive Director with effect from 2 December 2016. Pursuant to the Company's bye-laws, any Director who is appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Chen shall retire and, being eligible, has offered himself for re-election at the SGM.

The biographical details and other information of Mr. Chen are set out in Appendix VII to this circular.

SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-2 of this circular. At the SGM, ordinary resolutions will be proposed to approve, among other things, the Proposed Acquisition and the re-election of Director.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share register in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions in relation to the Proposed Acquisition and the re-election of Director to be proposed at the SGM will be voted by way of a poll by the Shareholders.

RECOMMENDATION

Nuada has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Proposed Acquisition and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee as set out on pages 23 to 24 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Proposed Acquisition and the transactions contemplated thereunder; and (ii) the letter of advice from Nuada as set out on pages 25 to 44 of this circular which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Proposed Acquisition and the transactions contemplated thereunder and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement, the Supplemental Agreement, the Proposed Acquisition and the transactions contemplated thereunder have been negotiated on an arm's length basis, are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Acquisition.

Completion is subject to the satisfaction of certain Conditions Precedent in the Agreement. There is no assurance that the Proposed Acquisition will proceed. Shareholders and investors of the Company are advised to exercise caution in dealing in the Shares.

The Directors also recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the re-election of Director.

FURTHER INFORMATION

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

Yours faithfully,
By and on behalf of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Proposed Acquisition:

China Soft Power Technology Holdings Limited
中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

31 March 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: PROPOSED ACQUISITION OF THE SALE SHARE AND THE SALE LOAN INVOLVING THE ISSUE OF THE CONVERTIBLE BONDS

INTRODUCTION

We refer to the circular dated 31 March 2017 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether in our opinion, the terms of the Agreement, the Supplemental Agreement, the Proposed Acquisition and the transactions contemplated thereunder as described on pages 5 to 22 of the Circular are fair and reasonable so far as the Independent Shareholders are concerned.

Nuada has been appointed as the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Agreement, the Supplemental Agreement, the Proposed Acquisition and the transactions contemplated thereunder. Details of the advice of Nuada, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 25 to 44 of the Circular.

RECOMMENDATION

We wish to draw your attention to the Letter from the Board as set out on pages 5 to 22 of the Circular which contains details of the Agreement, the Proposed Acquisition and the transactions contemplated thereunder, the letter from Nuada as set out on pages 25 to 44 of the Circular which contains its advice and recommendation in respect of the transactions mentioned above to the Independent Board Committee and the Independent Shareholders, and the additional information set out in Appendices I to VI and VIII to the Circular.

Having taken into account the advice and recommendation of Nuada and the principal factors and reasons considered by Nuada, we consider that the terms of the Agreement, the Supplemental Agreement, the Proposed Acquisition and the transactions contemplated thereunder (including the terms of the Convertible Bonds in the event that the Supplemental Agreement does not take effect) have been negotiated on an arm's length basis, are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, are in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the entering into of the Agreement, the Proposed Acquisition and the transactions contemplated thereunder.

Yours faithfully,
Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Mai Qijian
Independent Board Committee

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 31 March 2017 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805–08, 18/F
OfficePlus @Sheung Wan
93–103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93–103號
協成行上環中心18樓1805–08室

31 March 2017

To the Independent Board Committee
and the Independent Shareholders of
China Soft Power Technology Holdings Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE SALE SHARE AND THE SALE LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition, details of which are set out in the section headed ''Letter from the Board'' (the ''**Letter from the Board**'') in the Company's circular dated 31 March 2017 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

As disclosed in the Letter from the Board, on 28 November 2016, the Group, through the Purchaser, conditionally agreed to acquire from the Vendor the Sale Share and the Sale Loan, subject to fulfilment of the Conditions Precedent, at a Consideration of HK$227,000,000 by entering into the Agreement in respect of the Proposed Acquisition. Subsequently on 28 February 2017, the Purchaser and the Vendor entered into an extension letter, pursuant to which the Purchaser and the Vendor agreed to extend the Long Stop Date from 28 February 2017 to 30 April 2017 (or such other date as the Vendor and the Purchaser may agree in writing).

Further on 7 March 2017, the Purchaser and the Vendor entered into the Supplemental Agreement, pursuant to which the Purchaser and the Vendor conditionally agreed to amend certain terms and conditions of the Agreement. The material amendment to the Agreement is to change the settlement method of the remaining balance of the Consideration of HK$205,000,000 from the issue of the Convertible Bonds in the principal amount of HK$205,000,000 by the Company to the Vendor (or as the Vendor may direct) to payment in cash by the Purchaser to the Vendor upon Completion.

If the conditions to the Supplemental Agreement as set out in the paragraph headed ''Conditions to the Supplemental Agreement'' in the Letter of the Board have not been satisfied on or before 30 April 2017, or such other date as the Vendor and the Purchaser may agree in writing, the Supplemental Agreement shall cease and terminate and thereafter neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. For the avoidance of doubt, in the event that the Supplemental Agreement shall cease and terminate as stated above, the Agreement shall continue to be valid and effective in accordance with its terms and conditions.

The Vendor, being a wholly-owned subsidiary of Skyway (a substantial shareholder of the Company), is an associate of Skyway and therefore a connected person of the Company. The Proposed Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one of the applicable Percentage Ratios for the Proposed Acquisition exceeds 25% and the Consideration exceeds HK$10,000,000, the Proposed Acquisition is subject to reporting, announcement, and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to consider the terms of the Proposed Acquisition and the Agreement (including the Supplemental Agreement) and to advise the Independent Shareholders as to whether the Proposed Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have issued the following letters in respect of certain transactions of the Group:

Transactions	Relevant letters issued by us	Date of our letters
Rights issue	(i) Letter of advice as an independent financial adviser to the then independent shareholders of the Company; and	23 January 2015
	(ii) Comfort letter as an independent financial adviser in relation to adjustments to the terms of the outstanding options of the Company as a result of the rights issue	31 March 2015
Subscription of new Shares under a specific mandate	(i) Comfort letter as an independent financial adviser in relation to disclosure of material change of the financial and trading position of the Group in the relevant circular as required under Rule 10.11 of the Hong Kong Codes on Takeovers and Mergers; and	7 July 2015
	(ii) Comfort letter as an independent financial adviser in relation to adjustments to the terms of the warrants of the Company as a result of the subscription of new Shares	18 August 2015
Discloseable and connected transaction	Letter of advice as an independent financial adviser to the then independent shareholders of the Company	3 August 2016

Save for the above engagements and this appointment as the Independent Financial Adviser in respect of the Proposed Acquisition, there were no other engagements between the Group and Nuada Limited. Apart from normal professional fees for our services to the Company in connection with the aforementioned engagements as well as this appointment as the Independent Financial Adviser in respect of the Proposed Acquisition, no other arrangement, including contingent fee or conditional fee, exists whereby we will receive any fees and/or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we are independent from, and are not associated with the Company, the Purchaser, or their respective substantial shareholder(s) or connected person(s) as defined under the Listing Rules, and accordingly are considered eligible to give independent advice on the Proposed Acquisition.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Proposed Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background information on the Proposed Acquisition

(a) Information of the Group

The Group is principally engaged in trading and distribution of electronic and accessory products and other merchandise, financial investments and trading, money lending business and the research and development of integrated circuit technology, information and big data technology.

Set out below are the summary of the financial information of the Group for the two years ended 31 March 2015 ("**FY2015**") and 31 March 2016 ("**FY2016**"), and the two six-months-period ended 30 September 2015 ("**FP2015**") and 30 September 2016 ("**FP2016**") as extracted respectively from the annual report of the Company for FY2016 and the interim report of the Company for FP2016:

	For the year ended		For the six months ended	
	31 March 2015	**31 March 2016**	**30 September 2015**	**30 September 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	6,548	(472,438)	72,538	9,547
(Loss) for the year/period	(1,275,139)	(1,214,745)	(892,563)	(61,934)

For FY2016

The Group recorded a negative revenue of approximately HK$472.4 million for FY2016. As discussed with the management of the Company, the adverse change in revenue was mainly attributable to (i) the drop in sales revenue from the electronic and accessory products segment from approximately HK$10.7 million for FY2015 to approximately HK$0.7 million in FY2016; and (ii) the realised losses on the disposal of listed equity investments of approximately HK$473.1 million in the financial investments and services segment.

The Group recorded a net loss for FY2016 of approximately HK$1,214.7 million as compared with that of approximately HK$1,275.1 million for the previous year. As discussed with the management of the Company, such net loss for FY2016 was mainly due to realized losses on the disposal of listed equity investments and available-for-sale equity investments of approximately HK$504.4 million and the impairment loss of available-for-sale equity investments of approximately HK$669.6 million in the financial investments and services segment.

For FP2016

The Group recorded a revenue of approximately HK$9.5 million for FP2016, representing a decrease of approximately 86.8% as compared with that of approximately HK$72.5 million for FP2015. As discussed with the management of the Company, we understand that the decrease is mainly due to the decrease in revenue from the financial investments and services segment from approximately HK$71.9 million for FP2015 to a negative of approximately HK$1.6 million for FP2016.

Meanwhile, the loss of the Group improved from approximately HK$892.6 million for FP2015 to approximately HK$61.9 million for FP2016, which was mainly attributable to, among other factors, (i) no impairment loss of available-for-sale equity investments (approximately HK$498.6 million for FP2015); and (ii) the decrease in fair value loss on equity investments at fair value through profit or loss from approximately HK$365.9 million for FP2015 to approximately HK$7.0 million for FP2016.

(b) Information of the Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company is the legal and beneficial owner of the entire issued share capital of the Hong Kong Subsidiary, which in turn holds the Property. Immediately prior to the entering into of the Agreement, the Target Company is held as to 100% by the Vendor.

The Hong Kong Subsidiary is currently holding the Property located at No. 2, Lincoln Road, Kowloon, Hong Kong. The Property is a house with a gross floor area of approximately 6,702 sq. ft. and a saleable area of approximately 6,659 sq. ft. The Property comprises a 3-storey garden house with a swimming pool on the ground floor with an internal staircase and a lift. The Property is currently used for domestic purpose and was previously subject to a tenancy agreement with monthly rental of HK$450,000 for a term of one year from 1 January 2016 and renewable for an additional one year. As advised by the management of the Company, on 30 December 2016, the Hong Kong Subsidiary entered into a renewed tenancy agreement with the existing tenant on the same terms with a monthly rental of HK$450,000 for a term of two years commenced on 1 January 2017. As stated in the Letter from the Board, the Property was acquired by the Hong Kong Subsidiary in 2010 at a consideration of HK$160,000,000.

According to the information provided by the management of the Company, set out below is a summary of the financial information of the Hong Kong Subsidiary:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the ten months ended 31 October 2016
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)
Profit/(loss) before taxation and extraordinary items	1,363	41,016	(184)
Profit/(loss) after taxation and extraordinary items	1,363	41,016	(184)
Net asset value	162,911	203,927	203,743

Set out below is a summary of the financial information of the Target Company:

	From 30 October 2014 (date of incorporation) To 31 December 2014	For the year ended 31 December 2015	For the ten months ended 31 October 2016
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) before taxation and extraordinary items	(11)	(303)	(8)
(Loss) after taxation and extraordinary items	(11)	(303)	(8)
Net (deficits)	(10)	(313)	(321)

The Target Group did not record any revenue for the years ended 31 December 2014. The Target Group recorded revenue of HK$450,000 for the year ended 31 December 2015 and revenue of HK$4,500,000 for the ten months period ended 31 October 2016. The profits of the Target Group for the years ended 31 December 2014 and 2015 were mainly due to revaluation gain on the fair value of the Property and the loss for the ten months period ended 31 October 2016 was mainly attributable to the rental income being not sufficient to cover the administrative expenses and finance costs incurred.

The losses of the Target Company for the years ended 31 December 2014 and 2015 and the ten months period ended 31 October 2016 were mainly due to the administrative costs and expenses.

2. Reasons for and benefits of the Proposed Acquisition

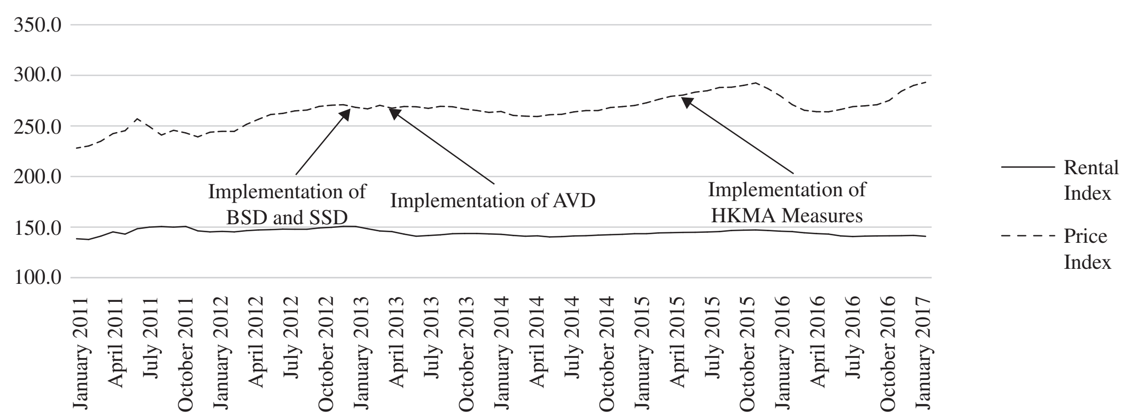
As stated in the Letter from the Board and according to the management of the Company, the Company has been proactive in seeking appropriate investment opportunities to increase the return to the Shareholders. As stated in the interim report of the Company for FP2016, it is the Group's plan to monitor the property market in Hong Kong to seize investment opportunities in this segment. The Directors (including the independent non-executive Directors) are cautiously optimistic about the outlook of the property market, and consider that the Group will benefit from the long term appreciation of the price in properties in Hong Kong, including in luxurious properties segment and that property investment is an appropriate investment which would generate a steady source of income to the Group and to broaden its fixed asset base with potential capital appreciation.

As stated in the Letter from the Board, the Company had no specific target in mind in terms of acquiring properties prior to the entering into of the Agreement. After discussion with the management of the Company, we noted that the Company has considered, among others, the following factors in deciding to first enter into the Agreement: (i) cost-saving on the agency fee since there is no agency arrangement regarding the Acquisition; (ii) the Consideration was considered reasonable by the Directors (including the independent non-executive Directors) as the Consideration representing a discount to the adjusted net assets of the Target Group; (iii) the resellability of the Property and optimistic view with regards to the outlooks of the luxurious property market in Hong Kong; and (iv) the small initial cash outlay for the acquisition as remaining balance of Consideration shall be satisfied by the issue of the Convertible Bonds with a term of two years. Prior to the entering into of the Supplemental Agreement, we understand that the Directors have considered the following additional factors: (i) the Group's current cash flow will be able to satisfy the payment of the remaining balance of the Consideration in cash by way of utilising loan receivables and/or proceeds from disposal of equity investments as detailed in the paragraph headed "(d) Other funding alternatives" below (the factor in relation to the initial cash outlay for the acquisition as stated above is no longer one of the factors considered); (ii) the Board takes an optimistic view with regards to the outlook of the luxurious property market in Hong Kong; and (iii) the settlement of the remaining balance of the Consideration by cash will not result in any dilution of the shareholdings of the Shareholders.

In light of the preliminary valuation of the Property, the Board (excluding the independent non-executive Directors) considers that the Proposed Acquisition represents an appropriate investment opportunity. The Property was subject to a tenancy agreement for a term of one year from 1 January 2016 and renewable for an additional one year which will provide a stable income to the Group. As advised by the management of the Company, on 30 December 2016, the Hong Kong Subsidiary entered into a renewed tenancy agreement with the existing tenant on the same terms with a monthly rental of HK$450,000 for a term of two years commenced on 1 January 2017. The Company intends that the Property will continue to be held and used for investment purpose.

In order to assess the property market in Hong Kong, we studied the latest statistics released by the Rating and Valuation Department of Hong Kong ("**RVD**") on its website (http://www.rvd.gov.hk/) regarding the class E private domestic property of 160 square meters or above (which is the high-end category and the Property belongs to). The rental index and price index of class E private domestic property for the period from January 2011 to January 2017 are plotted below.

Rental index and price index of class E private domestic property



As shown in the graph above, we noted that the rental index (represented by solid line) of class E private domestic property fluctuated around the level 140 for the period under review, from the highest of approximately 150.8 in November 2012 to the lowest of approximately 137.8 in February 2011, and recorded a slight increase from approximately 138.5 in January 2011 to approximately 142.5 in January 2017. Meanwhile, the price index (represented by dotted line) of class E private domestic property increased from approximately 228.1 for January 2011 to approximately 296.8 for January 2017, representing an increase of approximately 30.1% for the period. These reflect stable rents and a general upward trend of prices in class E private domestic property market over the recent years. Furthermore, we noticed that recently the rental index and price index further rose after the entering of the Agreement in 28 November 2016 from approximately 140.9 and 293.1 respectively in November 2016 (when the Agreement was entered into) to approximately 142.5 and 296.8 respectively in January 2017, representing increases of approximately 1.1% and 1.3% respectively in two months.

We are aware that the government of Hong Kong announced on 4 November 2016 that ad valorem stamp duty ("**AVD**") for residential property in Hong Kong will be increased to a fixed rate of 15%, regardless of amount of consideration for the property, effective on 5 November 2016 and applicable to non-first-time individual and corporate buyers. To investigate the potential impact of the revised AVD, we have studied similar cooling measures on residential property market carried out previously by the Hong Kong government in recent years and noted that, among others, (i) since 27 November 2012, the Hong Kong government has charged a buyer's stamp duty ("**BSD**") for non-Hong Kong permanent residents and a special stamp duty ("**SSD**") for reselling residential properties within 36 months since they are acquired; (ii) since 22 February 2013, the Hong Kong government has introduced AVD rating, from 1.5% to 8.5% depending on the amount of consideration for the property, to all except Hong Kong permanent residents who do not own any other residential property in Hong Kong and would therefore be charged at lower stamp duty rates from a fixed duty of HK$100 to 4.25% of the amount of consideration; and (iii) since 27 February 2015, Hong Kong Monetary Authority has lowered (a) the maximum loan-to-value ratio for self-use residential properties with value below HK$7 million by a maximum of 10 percentage points and (b) the maximum debt-servicing ratio for borrowers who buy a second residential property for self-use from 50% to 40% (collectively, the "**HKMA Measures**"). As illustrated in the above graph in relation to the rental and price indices, we noticed that the BSD and SSD charged since 27 November 2012 and the AVD charged since 22 February 2013 seemed to lower only the rents but not prices in the class E private domestic property market. Nevertheless, the rental index decreased by only approximately 7.0% from the highest point and the downward trend ended in around a year in May 2014. Meanwhile, the HKMA Measures carried out since 27 February 2015 do not seem to have any noticeable and immediate effect on the price and rental indices.

Despite the revised AVD implemented by the Hong Kong government, given that (i) the Property is a long term investment primarily held for rental purposes; (ii) prices of private domestic properties showed a general uptrend while rents remained stable in recent years; and (iii) the previous cooling measures including, among others, the BSD, SSD and AVD only have short term effects on rents, albeit small, but not prices in class E private domestic property market, we consider that the cooling measures would not have material impact on the profitability of the Property in the long run.

As disclosed in the Letter from the Board, the Property had already been sold and purchased two times during the previous 14-month period. We attempted to study the latest statistics released by the RVD on its website regarding the number of transactions of class E private domestic property. We note that only the total numbers of transaction of private domestic property of all classes are available. Nevertheless, we noted that the number of transactions increased from approximately 23,731 in the second half of 2015 to approximately 34,780 in the second half of 2016, representing an increase of approximately 46.6%. More recently, the number of transaction increase from approximately 2,045 in January 2016 to approximately 3,286 in January 2017, representing an increase of approximately 60.7%. These show that the property market in general is active with more frequent transactions in the latest period.

Having considered that (i) the Property can provide stable rental income to the Group; (ii) the general growth in price index in the recent five years indicates a favourable environment of the private luxurious domestic market in Hong Kong; (iii) despite the enforcement of higher AVD on non-first-time private property buyers, the Property would likely not be materially adversely affected by the policy in the long run as detailed above; (iv) the Property had already been sold and purchased two times during the previous 14-month period and property market in Hong Kong is active in general as reflected by the number of transactions in recent period; (v) the Consideration of HK$227 million represents a discount of approximately 1.8% to the adjusted net assets of the Target Group of approximately HK$231.1 million as detailed in the sub-section headed "(a) Consideration" below; (vi) we have discussed with the management of the Company and understand that the Group's current cashflow (in the following 12 months) will be able to satisfy the payment of the remaining balance of the Consideration in cash; and (vii) settlement in cash will not result in any dilution of the shareholdings of the Shareholders if the Supplemental Agreement takes effect, we are of the view and concur with the view of the management of the Company that the Proposed Acquisition is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Agreement

(a) Consideration

The Consideration for the Proposed Acquisition is HK$227,000,000, which shall be satisfied by the Purchaser in the following manner:

(a) as to HK$22,000,000, being the deposit (the "**Deposit**") and the part payment towards the Consideration, shall be payable by the Purchaser to the Vendor within ten (10) Business Days from the date of signing of the Agreement; and

(b) (in the event that the Supplemental Agreement does not take effect) as to the remaining balance of HK$205,000,000, shall be payable by the Purchaser by procuring the Company to issue the Convertible Bonds in the principal amount of HK$205,000,000 to the Vendor (or as the Vendor may direct) upon Completion.

The Consideration was determined after arm's length negotiations between the parties to the Agreement with reference to, among others, (i) the preliminary property valuation of the Property of HK$410,000,000; and (ii) that the outstanding Bank Loan of the Target Company upon Completion shall not exceed HK$179,000,000.

Having considered, among other factors, that (i) in view of the loss making position and the fluctuation in revenue of the Group in recent financial periods, the Property can provide stable rental income to the Group; (ii) the Property is held for a long term investment, and the rental income of HK$5.4 million per annum represents approximately 56.6% of the Group's revenue for the FP2016; (iii) the general growth in price index of class E property in the recent five years and recent months as stated in the paragraph headed "2. Reasons for and benefits of the Proposed Acquisition" above indicates a potential capital gain in the long run; and (iv) the Consideration of HK$227 million represents a discount of 1.8% to the adjusted net assets of the Target Group of approximately HK$231.1 million, i.e. the net assets of the Target Group of approximately HK$43.0 million as at 28 February 2017 with the addition of (a) the amount due to its holding companies of approximately HK$181.1 million as at 28 February 2017; and (b) HK$7 million, being the difference between the book value of the Property of HK$403 million as stated in the management accounts of the Target Group and the property valuation of the Property of HK$410 million as at 28 February 2017 (details of the property valuation are set out below in the section headed "4. Valuation Report"), we are of the view and concur with the view of the management of the Company that the Consideration is fair and reasonable.

(b) Major terms of the Convertible Bonds

In the event that the Supplemental Agreement does not take effect, as part of the Consideration, the Company will issue the Convertible Bonds in the principal amount of HK$205,000,000 with nil interest rate to the Vendor (or as the Vendor may direct) upon Completion.

The initial Conversion Price of the Convertible Bonds of HK$0.183 per Conversion Share (subject to adjustments pursuant to the CB Conditions) represents:

(i) the same price as the closing price of HK$0.183 per Share as quoted on the Stock Exchange on the date of the Agreement;

(ii) a premium of approximately 0.33% to the average closing price of approximately HK$0.1824 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of the Agreement;

(iii) a premium of approximately 0.05% to the average closing price of approximately HK$0.1829 per Share as quoted on the Stock Exchange for the last ten trading days upto and including the date of the Agreement;

(iv) a premium of approximately 17.31% over the closing price of HK$0.156 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a premium of approximately 49.63% to the unaudited consolidated net asset value per Share of approximately HK$0.1223 (based on the unaudited condensed consolidated statement of financial position of the Company as at 30 September 2016 and the number of Shares in issue as at the Latest Practicable Date).

In order to assess whether the terms of the Convertible Bonds are fair and reasonable, we carried out a comparable analysis of other convertible bonds/notes (the "**CB Comparable(s)**") issued by companies listed on the Stock Exchange, based on the criteria that (i) they were announced during the one year period ended 28 November 2016 (i.e. the date of the Agreement); and (ii) they were issued as considerations of transactions of the respective listed companies. Details of the exhaustive list of nine CB Comparables are set out below:

No.	**Date of initial announcement**	**Name of company**	**Stock code**	**Maximum aggregate principal amount**	**Interest rate per annum** *(%)*	**Premium/ (discount) of the initial conversion price over/(to) the closing price of the shares** *(Note 1)* *(%)*
1.	14/12/2015	China 3D Digital Entertainment Limited	8078	HK$7,000,000	0.0	(7.78)
2.	18/12/2015	HC INTERNATIONAL, INC.	2280	HK$100,712,500	0.0	42.86
3.	21/12/2015	China Public Procurement Limited	1094	HK$357,300,304	0.0	0.00
4.	23/12/2015	Great Harvest Maeta Group Holdings Limited	3683	US$54,000,000	0.0	(5.52)
5.	27/01/2016	China Success Finance Group Holdings Limited	3623	US$129,800,000	3.0	40.79
6.	25/02/2016	Chinese Strategic Holdings Limited	8089	HK$120,000,000	0.0	(45.65)
7.	17/03/2016	Sheen Tai Holdings Group Company Limited	1335	HK$236,160,000	0.0	(19.10)
8.	11/10/2016	China E-Learning Group Limited	8055	HK$95,319,000	NA *(Note 2)*	(19.32)
9.	26/10/2016	Prosperity International Holdings (H.K.) Limited	803	HK$100,000,000	5.0	5.63
				Mean	1.0	(0.90)
				Minimum	0.0	(45.65)
				Maximum	5.0	42.86
				The Company	0.0	0.0

Source: Website of the Stock Exchange (www.hkex.com.hk)

Note:

1. It represents the premium/discount of the initial conversion price over/to the closing price of the shares of the respective companies as at the respective date of the agreements as stated in the announcements in relation to the CB Comparables.

2. No interest rate in relation this CB Comparable was disclosed in the corresponding announcement.

As shown in the above table, the annual interest rates of the CB Comparables ranged from nil to 5%, with a mean of approximately 1%. Meanwhile, the conversion prices of the CB Comparables represented from a discount rate to the highest of 45.65% to a premium rate to the highest of 42.86% to the respective closing prices of the shares, with a mean discount of approximately 0.9%. The interest rate of the Convertible Bonds is nil, while the discount rate represented by the conversion price to the closing price of the Shares (i.e. nil) is above the mean discount rate of 0.9% represented by the CB Comparables.

Having considered that (i) in the event that the Supplemental Agreement does not take effect, the Consideration will be primarily settled by means of the Convertible Bonds, which does not require immediate cash outlay of the Company; and (ii) the Convertible Bonds carry nil interest rate, while its nil discount represented by the conversion price to the closing price of the Shares is above the mean discount rates represented by the CB Comparables, we consider that the Convertible Bonds are on normal commercial terms and their terms are fair and reasonable.

(c) Other terms of the Agreement and the Supplemental Agreement

We have also reviewed other terms of the Agreement including, among others, the Conditions Precedent, and the Supplemental Agreement and noted that the clauses of the Agreement and the Supplemental Agreement are normal commercial terms. Taking into account our analysis of the Consideration and the Convertible Bonds (in the event that the Supplemental Agreement does not take effect) above, we are of the view that the Proposed Acquisition is on normal commercial terms and the terms of the Proposed Acquisition are fair and reasonable.

(d) Other funding alternatives

We have discussed with the management of the Company regarding any funding alternatives for the Proposed Acquisition for the Consideration. Given the loss making position of the Group for the recent financial periods, the management of the Company is of the view that it may not be feasible for the Group to obtain bank borrowings or secure an underwriter for an open offer or a rights issue, notwithstanding the additional interest burden and/or administrative costs on the Group as opposed to the nil interest rate of the Convertible Bonds (in the event that the Supplemental Agreement does not take effect). In addition, equity financing through open offer or rights issue as an alternative is also subject to potential dilution impact should the Shareholders decide not to subscribe for the rights shares.

We have discussed with the management of the Company and understand that as at 28 February 2017, the Company has (i) cash and bank balance of approximately HK$3.1 million, (ii) loan receivables from third parties, which is repayable on demand (one day notice), of approximately HK$179.5 million; and (iii) equity investments portfolio of approximately HK$965.0 million (which are all listed securities on the Stock Exchange).

It is the intention of the management of the Company to settle the remaining balance of the Consideration, i.e. HK$205 million (if the Supplementary Agreement takes effect) by requesting the borrowers to repay the aforesaid loan receivable and/or disposing of the equity investments portfolio. After discussion with the management of the Company, we understand that as at 28 February 2017, almost all of the listed securities within equity investment portfolio are profit making. Based on the reasons and benefits of the Proposed Acquisition as stated in the section headed "2. Reasons and benefits of the Proposed Acquisition" above, we are of the view and concur with the view of the management of the Company that realisation of part of the equity investment portfolio which is profit making to satisfy the remaining balance of the Consideration is justifiable.

Given that the aforesaid loan receivables are repayable on demand and that the Company may disposes of its equity investments if appropriate, we are of the view and concur with the view of the management of the Company that the Group has enough internal resources to satisfy the payment of the remaining balance of the Consideration, i.e. HK$205 million, in cash which is expected on or before 30 April 2017.

We understand that Completion is expected to take place on the fifth Business Day after the fulfilment (or waiver) of the Conditions Precedent, or such later date as the parties to the Agreement may agree in writing (but in any event within one (1) month upon the fulfilment or waiver of the Conditions Precedent). According to the management of the Company and as stated in the Letter from the Board, in the event that the Completion cannot take place in accordance with the terms of the Agreement on or before the Completion Date (including fulfilment of the obligation to settle the remaining balance of the Consideration on Completion), the Vendor shall immediately refund the Deposit to the Company.

Taking into account (i) apart from the opportunity cost of otherwise utilising the cash required for settlement of the remaining balance of the Consideration (such as interest income lost from lending out such sum), and that part of the cash are proceeds from the issue of notes, there is no major cost difference to the Group as at Completion between settling the remaining balance of the Consideration in cash and by way of issuing the Convertible Bonds; (ii) cash settlement would not results in possible dilution on the shareholding of the existing Shareholders; (iii) the Group has enough internal resources to satisfy the payment of the remaining balance of the Consideration, i.e. HK$205 million, in cash which is expected on or before 30 April 2017 as stated above; and (iv) the reasons for and benefits of the Proposed Acquisition as stated in the paragraph headed "2. Reasons for and benefits of the Proposed Acquisition" above, we are of the view and concur with the view of the management of the Company that cash settlement for the Proposed Acquisition is fair and reasonable.

Further taking into account that despite the possible dilution impact of the Convertible Bonds if and only if the conversion rights are exercised, balanced against the fact that (i) the Convertible Bonds do not incur additional costs; and (ii) the Conversion price represents a premium of approximately 49.63% to the unaudited consolidated net asset value ("**NAV**") per Share of approximately HK$0.1223 as stated above, and the conversion of the Convertible Bonds would therefore enhance the NAV per Share, we are of the view and concur with the view of the management of the Company that the issue of Convertible Bonds (in the event that the Supplemental Agreement does not take effect) as a means of financing the Proposed Acquisition is fair and reasonable.

4. Valuation Report

Given that the Consideration was determined with reference to, among other factors, the preliminary valuation of the Property, we have reviewed the valuation report (the "**Valuation Report**") prepared by Ascent Partners Valuation Service Limited, the independent surveyor to the Company in respect of the Proposed Acquisition (the "**Valuer**"), as set out in Appendix V to the Circular and discussed with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the valuation of the Property.

According to the Valuer, the Valuation Report has been prepared in compliance with all requirements contained in Chapter 5 of and Practice Note 12 to the Listing Rules and the HKIS Valuation Standard on Properties (2012 Edition) published by The Hong Kong Institute of Surveyors.

We noted that the Valuer used direct comparison method for the valuation of the Property where comparison based on prices realised on actual sales price of comparable property is made. As discussed with the Valuer, we understand that the Valuer had considered three commonly adopted methods which can be used for valuation of a property, namely, investment method, direct comparison method, and cost method. We are advised that the direct comparison method by making reference to comparable properties of similar size, character, and location is the most appropriate method in valuing garden house type property among the three commonly adopted valuation methods and is also consistent with normal market practice.

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer's qualification and experience in relation to the preparation of the Valuation Report; (iii) the steps and due diligence measures taken by the Valuer for the preparation of the Valuation Report; and (iv) details of the comparable sales transactions (the "**Comparable Transactions**") adopted for the Valuation Report such as dates of transactions, location, consideration, size of the comparable property, and their selection criteria.

We noted that Mr. Stephen Yeung, the person who is responsible for the preparation of the Valuation Report, is a Registered Professional Surveyor (General Practice Division) and a Professional Member of The Hong Kong Institute of Surveyors with over 10 years of experience in performing valuation for transactions of listed companies in Hong Kong. According to the information provided by the Valuer, the Valuer issued valuation reports on various properties including commercial and residential properties in Hong Kong and the People's Republic of China, in relation to 11 transactions of listed companies in Hong Kong or their subsidiaries in the recent three years. The Valuer also confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Properties provided or made by the Company to the Valuer not having been included in the valuation. In addition, we reviewed the terms of the Valuer's engagement and noted that the scope of work is appropriate for the opinion required to be given.

We have discussed with the Valuer regarding the Comparable Transactions. Based on the criteria that (i) the transactions of luxury residential properties shall be conducted within 24 months from the date of valuation, i.e. 28 February 2017; (ii) the subject properties shall be located in Kowloon Tong district; and (iii) the subject properties shall be garden houses with swimming pool (in itself or through its clubhouse) and have similar saleable area, the Valuer identified five Comparable Transactions. We consider that the selection criteria are fair and reasonable given that the Property is a garden house with a swimming pool located in Kowloon Tong district and the relevant time period can reflect the recent trend of the prices of luxury properties in Kowloon Tong district. We further studied and noted that the subject residential properties of the Comparable Transactions indeed fulfil the above selection criteria. Upon our enquiry, we were advised by the Valuer that (i) the consideration of the Comparable Transactions and their saleable area were used to calculate the reference price per square feet; (ii) adjustments were made to the reference price per square feet for certain factors such as age and size of the subject garden houses, according to the professional judgement of the Valuer; and (iii) the valuation was arrived at based on the adjusted reference price per square feet and the saleable area of the Property. Accordingly, the Property is valued at HK$410 million as at 28 February 2017.

As discussed with the Valuer and as mentioned above, we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the principal bases and assumptions and the Comparable Transactions adopted for the Valuation Report.

Having considered (i) a discount of approximately 1.8% represented by the Consideration of HK$227 million to the adjusted net assets of the Target Group of approximately HK$231.1 million as detailed in the sub-section headed ''(a) Consideration'' above; and (ii) our due diligence on the Valuation Report as mentioned above, we are of the view and concur with the view of the management of the Company that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial Effect of the Proposed Acquisition

After Completion, the Target Company and its subsidiaries will be wholly-owned subsidiaries of the Company and their respective financial results will be consolidated into the consolidated financial statements of the Group.

(a) Net Assets

Scenario 1: the Supplemental Agreement had taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming that both Completion had taken place and the Supplemental Agreement had taken effect on 30 September 2016, the total assets would increase by approximately HK$404,417,000, from HK$1,107,650,000 to approximately HK$1,512,067,000. The total liabilities would increase by approximately HK$405,417,000, from approximately HK$10,978,000 to approximately HK$416,395,000. Accordingly, the net assets would decrease slightly by approximately HK$1,000,000, from approximately HK$1,096,672,000 to approximately HK$1,095,672,000.

Scenario 2: the Supplemental Agreement had not taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming that Completion had taken place but the Supplemental Agreement had not taken effect on 30 September 2016, the total assets would increase by approximately HK$404,417,000, from approximately HK$1,107,650,000 to approximately HK$1,512,067,000. The total liabilities would increase by approximately HK$352,913,000, from approximately HK$10,978,000 to approximately HK$363,891,000. Accordingly, the net assets would increase by approximately HK$51,504,000, from approximately HK$1,096,672,000 to approximately HK$1,148,176,000.

(b) Earnings

In light of the future income from the tenancy agreement and the potential appreciation in the value of the Property, the Directors are of the view that the Proposed Acquisition will likely have a positive impact on the future earnings of the Enlarged Group in the long run.

(c) Gearing ratio

Scenario 1: the Supplemental Agreement had taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming that both Completion had taken place and the Supplemental Agreement had taken effect on 30 September 2016, the total debt of the Group (i.e. sum of borrowings) would increase from nil to approximately HK$403,483,000. Accordingly, the gearing ratio of the Group (i.e. total debt divided by net assets, which is adopted in compiling the financial reports of the Group) will increase from nil to approximately 36.82%.

Scenario 2: the Supplemental Agreement had not taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, assuming that Completion had taken place but the Supplemental Agreement does not take effect on 30 September 2016, the total debt of the Group (i.e. sum of borrowings and convertible bonds) would increase from nil to approximately HK$350,979,000. Accordingly, the gearing ratio of the Group (i.e. total debt divided by net assets, which is adopted in compiling the financial reports of the Group) will increase from nil to approximately 30.56%.

Based on the above, notwithstanding the increase in gearing ratio, the Proposed Acquisition may have an overall positive effect on the Group's financial position with increased earnings and increased (in the event that the Supplemental Agreement does not take effect) or substantially the same net assets. Also in view of the reasons for and benefits of the Proposed Acquisition as stated above including, among others, the stable rental income generated from the Property in light of the loss making position and the fluctuation in revenue of the Group, we consider and concur with the management of the Company that the Proposed Acquisition is in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Notwithstanding the Proposed Acquisition is not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) the Proposed Acquisition is on normal commercial terms; and (iii) the terms of the Agreement (including the Convertible Bonds in the event that the Supplemental Agreement does not take effect) and the Supplemental Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Agreement, the Supplemental Agreement and the transactions contemplated respectively thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The financial information of the Group is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.cspthl.com):

- The unaudited consolidated financial statements of the Group for the six months ended 30 September 2016 have been set out on pages 3 to 25 of the interim report 2016 of the Company published on 14 December 2016. Please also see below the link to the interim report 2016:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1214/LTN20161214175.pdf

- The audited consolidated financial statements of the Group for the year ended 31 March 2016 have been set out on pages 52 to 160 of the annual report 2015–2016 of the Company published on 18 July 2016. Please also see below the link to the annual report 2015–2016:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0718/LTN20160718195.pdf

- The audited consolidated financial statements of the Group for the year ended 31 March 2015 have been set out on pages 48 to 175 of the annual report 2014–2015 of the Company published on 13 July 2015. Please also see below the link to the annual report 2014–2015:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0713/LTN20150713305.pdf

- The audited consolidated financial statements of the Group for the year ended 31 March 2014 have been set out on pages 38 to 132 of the annual report 2013–2014 of the Company published on 17 July 2014. Please also see below the link to the annual report 2013–2014:

  http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0717/LTN20140717336.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at the close of business on 28 February 2017, being the latest practicable date for the purpose of ascertaining the indebtedness, the Enlarged Group had outstanding borrowings of approximately HK$451,527,000, details of which are as follows:

	As at 28 February 2017
	HK$'000
Bank loans — secured and guaranteed	178,299
Amount due to ultimate holding company of the Target Group	181,128
Placing notes	92,100
Total indebtedness	451,527

As at 28 February 2017, the Enlarged Group's bank borrowings bear interest at range of HK$ Prime rate less 1.75% and Hong Kong Interbank Offered Rate (1 month) plus 2% per annum and were secured by the investment property of the Enlarged Group, unlimited corporate guarantee provided by Great Well Properties Limited and unlimited joint and several guarantee provided by a substantial shareholder of Skyway Securities Group Limited and a substantial shareholder of Future World Financial Holdings Limited (formerly known as Central Wealth Financial Group Limited).

As at 28 February 2017, the Enlarged Group's bank borrowings contain a clause which gives lenders the right to demand repayment without notice period at its sole discretion. Among the balances, HK$170,481,000 are not repayable within one year based on agreed scheduled repayments set out in the loan agreements but contain a repayment on demand clause.

The amount due to the ultimate holding company of the Target Group is unsecured, interest free and repayable on demand.

As at 28 February 2017, seven-year 4% coupon unlisted and unsecured notes with a principal amount of HK$92,100,000 (the ''Notes'') were issued by the Company on 10 January 2017. The Notes will mature on 9 January 2024.

Save as aforementioned or as otherwise disclosed herein, and apart from intra-group liabilities within the Enlarged Group and normal trade business, at the close of business on 28 February 2017, the Enlarged Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, debt securities, term loans, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

3. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The management of the Company has directed its resources on exploring opportunities in the electronic and accessory products business and financial investments and services business including securities trading and money lending business so as to create long-term value for its Shareholders. The Board believes that the business performance of the Group will be further improved.

In respect of the electronic and accessory products business, the Group will continue to broaden the existing product range by sourcing more new electronic products to diversify its products portfolio.

Amid the US interest rate hike and Brexit referendum, investors' sentiment remained reasonably cautious. In addition, the less than favourable market reception of the recent full scale launch of the Shenzhen-HK Stock Connect has failed to lead to significant inflows of money to market. However, the Group is of the view that it should be focusing on the long-term outlook and continue to be on the lookout for undervalued investment opportunities in this difficult investment climate. Therefore, it is expected that the Group will continue to adopt a prudent approach in investing in the Hong Kong equity market by enhancing the use of the surplus working capital and will continue to seek attractive investment opportunities with the aim of deriving dividend income and/or gain from trading of listed securities.

In respect of the money lending business, the Group will explore further business opportunities in the money lending sector and develop the Group's customer base as and when appropriate, with a view to obtain a higher return for its fund under the current low interest rate environment and generate satisfactory revenue of the Group.

The Directors have always been on the lookout in seeking investment opportunities for diversifying the scope of business of the Group and are cautiously optimistic to the prospect of the Hong Kong property market. Despite the fact that the property market may enter into consolidation with downward price pressure, the Group has also been monitoring the property market in Hong Kong with a view to seize investment opportunities, especially in respect of luxurious properties in this segment. The Directors considered that the Proposed Acquisition represents an investment opportunity to participate in the Hong Kong property investment market and the tenancy agreement will provide stable income for the Group while at the same time the Group will have the benefits from the long term appreciation of the price in luxurious properties in Hong Kong.

It is noted that in the event that the Supplemental Agreement does not take effect, under the Agreement, the Group does not need to pay the entire Consideration sum in cash at Completion and this will allow the Group to have cash reserves for its future business development.

Other than the existing business as named hereinabove which is on an on-going basis, the management will explore other business opportunities to diversify its trading business portfolio with a view to broaden its income stream which will be in the best interests of the Company and the Shareholders as a whole.

4. MATERIAL ADVERSE CHANGE

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, the date to which the latest published audited financial statements of the Group were made up.

5. WORKING CAPITAL

Taking into account the present financial resources available to the Enlarged Group, including internally generated funds and available credit facilities, the effect of the Proposed Acquisition, and in the absence of unforeseeable circumstances, the Directors, after due and careful consideration, are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

On 22 December 2016, the Company and Central Wealth Securities Investment Limited entered into a placing agreement (the "**Placing Agreement**") in relation to the placing of various 4% coupon unlisted and unsecured notes with maturity ranging from two to seven years to be issued by the Company and to be placed pursuant to the Placing Agreement. Under the Placing Agreement, the Company had agreed to issue and Central Wealth Securities Investment Limited had agreed to act as placing agent, on a best effort basis, to procure the placees to subscribe for the notes with an aggregate principal amount of up to HK$170,000,000 within six months from the date of the Placing Agreement. On 10 January 2017, completion for the placing of seven-year 4% coupon notes in an aggregate principal amount of HK$92,100,000 took place pursuant to the Placing Agreement, and the Company has received net proceeds of approximately HK$86,574,000 from such placing.

Further, the Group has provided loan facilities in the aggregate principal amount of HK$81,900,000 to Magnum Pacific Limited on 12 July 2016 and to Mr. Chen Xiaodong on 24 August 2016 respectively, of which HK$50,000,000 owing from Magnum Pacific Limited has been repaid and HK$31,900,000 owing from Mr. Chen Xiaodong will be due in May 2017.

As at 28 February 2017, the Group has (i) cash and bank balance of approximately HK$3.1 million, (ii) loan receivables from third parties, which is repayable on demand (one day notice), of approximately HK$179.5 million; and (iii) an equity investments portfolio of approximately HK$965.0 million (which are all listed securities on the Stock Exchange).

The Group will consider financing methods such as further disposing its equity investments and borrowings, if appropriate, so as to replenish its cash balance after the settlement of the remaining balance of the Consideration.

In relation to the potential repayment of the outstanding principal amount of the Convertible Bonds (assuming that the Supplemental Agreement does not take effect and the Vendor does not exercise its Conversion Rights) which will fall outside of the period covered by the working capital sufficiency statement above, the Company will consider other refinancing alternatives as and when appropriate at maturity of the Convertible Bonds.

6. EFFECT OF THE PROPOSED ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated with the Group.

Effect on earnings

In light of the future income from the tenancy agreement and the potential appreciation in the value of the Property, the Directors are of the view that the Proposed Acquisition will likely have a positive impact on the future earnings of the Enlarged Group in the long run.

Effect on assets and liabilities

Scenario I: the Supplemental Agreement had taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that Completion had taken place on 30 September 2016, the total assets would increase by approximately HK$404,417,000 to HK$1,512,067,000. The total liabilities would increase by approximately HK$405,417,000 to approximately HK$416,395,000.

Scenario II: the Supplemental Agreement had not taken effect on 30 September 2016

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that Completion had taken place on 30 September 2016, the total assets would increase by approximately HK$404,417,000 to HK$1,512,067,000. The total liabilities would increase by approximately HK$352,913,000 to approximately HK$363,891,000.

1. ACCOUNTANT'S REPORT ON THE TARGET GROUP

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the sole purpose of inclusion in this circular.

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31 March 2017

The Directors
China Soft Power Technology Holdings Limited
Room 1603–05
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Sky Eagle Global Limited (the ''Target Company'') and its subsidiary (hereinafter collectively referred to as the ''Target Group'') comprising the consolidated statements of financial position of the Target Group as at 31 December 2014, 2015 and 30 September 2016 and the statements of financial position of the Target Company as at 31 December 2014, 2015 and 30 September 2016, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from 30 October 2014 (date of incorporation of the Target Company) to 31 December 2014, year ended 31 December 2015 and the nine months ended 30 September 2016 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory notes (the ''Financial Information''), and together with the comparative financial information of Target Group including the consolidated statement of statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2015 (the ''Comparative Financial Information''), for inclusion in the circular dated 31 March 2017 (the ''Circular'') issued by China Soft Power Technology Holdings Limited (the ''Company'') in connection with its proposed acquisition of 100% of the equity interest in the Target Company.

The Target Company was incorporated in the British Virgin Islands with limited liability on 30 October 2014. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands. The principal activity of the Target Company is investment holding.

No audited financial statements have been prepared for the Target Company as there was no statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.

At the date of this report, the Target Company has direct or indirect interests in subsidiary as set out in note 1 of Section II below. All companies comprising the Target Group have adopted 31 December as their financial year end date.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Group for the Relevant Periods (the ''Underlying Financial Statements'') in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). The Financial Information and the Comparative Financial Information set out in this report have been prepared from the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility

The directors of the Target Company are responsible for the preparation of the Financial Information and the Comparative Financial Information that give a true and fair view in accordance with HKFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules''), and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information and the Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

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

Reporting accountant's responsibility

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

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (''HKSAs'') issued by the HKICPA and have examined the Financial Information of the Target Group and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 ''Prospectuses and the Reporting Accountant'' issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2014 and 2015 and 30 September 2016, and of the financial performance and cash flows of the Target Group for each of the Relevant Periods.

Review conclusion in respect of the Comparative Financial Information

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 3(b) of Section II to the Financial Information below, which indicate that as at 30 September 2016, the Target Group and the Target Company have net current liabilities of approximately HK$397,849,000 and HK$198,054,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's and the Target Company's ability to continue as a going concern.

I. Financial Information

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	For the period from 30 October 2014 (date of incorporation) to 31 December 2014 HK$'000	Year ended 31 December 2015 HK$'000	Nine months ended 30 September 2015 HK$'000 (Unaudited)	Nine months ended 30 September 2016 HK$'000
Revenue	7	—	450	—	4,050
Other income	8	—	1	—	5
Change in fair value of an investment property		—	6,207	—	—
Administrative expenses		(11)	(366)	(11)	(588)
Finance costs	9	—	(400)	—	(3,664)
(Loss)/profit before income tax	10	(11)	5,892	(11)	(197)
Income tax expense	12	—	—	—	—
(Loss)/profit for the period/year		(11)	5,892	(11)	(197)
Total comprehensive income attributable to:					
Owners of the Target Company		(11)	5,892	(11)	(197)

Consolidated Statements of Financial Position

		As at 31 December		As at 30 September
		2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*14*	—	867	534
Investment property	*15*	—	403,000	403,000
		—	403,867	403,534
Current assets				
Trade receivables	*17*	—	—	450
Prepayment and deposits	*18*	—	28	58
Amount due from ultimate holding company	*20*	1	—	—
Cash and cash equivalents		—	1,080	22
		1	1,108	530
Current liabilities				
Amount due to immediate holding company	*20*	—	—	213,966
Amount due to ultimate holding company	*20*	—	210,963	2,007
Other payables, deposits received and accruals	*21*	11	950	934
Borrowings	*19*	—	187,180	181,472
		11	399,093	398,379
Net current liabilities		(10)	(397,985)	(397,849)
Net (liabilities)/assets		(10)	5,882	5,685
Equity				
Share capital	*22*	1	1	1
(Accumulated losses)/Retained earnings		(11)	5,881	5,684
(Capital deficiency)/Total equity		(10)	5,882	5,685

Statements of Financial Position

	Notes	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 30 September 2016 HK$'000
Non-current assets				
Investment in a subsidiary	*16*	—	197,733	197,733
		—	197,733	197,733
Current assets				
Amount due from ultimate holding company	*20*	1	—	—
Amount due from subsidiary	*16*	—	10,917	10,917
Cash and cash equivalents		—	—	2
		1	10,917	10,919
Current liabilities				
Amounts due to immediate holding company	*20*	—	—	208,966
Amount due to ultimate holding company	*20*	—	208,963	7
Accruals	*21*	11	—	—
		11	208,963	208,973
Net current liabilities		(10)	(198,046)	(198,054)
Net liabilities		(10)	(313)	(321)
Equity				
Share capital	*22*	1	1	1
Accumulated losses	*23*	(11)	(314)	(322)
Capital deficiency		(10)	(313)	(321)

Consolidated Statements of Changes in Equity

	Share capital	(Accumulated losses)/retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*
At 30 October 2014 (date of incorporation)	—	—	—
Issue of share upon incorporation	1	—	1
Loss for the period and total comprehensive expense for the period	—	(11)	(11)
At 31 December 2014 and 1 January 2015	1	(11)	(10)
Profit for the year and total comprehensive income for the year	—	5,892	5,892
At 31 December 2015 and 1 January 2016	1	5,881	5,882
Loss for the period and total comprehensive income for the period	—	(197)	(197)
At 30 September 2016	1	5,684	5,685
At 1 January 2015	1	(11)	(10)
Loss for the period and total comprehensive income for the period (Unaudited)	—	(11)	(11)
At 30 September 2015 (Unaudited)	1	(22)	(21)

Consolidated Statements of Cash Flows

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	2016
	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
(Loss)/profit before income tax expense	(11)	5,892	(11)	(197)
Adjustments for:				
Finance costs	—	400	—	3,664
Interest income	—	(1)	—	—
Depreciation on property, plant and equipment	—	37	—	333
Fair value gain on investment property	—	(6,207)	—	—
Operating (loss)/profit before working capital changes	(11)	121	(11)	3,800
Increase in trade receivables	—	—	—	(450)
Decrease/(increase) in prepayment and deposits	—	—	22	(30)
Increase/(decrease) in other payables, deposits received and accruals	11	662	(11)	(16)
Net cash flows generated from operating activities	—	783	—	3,304
Cash flows from investing activities				
Interest received	—	1	—	—
Increase in amount due from ultimate holding company	(1)	—	—	—
Net cash outflow arising on acquisition of assets through acquisition of subsidiary	—	(109,247)	—	—
Repayment of promissory notes arising on acquisition of subsidiary	—	(100,000)	—	—
Net cash flows used in investing activities	(1)	(209,246)	—	—
Cash flows from financing activities				
Issued share capital	1	—	—	—
Decrease in amount due to immediate holding company	—	—	—	(34)
Increase in amount due to ultimate holding company	—	210,964	—	5,044
Interest paid	—	(400)	—	(3,664)
Repayment of bank borrowings	—	(1,021)	—	(5,708)
Net cash flows generated from/(used in) financing activities	1	209,543	—	(4,362)
Net increase/(decrease) in cash and cash equivalents	—	1,080	—	(1,058)
Cash and cash equivalents at the beginning of year/period	—	—	—	1,080
Cash and cash equivalents at the end of year/period	—	1,080	—	22

II. Notes to The Financial Information

1. CORPORATE INFORMATION

The Target Company was established in the British Virgin Islands (the "BVI") with limited liability on 30 October 2014 and is principally engaged in investment holding. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

In the opinion of the directors, the ultimate holding company of the Target Company is Central Wealth Financial Group Limited ("Central Wealth", recently known as Future World Financial Holdings Limited) as at 31 December 2014 and 2015, a company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited.

On 4 March 2016, a sales and purchase agreement was entered into between Gold Mission Limited ("Gold Mission") and Central Wealth pursuant to which Central Wealth agreed to sell and Gold Mission agreed to buy the entire equity interest in the Target Company (the "Transaction"). The Transaction was completed on 15 July 2016. Gold Mission, a limited liability company incorporated in the BVI with limited liability, became the immediate holding company of the Target Company. Skyway Securities Group Limited ("Skyway Group"), a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited, became the ultimate holding company with effect from 15 July 2016.

As at 30 September 2016, the ultimate holding company and immediate holding company of the Target Company are Skyway Group and Gold Mission respectively.

As at the date of this report, the Target Company had direct interests in the following subsidiary, which is a limited liability company, and the particulars of which are set out below:

Name of company	Date and place of incorporation/ registration and place of operations	Registered and paid up capital	Percentage of equity interest attributable to the Target Company Direct	Principal activity
Metro Victor Limited ("Metro Victor")	04 August 2009 Hong Kong/ Hong Kong	HK$10,000	100%	Property investment

The statutory financial statements of Metro Victor for years ended 31 December 2014 and 2015 were audited by Albert Y K LAU & Co and ZhongLei (HK) CPA Company Limited, certified public accountants registered in Hong Kong, respectively.

2. APPLICATION OF NEW OR REVISED HKFRSs AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

For the purpose of preparing and presenting the Financial Information and the Comparative Financial Information for the Relevant Periods, the Target Group has consistently applied all of the new and revised HKFRSs and HKASs and amendments issued by the HKICPA which are effective for the accounting period beginning on 1 January 2016 consistently throughout the Relevant Periods.

The following new and revised HKFRS, potentially relevant to the Financial Information and the Comparative Financial Information, have been issued, but not yet effective and have not been early adopted by the Target Group.

Amendments to HKAS 7	Disclosure Initiative[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

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

HKFRS 9 (2014) — Financial Instruments

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 — Leases

HKFRS 16 supersedes existing guidance including 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.

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

The Target Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards. The Target Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Target Group's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information and the Comparative Financial Information have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and by the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information and the Comparative Financial Information includes applicable disclosures required by the Listing Rules.

(b) Basis of measurement and going concern assumption

The Financial Information and the Comparative Financial Information have been prepared under the historical cost basis except for the investment property, which are measured at fair values as explained in the accounting policies set out below.

At 30 September 2016, the Target Group and the Target Company had net current liabilities of approximately HK$397,849,000 and HK$198,054,000 respectively. These conditions indicate that the existence of a material uncertainty that may cast significant doubt on the Target Group's and the Target Company's ability to continue as a going concern and therefore, the Target Group and the Target Company may not be able to realise their assets and discharge their liabilities in normal course of business.

The directors of the Target Company consider the going concern basis of preparation of the Financial Information and the Comparative Financial Information appropriate after taking into consideration the following:

(a) undertakings from the immediate and ultimate holding companies for not to demand repayment of debts due from the Target Group and the Target Company until such time when the repayment will not affect the Target Group's and the Target Company's ability to repay other creditors in the normal course of business;

(b) it is expected, upon the completion of the proposed acquisition, on a need basis, the new holding company has the ability and intention to maintain the going concern of the Target Group and the Target Company for the foreseeable future; and

(c) it is not probable that the banks will exercise their discretion to demand immediate repayment of the bank loans and the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements.

Accordingly, the Financial Information and the Comparative Financial Information have been prepared on a going concern basis.

Should the immediate and ultimate holding companies are not able to fulfill the above undertakings, the new holding company be unable to maintain the going concern of the Target Group and the Target Company for the foreseeable future upon the completion of the proposed acquisition, or the banks exercise their discretion to demand immediate repayment of the bank loans, the Target Group and the Target Company may be unable to continue in business as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. The Financial Information and the Comparative Financial Information do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should the Target Group and the Target Company be unable to continue as a going concern.

(c) Functional and presentation currency

The Financial Information and the Comparative Financial Information are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of the Target Company and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The Financial Information and the Comparative Financial Information comprises the financial statements of the Target Company and its subsidiary for the Relevant Periods. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Financial Information and the Comparative Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiary

A subsidiary is an investee over which the Target Group is able to exercise control. The Target Group controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Target Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

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

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of the lease term or 5 years
Furniture and fixtures	5 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising from retirement or disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(d) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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

(e) Leasing

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

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(f) Financial instruments

(i) Financial assets

The Target Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Target Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group's financial liabilities at amortised cost including other payables, deposits received and accruals, amounts due to immediate and ultimate holding companies and borrowings are initially measured at fair value, net of directly attributable costs incurred, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(g) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Group and when the revenue can be measured reliably.

(i) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

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

(h) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(i) Borrowing costs

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

(j) Cash and Cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at bank.

(k) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(l) Impairment of non-financial assets

At the end of each reporting period, the Target Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment; and
- investment in subsidiary.

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(m) Related parties

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

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

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

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

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

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

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

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

(n) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information and the Comparative Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Target Group manages its business mainly in a single segment as investment property. Accordingly, no operating segment information is presented.

The Target Group operates its business and maintains its assets in Hong Kong, therefore all of Target Group's revenue and other income are from Hong Kong and all of Target Group's non-current assets are located in Hong Kong. Accordingly, no geographic segment information is presented.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, the directors of the Target Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associate assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgements in applying accounting policies

(i) Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that is measured using the fair value model, the directors of the Target Company have reviewed the Target Group's investment property portfolios and concluded that the Target Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining the Target Group's deferred taxation on investment property, the directors of the Target Company have determined that the presumption that the carrying amounts of investment property measured using the fair value model is recovered entirely through sale is not rebutted. As a result, the Target Group has not recognised any deferred taxes on changes in fair value of investment property located in Hong Kong as the Target Group is not subject to any income taxes on disposal of its investment property located in Hong Kong.

(ii) Going concern and liquidity

As explained in note 3(b) above, the financial position of the Target Group and the Target Company indicates the existence of a material uncertainty which may cast significant doubt on the Target Group's and the Target Company's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgments by the directors of the Target Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Target Company consider that Target Group and the Target Company have ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in note 3 (b) above.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the Financial Information and the Comparative Financial Information, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Fair value of investment property

An asset included in the Target Group's Financial Information and the Comparative Financial Information required measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Group's investment property utilises market observation inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilized are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: unobservable inputs (i.e. not derived from market data).

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

At the end of each reporting period, investment property is stated at fair value based on valuation performed by independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on valuation report, the directors of the Target Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Change of these assumptions would result in changes in fair values of the Target Group's investment property being recognised in profit or loss. The carrying amounts of investment property measured at fair value as at 31 December 2014, 2015 and 30 September 2016 was nil, HK$403,000,000 and HK$403,000,000 respectively.

6. SEGMENT REPORTING

The Target Group determines its operating segments based on the reports reviewed by the Target Company's directors that are used to make strategic decisions. During the Relevant Periods, the Target Group principally operates in one operating segment.

Information about major customers

Revenue from one customer represents 100% of the Target Group's revenue during the Relevant Periods.

7. REVENUE

Revenue, which is also the Target Group's turnover, is as follows:

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	Nine months ended 30 September 2016
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Rental income	—	450	—	4,050

8. OTHER INCOME

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	Nine months ended 30 September 2016
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest income	—	1	—	—
Others	—	—	—	5
	—	1	—	5

9. FINANCE COSTS

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	Nine months ended 30 September 2016
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank borrowings	—	400	—	3,664

10. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax is arrived at after charging:

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	2016
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditor's remuneration	—	20	—	—
Depreciation of property, plant and equipment	—	37	—	333
Outgoing expenses in respect of investment property that did not generate rental income	—	4	—	208

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No directors' remuneration as set out in Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) was paid or payable for the Relevant Periods.

(b) Five highest paid individuals

The Target Group has not employed any staff during the Relevant Periods and, accordingly, no emoluments of five highest paid individuals are presented.

12. INCOME TAX EXPENSE

No provision for taxation has been made in the Financial Information and the Comparative Financial Information as the Target Group did not generate any estimated assessable profits during the Relevant Periods.

The income tax expense can be reconciled to the (loss)/profit per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the period from 30 October 2014 (date of incorporation) to 31 December 2014	Year ended 31 December 2015	Nine months ended 30 September 2015	2016
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
(Loss)/profit before income tax	(11)	5,892	(11)	(197)
Tax calculated at Hong Kong profits tax rate of 16.5%	(2)	972	(2)	(33)
Tax effect of non-taxable income	—	(1,024)	—	—
Tax effect of non-deductible expenses	2	—	2	2
Tax effect of tax loss not recognized	—	74	—	159
Tax effect of temporary differences previously not recognised	—	(22)	—	(128)
Income tax expense	—	—	—	—

No provision for deferred taxation has been made during the Relevant Periods as there were no material temporary differences at the end of each of the reporting date.

13. DIVIDEND

No dividend has been paid or declared by the Target Group during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT — TARGET GROUP

	Leasehold improvements	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 30 October 2014 (date of incorporation), 31 December 2014 and 1 January 2015	—	—	—
Acquisition of subsidiary	762	142	904
At 31 December 2015, 1 January 2016 and 30 September 2016	762	142	904
Accumulated depreciation			
At 30 October 2014 (date of incorporation), 31 December 2014 and 1 January 2015	—	—	—
Charge for the year	32	5	37
At 31 December 2015 and 1 January 2016	32	5	37
Charge for the period	298	35	333
At 30 September 2016	330	40	370
Net book value			
At 31 December 2014	—	—	—
At 31 December 2015	730	137	867
At 30 September 2016	432	102	534

15. INVESTMENT PROPERTY — TARGET GROUP

The Target Group's property interests held under operating leases to earn rentals or for capital appreciation purpose is measured using the fair value model and are classified and accounted for as investment property.

	HK$'000
At fair value	
At 30 October 2014 (date of incorporation), 31 December 2014 and 1 January 2015	—
Acquisition of subsidiary	396,793
Increase in fair value recognised in profit or loss	6,207
At 31 December 2015 and 1 January 2016	403,000
Increase in fair value recognised in profit or loss	—
At 30 September 2016	403,000

At 31 December 2015 and 30 September 2016, the Target Group's investment property has been pledged to secure the bank borrowings granted to the Target Group (note 19).

Fair value measurement of the Target Group's investment property

The fair values of the investment property at 31 December 2015 and 30 September 2016 have been arrived on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuers, not connected to the Target Group.

DTZ Debenham Tie Leung Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation using direct comparison approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

In estimating the fair value of the investment property, the highest and best use of the investment property is in current use.

Details of Target Group's investment property and information about the fair value hierarchy as at 31 December 2014 and 2015 and 30 September 2016 are as follows:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Investment property:			
Level 3	—	403,000	403,000

There were no transfers into or out of Level 3 or between level 1 and Level 2 during the Relevant Periods.

Valuation techniques and inputs used in Level 3 fair value measurements of investment property:

The fair values of investment property located in Hong Kong is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the property compared to the recent sales. Higher premium for higher quality property will result in a higher fair value measurement, and vice versa.

Significant unobservable inputs	**Range**
Adjustment on quality of the investment property under direct comparison approach	0%–15%

16. INVESTMENT IN A SUBSIDIARY — TARGET COMPANY

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Investment in a subsidiary			
— Unlisted shares, at cost	—	197,733	197,733
Amount due from subsidiary	—	10,917	10,917

Particulars of the principal subsidiary are as disclosed in note 1.

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

17. TRADE RECEIVABLES — TARGET GROUP

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	—	—	450

There is no credit term granted to customers during the Relevant Periods.

The ageing analysis of the trade receivables presented based on invoice date at the end of each of the reporting dates are as follows:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	—	—	450

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

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Past due but not impaired	—	—	450

18. PREPAYMENT AND DEPOSITS — TARGET GROUP

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Prepayment	—	—	10
Deposits	—	28	48
	—	28	58

19. BORROWINGS — TARGET GROUP

	As at 31 December		As at 30 September
	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	—	187,180	181,472
Analysis based on schedule repayment terms set out in the loan agreements, into:			
Within one year	—	7,675	7,817
More than one year, but within two years	—	7,898	8,034
More than two year, but within five years	—	25,006	25,456
More than five years	—	146,601	140,165
Total borrowings	—	187,180	181,472
Analysis into:			
Not repayable within one year but contain a repayment on demand clause	—	179,505	173,655
Within one year	—	7,675	7,817
	—	187,180	181,472
Bank loans interest at rate per annum in the range of	—	2.2%–3.5%	2.2%–3.5%

The bank borrowings bear interest at range of HK$ Prime rate less 1.75% and Hong Kong Interbank Offered Rate (1 month) plus 2% per annum at 31 December 2015 and 30 September 2016.

The current liabilities included bank borrowings of approximately HK$179,505,000 and HK$173,655,000 that contain a clause which gives lenders the right to demand repayment without notice period at its sole discretion as at 31 December 2015 and 30 September 2016 respectively.

As at 31 December 2015 and 30 September 2016, the bank borrowings are secured by:

(i) The pledge of the investment property with carrying amount of approximately HK$403,000,000 (note 15);

(ii) Unlimited corporate guarantee provided by Great Well Properties Limited ("Great Well"); and

(iii) Unlimited joint and several guarantee provided by a substantial shareholder of Skyway Group and a substantial shareholder of Central Wealth.

20. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY — TARGET GROUP AND TARGET COMPANY

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

21. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Target Group			
Accrued charges	11	50	34
Deposit received	—	900	900
	11	950	934
Target Company			
Accrued charges	11	—	—

22. SHARE CAPITAL

	Number of ordinary shares	Authorised shares	Issued and fully paid up
		HK$'000	*HK$'000*
At 30 October 2014 (date of incorporation), 31 December 2014, 2015 and 30 September 2016	1	1	1

23. RESERVES — TARGET COMPANY

	Accumulated losses
	HK$'000
At 30 October 2014 (date of incorporation)	—
Loss for the period and total comprehensive income for the period	(11)
At 31 December 2014 and 1 January 2015	(11)
Loss for the year and total comprehensive income for the year	(303)
At 31 December 2015 and 1 January 2016	(314)
Loss for the period and total comprehensive income for the period	(8)
At 30 September 2016	(322)

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in the Financial Information and the Comparative Financial Information, no significant transactions were carried out with the related parties.

25. OPERATING LEASE COMMITMENTS

Operating leases — the Target Group as lessor

At the end of each reporting date, the Target Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the investment property as follows:

	As at 31 December 2014 *HK$'000*	As at 31 December 2015 *HK$'000*	As at 30 September 2016 *HK$'000*
Within one year	—	—	1,350

The lease is negotiated for term for 1 year. No lease included contingent rentals.

26. ACQUISITION OF SUBSIDIARY

On 17 August 2015, the Target Company entered into a sales and purchase agreement with Great Well to which the Target Company agreed to acquired the entire issued share capital of Metro Victor at a consideration of HK$210,000,000. The acquisition was completed on 30 November 2015. Metro Victor is principally engaged in the property investment business in Hong Kong. The acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment *(note 14)*	904
Investment property *(note 15)*	396,793
Prepayment and deposits	28
Cash and cash equivalents	753
Other payables, deposits received and accruals	(277)
Borrowings	(188,201)
Total Consideration	210,000

	HK$'000
Total consideration satisfied by:	
Cash	110,000
Settled by promissory notes *(note)*	100,000
	210,000

	HK$'000
Analysis of net cash outflow arising on acquisition of subsidiary:	
Consideration paid by cash	(110,000)
Less: cash and cash equivalent acquired of	753
	(109,247)

Note: The promissory notes carry interest rate at 2% per annum with 2-year maturity issued on 30 November 2015 were settled on 15 December 2015.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group exposed to a variety of financial risks in its ordinary course of operations. The financial risks included interest rate risk, credit risk, fair value risk and liquidity risk. The Target Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The directors of the Target Company review and agree policies for managing each of the risks which are summarised below.

Interest rate risk

Target Group is exposure to cash flow interest rate risk in relation to variable-rate bank borrowings. The Target Group does not use any derivative financial instruments to hedge its interest rate risk. The Target Group's bank balances are short-term in nature and the exposure of interest rate is minimal.

The sensitivity analysis below has been determined based on the exposure to interest rate for bank borrowings at the end of each reporting periods. The analysis is prepared assuming the bank borrowings outstanding at the end of each of the reporting period were outstanding for whole year/period. If the interest-bearing loans/balances had been 100 basis points higher/lower and all other variables were held constant, the post-tax results would be as follow:

	Increase/(decrease) on post-tax results			
	Year ended 31 December		**Nine months ended 30 September**	
	2014	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Increase by 100 basis points	—	(1,563)	—	(1,515)
Decrease by 100 basis points	—	1,563	—	1,515

Credit risk

The Target Group's principal financial assets are receivables and deposits, cash and cash equivalents which represent the Target Group's maximum exposure to credit risk in relation to financial assets.

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the directors of the Target Company reviews the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

As at 31 December 2015 and 30 September 2016, the Target Company has a significant concentration of credit risk on the amount due from subsidiary. The directors of the Target Company has closely monitored and reviewed the recoverability of the amount and the directors of the Target Company consider such risk is not significant.

Fair value risk

The directors of Target Company consider that the amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

Liquidity risk

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

The Target Group had net current liabilities of HK$10,000, HK$$397,985,000 and HK$397,849,000 at 31 December 2014 and 2015 and 30 September 2016 respectively. The Target Company had net current liabilities of HK$10,000, HK$198,046,000 and HK$198,054,000 at 31 December 2014 and 2015 and 30 September 2016 respectively. The liquidity of the Target Group and Target Company is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and undertakings from the ultimate and immediate holding companies for not to demand repayment of debts due from Target Group until such time when the repayment will not affect the Target Group's and Target's Company's ability to repay other creditors in the normal course of business.

The following table details the Target Group's and Target's Company's contractual maturity for its non-derivative financial liabilities based on the scheduled repayment dates. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Carrying amount	On demand or within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
Target Group and Target Company			
At 31 December 2014			
Other payables, deposits received and accruals	11	11	11
	11	11	11
Target Group			
At 31 December 2015			
Other payables, deposits received and accruals	950	950	950
Amount due to ultimate holding company	210,963	210,963	210,963
Borrowings	187,180	192,554	192,554
	399,093	404,467	404,467
Target Company			
At 31 December 2015			
Amount due to ultimate holding company	208,963	208,963	208,963
	208,963	208,963	208,963

	Carrying amount HK$'000	On demand or within one year HK$'000	Total HK$'000
Target Group			
At 30 September 2016			
Other payables, deposits received and accruals	934	934	934
Amount due to immediate holding company	213,966	213,966	213,966
Amount due to ultimate holding company	2,007	2,007	2,007
Borrowings	181,472	186,682	186,682
	398,379	403,589	403,589
Target Company			
At 30 September 2016			
Amount due to immediate holding company	208,966	208,966	208,966
Amount due to ultimate holding company	7	7	7
	208,973	208,973	208,973

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Target Group's financial position, the directors of the Target Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but Less than 5 years HK$'000	More than 5 years HK$'000
31 December 2014	—	—	—	—	—	—
31 December 2015	187,180	237,914	12,494	12,489	37,467	175,464
30 September 2016	181,472	228,542	12,489	12,489	37,467	166,097

Categories of financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities:

	As at 31 December		As at 30 September
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Target Group			
Financial assets			
Loans and receivables:			
— Trade receivables	—	—	450
— Deposits	—	28	48
— Amount due from ultimate holding company	1	—	—
— Cash and cash equivalents	—	1,080	22
	1	1,108	520
Financial liabilities			
At amortised cost:			
— Borrowings	—	187,180	181,472
— Amount due to immediate holding company	—	—	213,966
— Amount due to ultimate holding company	—	210,963	2,007
— Other payables, deposits received and accruals	11	950	934
	11	399,093	398,379
Target Company			
Financial assets			
Loans and receivables:			
— Amount due from ultimate holding company	1	—	—
— Amount due from subsidiary	—	10,917	10,917
— Cash and cash equivalents	—	—	2
	1	10,917	10,919
Financial liabilities			
At amortised cost:			
— Amount due to immediate holding company	—	—	208,966
— Amount due to ultimate holding company	—	208,963	7
— Accruals	11	—	—
	11	208,963	208,973

28. CAPITAL MANAGEMENT

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

The Target Group's equity attributable to equity holder of the Target Group comprises of issued share capital and retained earnings.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, Target Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

29. MAJOR NON-CASH TRANSACTIONS

On 15 July 2016, a transfer agreement was signed between Central Wealth (the ultimate holding company of the Target Company up to 4 March 2016), Gold Mission (the immediate holding company of the Target Company as at 30 September 2016) and the Target Company (collectively referred to as the "Parties"). The Parties agreed to transfer the amount of HK$214,000,000 from amount due to Central Wealth to amount due to Gold Mission unconditionally.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group or any of the companies comprising the Target Group in respect of any period subsequent to 30 September 2016.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Management Discussion and Analysis of the Target Group from 30 October 2014 (date of incorporation of the Target Company) to 31 December 2014

General Information

The Target Company is a limited company incorporated in the British Virgin Islands. The principal activity of the Target Company is investment holding. The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Liquidity and financial resources

Net Assets

As at 31 December 2014, the Target Group recorded total assets of approximately HK$1,000 which were financed by liabilities of approximately HK$11,000 and capital deficiency of approximately HK$10,000. The net liabilities as at 31 December 2014 was HK$10,000.

Bank borrowings

As at 31 December 2014, the Target Group had no bank borrowings.

Liquidity

The Target Group recorded total current assets of approximately HK$1,000 as at 31 December 2014 and total current liabilities of approximately HK$11,000. The current ratio of the Target Group, calculated by dividing total current assets by total current liabilities was approximately 0.09 as at 31 December 2014.

Treasury policies

The Target Group generally finances its operations with internally generated resources.

Capital structure

The initial issued share capital of the Target Company is HK$1,000, which have been fully paid as at 31 December 2014.

Employee and remuneration polices

The Target Group did not enter into any contract of any person engaged in the full-time employment of the Target Group.

Management Discussion and Analysis of the Target Group for the Year ended 31 December 2015

General Information

The Target Company is a limited company incorporated in the British Virgin Islands. The principal activity of the Target Company is investment holding. The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Revenue

The Target Group's revenue from 30 November 2015 to 31 December 2015 was HK$450,000 which was rental income from investment property.

Gain from changes in fair values of an investment property

The Target Group held a residential property located in Kowloon Tong. Based on the independent valuation of the investment property as at 31 December 2015, a valuation gain of HK$6,207,000 was recognised.

Finance cost

The Target Group's finance cost from 30 November 2015 to 31 December 2015 was approximately HK$400,000 in relation to interest paid on the bank borrowings.

Liquidity and financial resources

Net Assets

As at 31 December 2015, the Target Group recorded total assets of approximately HK$404,975,000 which were financed by liabilities of approximately HK$399,093,000 and equity of approximately HK$5,882,000. The net asset value as at 31 December 2015 was HK$5,882,000.

Bank borrowings

As at 31 December 2015, the Target Group had bank borrowings of approximately HK$187,180,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Target Group had total cash and bank balances of approximately HK$1,080,000 as at 31 December 2015. Balances of bank borrowings and amount due to ultimate holding company were approximately HK$398,143,000. The gearing ratio of the Target Group as at 31 December 2015, calculated as a ratio of total bank borrowings and amount due to ultimate holding company to total equity was approximately 67.69. Net assets were approximately HK$5,882,000.

The Target Group recorded total current assets of approximately HK$1,108,000 as at 31 December 2015 and total current liabilities of approximately HK$399,093,000. The current ratio of the Target Group, calculated by dividing total current assets by total current liabilities was approximately 0.003 as at 31 December 2015.

Charges on assets

At 31 December 2015, the Target Group has pledged its investment property with a carrying amount of HK$403,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary.

Treasury policies

The Target Group generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Target Company is HK$1,000, which have been fully paid as at 31 December 2015.

Employee and remuneration polices

The Target Group did not enter into any contract of any person engaged in the full-time employment of the Target Group.

Management Discussion and Analysis of the Target Group for the Nine Months ended 30 September 2016

General Information

The Target Company is a limited company incorporated in the British Virgin Islands. The principal activity of the Target Company is investment holding. The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Revenue

The Target Group's revenue for the period ended 30 September 2016 was approximately HK$4,050,000 which was rental income from investment property.

Finance cost

The Target Group's finance cost for the period ended 30 September 2016 was approximately HK$3,664,000 in relation to interest paid on the bank borrowings and other borrowings.

Liquidity and financial resources

Net Assets

As at 30 September 2016, the Target Group recorded total assets of approximately HK$404,064,000 which were financed by liabilities of approximately HK$398,379,000 and equity of approximately HK$5,685,000. The net asset value as at 30 September 2016 was HK$5,685,000.

Bank borrowings

As at 30 September 2016, the Target Group had bank borrowings of approximately HK$181,472,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Target Group had total cash and bank balances of approximately HK$22,000 as at 30 September 2016. Balances of bank borrowings, amount due to immediate holding company and amount due to ultimate holding company were approximately HK$397,445,000. The gearing ratio of the Target Group as at 30 September 2016, calculated as a ratio of total bank borrowings, amount due to immediate holding company and amount due to ultimate holding company to total equity was approximately 69.91. Net assets were approximately HK$5,685,000.

The Target Group recorded total current assets of approximately HK$530,000 as at 30 September 2016 and total current liabilities of approximately HK$398,379,000. The current ratio of the Target Group, calculated by dividing total current assets by total current liabilities was approximately 0.001 as at 30 September 2016.

Charges on assets

At 30 September 2016, the Target Group has pledged its investment property with a carrying amount of HK$403,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary.

Treasury policies

The Target Group generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Target Company is HK$1,000, which have been fully paid as at 30 September 2016.

Employee and remuneration polices

The Target Group did not enter into any contract of any person engaged in the full-time employment of the Target Group.

1. ACCOUNTANT'S REPORT OF METRO VICTOR

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, which has been prepared for the sole purpose of inclusion in this circular.

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31 March 2017

The Directors
China Soft Power Technology Holdings Limited
Room 1603–05
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Metro Victor Limited (''Metro Victor'') comprising the statements of financial position of Metro Victor as at 31 December 2013, 2014 and 2015 and 30 September 2016, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of Metro Victor for the years ended 31 December 2013, 2014 and 2015 and the nine months ended 30 September 2016 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory notes (the ''Financial Information''), and together with the comparative financial information of Metro Victor including the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2015 (the ''Comparative Financial Information''), for inclusion in the circular dated 31 March 2017 (the ''Circular'') issued by China Soft Power Technology Holdings Limited (the ''Company'') in connection with its proposed acquisition of 100% of the equity interest in Sky Eagle Global Limited.

Metro Victor was incorporated in Hong Kong on 4 August 2009. The address of its registered office and principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. Metro Victor is principally engaged in property investment.

The financial year end date of Metro Victor is 31 December.

The statutory financial statements of Metro Victor for the years ended 31 December 2013, 2014 and 2015 were prepared in accordance with all applicable Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). The statutory financial statements of Metro

Victor for the years ended 31 December 2013 and 2014 were audited by Albert Y K LAU & Co, certified public accountants registered in Hong Kong. The statutory financial statements of Metro Victor for the year ended 31 December 2015 were audited by ZhongLei (HK) CPA Company Limited, certified public accountants registered in Hong Kong.

For the purpose of this report, the directors of Metro Victor have prepared the financial statements of Metro Victor for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs. The Financial Information and the Comparative Financial Information set out in this report have been prepared from the Underlying Financial Statements with no adjustment made thereon.

Directors' responsibility

The directors of Metro Victor are responsible for the preparation of the Financial Information and the Comparative Financial Information that give a true and fair view in accordance with HKFRSs, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information and the Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

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

Reporting accountant's responsibility

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

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and have examined the Financial Information of Metro Victor and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with HKSAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of Metro Victor as at 31 December 2013, 2014 and 2015 and 30 September 2016, and of the financial performance and cash flows of Metro Victor for each of the Relevant Periods.

Review conclusion in respect of the Comparative Financial Information

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

Emphasis of matter

Without qualifying our opinion, we draw attention to note 3(b) of Section II below, which indicate that as at 30 September 2016, Metro Victor has net current liabilities of approximately HK$199,795,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on Metro Victor's ability to continue as a going concern.

I. Financial Information

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2013	**2014**	**2015**	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*7*	—	—	450	—	4,050
Other income	*8*	—	—	65	—	5
Change in fair value of an investment property		30,000	10,000	48,000	45,000	—
Administrative expenses		(2,286)	(2,499)	(1,890)	(1,598)	(579)
Finance costs	*9*	(6,217)	(6,138)	(5,609)	(4,382)	(3,664)
Profit/(loss) before income tax	*10*	21,497	1,363	41,016	39,020	(188)
Income tax expense	*12*	—	—	—	—	—
Profit/(loss) for the year/period and total comprehensive income for the year/period		21,497	1,363	41,016	39,020	(188)

Statements of Financial Position

		As at 31 December			As at 30 September
		2013	2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	*14*	2,802	1,759	867	534
Investment property	*15*	345,000	355,000	403,000	403,000
		347,802	356,759	403,867	403,534
Current assets					
Trade receivables	*16*	—	—	—	450
Prepayment and deposits	*17*	34	34	28	58
Amount due from a related party	*18*	50,075	—	—	—
Amount due from a director	*18*	—	37,065	—	—
Cash and cash equivalents		184	222	1,080	20
		50,293	37,321	1,108	528
Current liabilities					
Other payables, deposits received and accruals	*20*	2,009	86	951	934
Amount due to a director	*22*	2,634	—	—	—
Amount due to ultimate holding company	*22*	4,687	8,394	2,000	2,000
Amount due to intermediate holding company	*22*	—	—	—	5,000
Amount due to immediate holding company	*21*	28,073	28,058	10,917	10,917
Borrowings	*19*	199,144	194,631	187,180	181,472
		236,547	231,169	201,048	200,323
Net current liabilities		(186,254)	(193,848)	(199,940)	(199,795)
Net assets		161,548	162,911	203,927	203,739
Equity					
Share capital	*23*	10	10	10	10
Retained earnings		161,538	162,901	203,917	203,729
Total equity		161,548	162,911	203,927	203,739

Statements of Changes in Equity

	Share capital *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1 January 2013	10	140,041	140,051
Profit for the year and total comprehensive income for the year	—	21,497	21,497
At 31 December 2013 and 1 January 2014	10	161,538	161,548
Profit for the year and total comprehensive income for the year	—	1,363	1,363
At 31 December 2014 and 1 January 2015	10	162,901	162,911
Profit for the year and total comprehensive income for the year		41,016	41,016
At 31 December 2015 and 1 January 2016	10	203,917	203,927
Loss for the period and total comprehensive income for the period	—	(188)	(188)
At 30 September 2016	10	203,729	203,739
At and 1 January 2015	10	162,901	162,911
Profit for the period and total comprehensive income for the period (Unaudited)		39,020	39,020
At 30 September 2015 (Unaudited)	10	201,921	201,931

Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit/(loss) before income tax	21,497	1,363	41,016	39,020	(188)
Adjustments for:					
Finance costs	6,217	6,138	5,609	4,382	3,664
Interest income	—	—	(1)	—	(1)
Depreciation on property, plant and equipment	1,089	1,112	754	671	333
Written off of property, plant and equipment	—	—	163	135	—
Written off of deposits	—	—	4	—	—
Change in fair value of investment property	(30,000)	(10,000)	(48,000)	(45,000)	—
Operating (loss)/profit before working capital changes	(1,197)	(1,387)	(455)	(792)	3,808
Increase in trade receivables	—	—	—	—	(450)
(Increase)/decrease in prepayment and deposits	(13)	—	2	5	(30)
Increase/(decrease) in other payables, deposits received and accruals	279	(1,923)	865	(49)	(17)
Net cash flows (used in)/ generated from operating activities	(931)	(3,310)	412	(836)	3,311
Cash flows from investing activities					
Interest received	—	—	1	—	1
Decrease in amount due from a related party	8,355	—	—	—	—
Decrease in amount due from a director	—	13,010	12,092	12,092	—
Purchase of property, plant and equipment	(110)	(69)	(25)	(25)	—
Net cash flows generated from investing activities	8,245	12,941	12,068	12,067	1

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cash flows from financing activities					
Decrease/(increase) in amount due to a director	394	(2,634)	—	—	—
Increase in amount due to ultimate holding company	3,065	3,707	3,572	3,572	—
Increase in amount due to intermediate holding company	—	—	—	—	5,000
Decrease in amount due to immediate holding company	(22)	(15)	(2,134)	(3,734)	—
Interest paid	(6,217)	(6,138)	(5,609)	(4,382)	(3,664)
Repayment of bank borrowings	(4,422)	(4,513)	(7,451)	(5,561)	(5,708)
Net cash flows used in financing activities	(7,202)	(9,593)	(11,622)	(10,105)	(4,372)
Net increase/(decrease) in cash and cash equivalents	112	38	858	1,126	(1,060)
Cash and cash equivalents at the beginning of year/period	72	184	222	222	1,080
Cash and cash equivalents at the end of year/period	184	222	1,080	1,348	20

II. Notes to the Financial Information

1. CORPORATE INFORMATION

Metro Victor was incorporated in Hong Kong on 4 August 2009 with limited liability. The address of registered office and principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.

In the opinion of the directors, the ultimate holding company and immediate holding company of Metor Victor are Skyway Securities Investment Limited (''Skyway Securities'') and Great Well Properties Limited (''Great Well'') respectively as at 31 December 2013 and 2014, which are the limited liability companies incorporated in Hong Kong.

On 17 August 2015, a sales and purchase agreement was entered into between Great Well and Sky Eagle Global Limited (''Sky Eagle'') pursuant to which Great Well agreed to sell and Sky Eagle agreed to buy the entire equity interest in Metro Victor (the ''Transaction I''). The Transaction I was completed on 30 November 2015. Sky Eagle, a limited liability company incorporated in the British Virgin Islands (''BVI''), became the new shareholder and immediate holding company of Metro Victor and Central Wealth Financial Group Limited (''Central Wealth'', recently known as Future World Financial Holdings Limited), a company incorporated in the Cayman Islands and listed on the Main Board of The Stock Exchange of Hong Kong Limited, became the ultimate holding company with effect from 30 November 2015.

As at 31 December 2015, the ultimate holding company and immediate holding company of Metro Victor are Central Wealth and Sky Eagle respectively.

On 4 March 2016, a sales and purchase agreement was entered into between Gold Mission Limited (''Gold Mission'') and Central Wealth pursuant to which Central Wealth agreed to sell and Gold Mission agreed to buy the entire equity interest in Sky Eagle (the ''Transaction II''). The Transaction II was completed on 15 July 2016. Gold Mission, a limited liability company incorporated in the BVI, became the intermediate holding company of Metro Victor. Skyway Securities Group Limited (''Skyway Group''), a company incorporated in Bermuda and listed on the Main Board of The Stock Exchange of Hong Kong Limited, became the ultimate holding company with effect from 15 July 2016.

As at 30 September 2016, the ultimate holding company and immediate holding company of Metro Victor are Skyway Group and Sky Eagle respectively.

Metro Victor is principally engaged in property investment.

2. APPLICATION OF NEW OR REVISED HKFRSs AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

For the purpose of preparing and presenting the Financial Information and the Comparative Financial Information for the Relevant Periods, Metro Victor has consistently applied all of the new and revised HKFRSs and HKASs and amendments issued by the HKICPA which are effective for the accounting period beginning on 1 January 2016 consistently throughout the Relevant Periods.

The following new and revised HKFRS, potentially relevant to the Financial Information and the Comparative Financial Information, have been issued, but not yet effective and have not been early adopted by Metro Victor.

Amendments to HKAS 7	Disclosure Initiative[1]
HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

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

HKFRS 9 (2014) — Financial Instruments

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

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

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

HKFRS 15 — Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of 5 steps approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

HKFRS 16 — Leases

HKFRS 16 supersedes existing guidance including 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.

For lessee accounting, HKFRS 16 introduces a single accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

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

Metro Victor has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to Metro Victor. Metro Victor is not yet in a position to state whether these new pronouncements will result in substantial changes to Metro Victor's accounting policies and financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The Financial Information and the Comparative Financial Information have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and by the disclosure requirements of Hong Kong Companies Ordinance. In addition, the Financial Information and the Comparative Financial Information include applicable disclosures required by the Listing Rules.

(b) Basis of measurement and going concern assumption

The Financial Information and the Comparative Financial Information have been prepared under the historical cost basis except for the investment property, which are measured at fair values as explained in the accounting policies set out below.

At 30 September 2016, Metro Victor had net current liabilities of approximately HK$199,795,000. This situation indicates that the existence of a material uncertainty that may cast significant doubt on Metro Victor's ability to continue as a going concern and therefore, Metro Victor may not be able to realise its assets and discharge its liabilities in normal course of business.

The directors of Metro Victor consider the going concern basis of preparation of the Financial Information and the Comparative Financial Information appropriate after taking into consideration of the following:

(a) undertakings from the ultimate, intermediate and immediate holding companies for not to demand repayment of debts due from Metro Victor until such time when the repayment will not affect Metro Victor's ability to repay other creditors in the normal course of business;

(b) it is expected, upon the completion of the proposed acquisition, on a need basis, the new holding company has the ability and intention to maintain the going concern of Metro Victor for the foreseeable future; and

(c) it is not probable that the banks will exercise their discretion to demand immediate repayment of the bank loans and the bank loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements.

Accordingly, the Financial Information and the Comparative Financial Information have been prepared on a going concern basis.

Should the ultimate, intermediate and immediate holding companies are not able to fulfill the above undertakings, the new holding company be unable to maintain the going concern of Metro Victor for the foreseeable future upon the completion of the proposed acquisition, or the banks exercise their discretion to demand immediate repayment of the bank loans, Metro Victor may be unable to continue in business as a going concern, and adjustments would have to be made to reduce the value of assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets as current assets. The Financial Information and the Comparative Financial Information do not include any adjustments relating to the carrying amounts and reclassifications of assets and liabilities that might be necessary should Metro Victor be unable to continue as a going concern.

(c) Functional and presentation currency

The Financial Information and the Comparative Financial Information are presented in Hong Kong dollars ("HK$"), which is same as the functional currency of Metro Victor and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and the costs directly attributable to the acquisition of items.

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

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the shorter of the lease term or 5 years
Furniture and fixtures	5 years

The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising from retirement or disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount and is recognised in profit or loss on disposal.

(b) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

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

(c) Leasing

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

Metor Victor as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(d) Financial instruments

(i) Financial assets

Metro Victor classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

Metro Victor assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

Metro Victor classifies its financial liabilities, depending on the purpose for which the liabilities were incurred.

Financial liabilities are recognised when Metro Victor becomes a party to the contractual provisions of the instrument.

Financial liabilities at amortised costs including other payables and accruals, amounts due to ultimate holding company, immediate holding company, intermediate holding company and a director and borrowings are initially measured at fair value, net of directly attributable costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

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

(vi) Derecognition

Metro Victor derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(e) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Metro Victor and when the revenue can be measured reliably.

(i) Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

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

(f) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they related to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(g) Borrowing costs

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

(h) Cash and Cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at bank.

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Metro Victor has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

(j) Impairment of non-financial assets

At the end of each reporting period, Metro Victor reviews the carrying amounts of the property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

(k) Related parties

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

(i) has control or joint control over Metro Victor;

(ii) has significant influence over Metro Victor; or

(iii) is a member of key management personnel of Metro Victor or Metro Victor's parent.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of Metro Victor or an entity related to Metro Victor.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

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

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

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

(l) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information and the Comparative Financial Information, are identified from the Financial Information provided regularly to Metro Victor's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Metro Victor's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to sell the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Metro Victor manages its business mainly in a single segment as investment property. Accordingly, no operating segment information is presented.

Metro Victor operates its business and maintains its assets in Hong Kong, therefore all of Metro Victor's revenue and other income are from Hong Kong and all of Metro Victor's non-current assets are located in Hong Kong. Accordingly, no geographic segment information is presented.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Metro Victor's accounting policies, the directors of Metro Victor are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associate assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(a) Critical judgements in applying accounting policies

(i) Deferred taxation on investment property

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment property that is measured using the fair value model, the directors of Metro Victor have reviewed Metro Victor's investment property portfolios and concluded that Metro Victor's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining Metro Victor's deferred taxation on investment property, the directors of Metro Victor have determined that the presumption that the carrying amounts of investment property measured using the fair value model is recovered entirely through sale is not rebutted. As a result, Metro Victor has not recognised any deferred taxes on changes in fair value of investment property located in Hong Kong as Metro Victor is not subject to any income taxes on disposal of its investment property located in Hong Kong.

(ii) Going concern and liquidity

As explained in note 3(b) above, the financial position of Metro Victor indicates the existence of a material uncertainty which may cast significant doubt on Metro Victor's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgements by the directors of Metro Victor, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of Metro Victor consider that Metro Victor has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in note 3(b) above.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in the Financial Information and the Comparative Financial Information, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Fair value of investment property

An asset included in Metro Victor's Financial Information and the Comparative Financial Information required measurement at, and/or disclosure of, fair value.

The fair value measurement of Metro Victor's investment property utilises market observation inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilized are (the ''fair value hierarchy''):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than Level 1 inputs;

Level 3: unobservable inputs (i.e. not derived from market data).

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

At the end of each reporting period, investment property is stated at fair value based on valuation performed by independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates of market conditions. In relying on valuation report, the directors of Metro Victor have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Change of these assumptions would result in changes in fair values of Metro Victor's investment property being recognised in profit or loss. The carrying amounts of investment property measured at fair value as at 31 December 2013, 2014 and 2015 and 30 September 2016 was HK$345,000,000, HK$355,000,000, HK$403,000,000 and HK$403,000,000 respectively.

6. SEGMENT REPORTING

Metro Victor determines its operating segments based on the reports reviewed by Metro Victor's directors that are used to make strategic decisions. During the Relevant Periods, Metro Victor principally operates in one operating segment.

Information about major customers

Revenue from one customer represents 100% of Metro Victor's revenue during the Relevant Periods.

7. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Rental income	—	—	450	—	4,050

8. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Bank interest income	—	—	1	—	1
Others	—	—	64	—	4
	—	—	65	—	5

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank borrowings	5,240	5,161	5,046	3,820	3,664
Interest on amount due to immediate holding company	977	977	563	562	—
	6,217	6,138	5,609	4,382	3,664

10. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Auditor's remuneration	18	18	20	18	—
Depreciation of property, plant and equipment	1,089	1,112	754	671	333
Written off of plant and equipment	—	—	163	135	—
Written off of deposits	—	—	4	—	—
Outgoing expenses in respect of investment property that did not generate rental income	702	856	885	725	208

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No directors' remuneration as set out in Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) was paid or payable for the Relevant Periods.

(b) Five highest paid individuals

Metro Victor has not employed any staff during the Relevant Periods and, accordingly, no emoluments of five highest paid individuals are presented.

12. INCOME TAX EXPENSE

No provision for taxation has been made in the Financial Information and the Comparative Financial Information as Metro Victor did not generate any estimated assessable profit during the Relevant Periods.

The income tax expense can be reconciled to the profit/(loss) per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) before income tax	21,497	1,363	41,016	39,020	(188)
Tax calculated at Hong Kong profits tax rate of 16.5%	3,547	225	6,767	6,438	(31)
Tax effect of non-taxable income	(4,950)	(1,650)	(7,920)	(7,425)	—
Tax effect of tax losses not recognised	1,417	1,430	1,214	1,040	159
Tax effect of temporary differences previously not recognised	(14)	(5)	(61)	(53)	(128)
Income tax expense	—	—	—	—	—

No provision for deferred taxation has been made during the Relevant Periods as there were no material temporary differences at the end of each of the reporting date.

13. DIVIDEND

No dividend has been paid or declared by Metro Victor during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2013	3,667	1,732	5,399
Additions	—	110	110
At 31 December 2013 and 1 January 2014	3,667	1,842	5,509
Additions	—	69	69
At 31 December 2014 and 1 January 2015	3,667	1,911	5,578
Additions	—	25	25
Written off	(1,690)	(1,688)	(3,378)
At 31 December 2015, 1 January 2016 and 30 September 2016	1,977	248	2,225
Accumulated depreciation			
At 1 January 2013	866	752	1,618
Charge for the year	733	356	1,089
At 31 December 2013 and 1 January 2014	1,599	1,108	2,707
Charge for the year	733	379	1,112
At 31 December 2014 and 1 January 2015	2,332	1,487	3,819
Charge for the year	536	218	754
Written off	(1,621)	(1,594)	(3,215)
At 31 December 2015 and 1 January 2016	1,247	111	1,358
Charge for the period	298	35	333
At 30 September 2016	1,545	146	1,691
Net book value			
At 31 December 2013	2,068	734	2,802
At 31 December 2014	1,335	424	1,759
At 31 December 2015	730	137	867
At 30 September 2016	432	102	534

15. INVESTMENT PROPERTY

Metro Victor's property interests held under operating leases to earn rentals or for capital appreciation purpose is measured using the fair value model and are classified and accounted for as investment property.

	HK$'000
At fair value	
At 1 January 2013	315,000
Increase in fair value recognised in profit or loss	30,000
At 31 December 2013 and 1 January 2014	345,000
Increase in fair value recognised in profit or loss	10,000
At 31 December 2014 and 1 January 2015	355,000
Increase in fair value recognised in profit or loss	48,000
At 31 December 2015 and 1 January 2016	403,000
Increase in fair value recognised in profit or loss	—
At 30 September 2016	403,000

At 31 December 2013 and 2014, Metro Victor's investment property has been pledged to secure the bank borrowings granted to Metro Victor (note 19) and banking facilities granted to Great Well.

At 31 December 2015 and 30 September 2016, Metro Victor's investment property has been pledged to secure the bank borrowings granted to Metro Victor (note 19).

Fair value measurement of Metro Victor's investment property

The fair values of the investment property at 31 December 2013 and 2014 have been arrived on the basis of a valuation carried out by A.G. Wilkinson & Associates (Surveyors) Limited, independent firm of surveyors, not connected to Metro Victor.

The fair values of the investment property at 31 December 2015 and 30 September 2016 have been arrived on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, independent qualified professional valuer, not connected to Metro Victor.

A.G. Wilkinson & Associates (Surveyors) Limited and DTZ Debenham Tie Leung Limited have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The valuation using direct comparison approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

In estimating the fair value of the investment property, the highest and best use of the investment property is in current use.

Details of Metro Victor's investment property and information about the fair value hierarchy as at 31 December 2013, 2014 and 2015 and 30 September 2016 are as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Investment property:				
Level 3	345,000	355,000	403,000	403,000

There were no transfers into or out of Level 3 or between Level 1 and Level 2 during the Relevant Periods.

Valuation techniques and inputs used in Level 3 fair value measurements of investment property:

The fair values of investment property located in Hong Kong is determined using direct comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the property compared to the recent sales. Higher premium for higher quality property will result in a higher fair value measurement, and vice versa.

Significant unobservable inputs	**Range**
Adjustment on quality of the investment property under direct comparison approach	0%–15%

16. TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	—	—	—	450

There is no credit term granted to customers during the Relevant Periods.

The ageing analysis of the trade receivables presented based on invoice date at the end of each of the reporting dates are as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 30 days	—	—	—	450

The ageing analysis of the trade receivables presented that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due but not impaired	—	—	—	450

17. PREPAYMENT AND DEPOSITS

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayment	—	—	—	10
Deposits	34	34	28	48
	34	34	28	58

18. AMOUNT DUE FROM A RELATED PARTY/A DIRECTOR

As at 31 December 2013, the balance due from a related party represented the amount due from Lam Hoi Sze ("Mr Lam"), who was one of the directors of Great Well and Metro Victor. Mr. Lam was appointed as the director of Metro Victor on 31 October 2014. The amount due from a related party has been reclassified as amount due from a director accordingly as at that date. The amount was unsecured, interest free and repayable on demand.

Mr. Lam resigned as director of Metro Victor on 30 November 2015.

The particulars of the amount due from a director during the Relevant Periods disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) are as follows:

	As at 31 December			As at 30 September
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from a related party:				
Mr. Lam	50,075	—	—	—
Amount due from a director:				
Mr. Lam	—	37,065	—	—
Maximum amount outstanding during the Relevant Periods				
Amount due from a related party:				
Mr. Lam	58,430	—	—	—
Amount due from a director:				
Mr. Lam	—	50,075	37,065	—

19. BORROWINGS

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	199,144	194,631	187,180	181,472
Analysis based on schedule repayment terms set out in the loan agreements, into:				
Within one year	64,145	6,846	7,675	7,817
More than one year, but within two years	4,227	7,028	7,898	8,034
More than two year, but within five years	14,074	23,646	25,006	25,456
More than five years	116,698	157,111	146,601	140,165
Total borrowings	199,144	194,631	187,180	181,472
Analysis into:				
Not repayable within one year but contain a repayment on demand clause	134,999	187,785	179,505	173,655
Within one year	64,145	6,846	7,675	7,817
	199,144	194,631	187,180	181,472
Bank loans interest at rate per annum in the range of	2.3%–3.5%	2.2%–3.5%	2.2%–3.5%	2.2%–3.5%

The bank borrowings bear interest at range of HK$ Prime rate less 1.75% and Hong Kong Interbank Offered Rate (1 month) plus 2% per annum at 31 December 2013, 2014 and 2015 and 30 September 2016.

The current liabilities included bank borrowings of approximately HK$134,999,000, HK$187,785,000, HK$179,505,000 and HK$173,655,000 that contain a clause which gives lenders the right to demand repayment without notice period at its sole discretion as at 31 December 2013, 2014 and 2015 and 30 September 2016 respectively.

During the Relevant Periods, the bank borrowings are secured by the following manners:

As at 31 December 2013:

(i) The pledge of the investment property with carrying amount of approximately HK$345,000,000 as at 31 December 2013 (note 15);

(ii) Unlimited corporate guarantee provided by Great Well, immediate holding company of Metro Victor for the period from 1 January 2013 to 29 November 2015; and

(iii) Unlimited joint and several guarantee provided by directors of Metro Victor, Lau Yim (resigned on 31 October 2014) and Lam Hoi Sze (appointed on 31 October 2014 and resigned with effect on 30 November 2015), and third party, Yiu Ka Fung Susan.

As at 31 December 2014:

(i) The pledge of the investment property with carrying amount of approximately HK$355,000,000 as at 31 December 2014 (note 15);

(ii) Unlimited corporate guarantee provided by Great Well immediate holding company of Metro Victor for the period from 1 January 2013 to 29 November 2015; and

(iii) Unlimited joint and several guarantee provided by directors of Metro Victor, Lau Yim (resigned on 31 October 2014) and Lam Hoi Sze (appointed on 31 October 2014 and resigned on 30 November 2015), and third party, Yiu Ka Fung Susan.

As at 31 December 2015 and 30 September 2016:

(i) The pledge of the investment property with carrying amount of approximately HK$403,000,000 as at 31 December 2015 and 30 September 2016 (note 15);

(ii) Unlimited corporate guarantee provided by Great Well, immediate holding company of Metro Victor, for the period from 1 January 2013 to 29 November 2015; and

(iii) Unlimited joint and several guarantee provided by Mr. Lam (former director of Metro Victor and substantial shareholder of Skyway Group) and a substantial shareholder of Central Wealth.

20. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

		As at 31 December		As at 30 September
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued charges	54	86	51	34
Deposit received	—	—	900	900
Other payables	1,955	—	—	—
	2,009	86	951	934

21. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

		As at 31 December		As at 30 September
	2013	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest free	73	58	10,917	10,917
Interest bearing — at prime rate less 1.75% per annum	28,000	28,000	—	—
	28,073	28,058	10,917	10,917

The amount due to immediate holding company is unsecured and repayable on demand.

22. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/INTERMEDIATE HOLDING COMPANY/A DIRECTOR

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

23. SHARE CAPITAL

	Number of ordinary shares	Authorised shares *HK$'000*	Issued and fully paid up *HK$'000*
At 1 January 2013 and 31 December 2013	10,000	10	10
The concept of authorized share capital is abolished on March 2014 *(note)*	—	(10)	—
At 1 January 2014, 31 December 2014, 1 January 2015, 31 December 2015, 1 January 2016 and 30 September 2016	10,000	—	10

Note:

The Hong Kong Companies Ordinance, Cap. 622, the Companies Ordinance came into effect on 3 March 2014. Under s.135 of the Companies Ordinance, shares in a company do not have nominal value. Accordingly, the concept of authorised share capital is abolished. The no nominal value regime applies to Metro Victor.

24. OPERATING LEASE COMMITMENTS

Operating leases — lessor

At the end of each reporting date, Metro Victor had future aggregate minimum lease receivables under non-cancellable operating leases in respect of the investment property as follows:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	—	—	—	1,350

The lease is negotiated for term for 1 year. No lease included contingent rentals.

25. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information and the Comparative Financial Information, during the Relevant Periods, Metro Victor entered into the following significant transactions with its related parties as follows:

	Year ended 31 December			Nine months ended 30 September	
	2013	2014	2015	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Immediate holding company (note):					
Interest expenses	977	977	563	562	—

Note:

The immediate holding company represented Great Well which was no longer the immediate holding company of Metro Victor since 30 November 2015.

Save as disclosed above, other balances with related parties at respective end of each of the reporting dates are set out in the statements of the financial position and notes 18, 21 and 22 respectively.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Metro Victor exposed to a variety of financial risks in its ordinary course of operations. The financial risks included interest rate risk, credit risk fair value risk and liquidity risk. Metro Victor does not hold or issue derivative financial instruments either for hedging or for trading purposes. The directors of Metro Victor reviews and agrees policies for managing each of the risks which are summarised below.

Interest rate risk

Metro Victor is exposure to cash flow interest rate risk in relation to variable-rate bank borrowings and amount due to immediate holding company. Metro Victor does not use any derivative financial instruments to hedge its interest rate risk. Metro Victor's bank balances are short-term in nature and the exposure of interest rate is minimal.

The sensitivity analysis below has been determined based on the exposure to interest rate for variable-rate amount due to immediate holding company and bank borrowings at the end of each reporting periods. The analysis is prepared assuming these borrowings outstanding at the end of each of the reporting period were outstanding for whole year/period. If the interest-bearing loans/balances had been 100 basis points higher/lower and all other variables were held constant, the post-tax results would be as follow:

	Increase/(decrease) on post-tax results				
	Year ended 31 December			**Nine months ended 30 September**	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Increase by 100 basis points	(1,663)	(1,625)	(1,563)	(1,579)	(1,515)
Decrease by 100 basis points	1,663	1,625	1,563	1,579	1,515

Credit risk

Metro Victor's principal financial assets are receivables and deposits, amount due from a director and related party, cash and cash equivalents which represent Metro Victor's maximum exposure to credit risk in relation to financial assets.

Metro Victor's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position. In order to minimise the credit risk, the directors of Metro Victor review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the directors of Metro Victor consider that credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Fair value risk

The directors of Metro Victor consider that the amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

Liquidity risk

In management of the liquidity risk, Metro Victor monitors and maintains cash and cash equivalents deemed adequate by management to finance Metro Victor's operation and mitigate the effects of fluctuations in cash flow. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Metro Victor had net current liabilities of HK$186,254,000, HK$193,848,000, HK$199,940,000 and HK$199,795,000 at 31 December 2013, 2014 and 2015 and 30 September 2016 respectively. The liquidity of Metro Victor is primarily dependent on its ability to maintain adequate cash inflow from operations to meet its debt obligations and undertakings from the ultimate, intermediate and immediate holding companies for not to demand repayment of debts due from Metro Victor until such time when the repayment will not affect Metro Victor's ability to repay other creditors in the normal course of business.

The following table details Metro Victor's contractual maturity for its non-derivative financial liabilities based on the scheduled repayment dates. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The tables includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Carrying amount	**On demand or within one year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2013			
Other payables, deposits received and accruals	2,009	2,009	2,009
Amount due to a director	2,634	2,634	2,634
Amount due to ultimate holding company	4,687	4,687	4,687
Amount due to immediate holding company	28,073	29,056	29,056
Borrowings	199,144	204,378	204,378
	236,547	242,764	242,764
At 31 December 2014			
Other payables, deposits received and accruals	86	86	86
Amount due to ultimate holding company	8,394	8,394	8,394
Amount due to immediate holding company	28,058	29,040	29,040
Borrowings	194,631	200,218	200,218
	231,169	237,738	237,738

	Carrying amount	On demand or within one year	Total
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2015			
Other payables, deposits received and accruals	951	951	951
Amount due to ultimate holding company	2,000	2,000	2,000
Amount due to immediate holding company	10,917	10,917	10,917
Borrowings	187,180	192,554	192,554
	201,048	206,422	206,422
At 30 September 2016			
Other payables, deposits received and accruals	934	934	934
Amount due to ultimate holding company	2,000	2,000	2,000
Amount due to intermediate holding company	5,000	5,000	5,000
Amount due to immediate holding company	10,917	10,917	10,917
Borrowings	181,472	186,682	186,682
	200,323	205,533	205,533

The table that follows summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account Metro Victor's financial position, the directors of Metro Victor do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but Less than 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2013	199,144	241,640	69,674	7,594	22,764	141,608
31 December 2014	194,631	250,410	12,497	12,494	37,467	187,952
31 December 2015	187,180	237,914	12,494	12,489	37,467	175,464
30 September 2016	181,472	228,542	12,489	12,489	37,467	166,097

Categories of financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities:

	As at 31 December			As at 30 September
	2013	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables:				
Trade receivables	—	—	—	450
Deposits	34	34	28	48
Amount due from a director	—	37,065	—	—
Amount due from a related party	50,075	—	—	—
Cash and cash equivalents	184	222	1,080	20
	50,293	37,321	1,108	518
Financial liabilities				
At amortised cost:				
Borrowings	199,144	194,631	187,180	181,472
Amount due to a director	2,634	—	—	—
Amount due to ultimate holding company	4,687	8,394	2,000	2,000
Amount due to intermediate holding company	—	—	—	5,000
Amount due to immediate holding company	28,073	28,058	10,917	10,917
Other payables, deposits received and accruals	2,009	86	951	934
	236,547	231,169	201,048	200,323

27. CAPITAL MANAGEMENT

Metro Victor manages its capital to ensure that Metro Victor will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Metro Victor's overall strategy remains unchanged throughout the Relevant Periods.

Metro Victor's equity attributable to equity holder of Metro Victor comprises of issued share capital and retained earnings.

The directors of Metro Victor review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, Metro Victor will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

28. MAJOR NON-CASH TRANSACTIONS

On 30 June 2015, a transfer agreement was signed between Metro Victor, Skyway Securities and Mr. Lam (collectively referred to as the "Skyway Parties"). The Skyway Parties agreed to transfer the amount of HK$9,966,000 from amount due to Skyway Securities to amount due to a director, Mr. Lam, unconditionally.

On 30 November 2015, a transfer agreement was signed between Metro Victor, Great Well and Mr. Lam (collectively referred to as the "Great Well Parties"). The Great Well Parties agreed to transfer the amount of HK$15,007,000 from amount due to a director, Mr. Lam, to amount due to Great Well, unconditionally.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Metro Victor in respect of any period subsequent to 30 September 2016 and up to the date of this report.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HONG KONG SUBSIDIARY

Management Discussion and Analysis of the Hong Kong Subsidiary for the Year ended 31 December 2013

General Information

The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Gain from changes in fair values of an investment property

The Hong Kong Subsidiary held a residential property located in Kowloon Tong. Based on the independent valuation of the investment property as at 31 December 2013, a valuation gain of HK$30,000,000 was recognised.

Finance cost

The Hong Kong Subsidiary's finance cost for the year ended 31 December 2013 was approximately HK$6,217,000 in relation to interest paid on the bank borrowings and other borrowings.

Liquidity and financial resources

Net Assets

As at 31 December 2013, the Hong Kong Subsidiary recorded total assets of approximately HK$398,095,000 which were financed by liabilities of approximately HK$236,547,000 and equity of approximately HK$161,548,000. The net asset value as at 31 December 2013 was HK$161,548,000.

Bank borrowings

As at 31 December 2013, the Hong Kong Subsidiary had bank borrowings of approximately HK$199,144,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Hong Kong Subsidiary had total cash and bank balances of approximately HK$184,000 as at 31 December 2013. Balances of bank borrowings, amount due to ultimate holding company, amount due to immediate holding company and amount due to a director were approximately HK$234,538,000. The gearing ratio of the Hong Kong Subsidiary as at 31 December 2013, calculated as a ratio of total bank borrowings, amount due to ultimate holding company, amount due to immediate holding company and amount due to a director to total equity was approximately 1.45. Net assets were approximately HK$161,548,000.

The Hong Kong Subsidiary recorded total current assets of approximately HK$50,293,000 as at 31 December 2013 and total current liabilities of approximately HK$236,547,000. The current ratio of the Hong Kong Subsidiary, calculated by dividing total current assets by total current liabilities was approximately 0.21 as at 31 December 2013.

Charges on assets

At 31 December 2013, the Hong Kong Subsidiary has pledged its investment property with a carrying amount of HK$345,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary and the banking facilities granted to a related company, in which the then director of the Hong Kong Subsidiary has beneficial interest.

Treasury policies

The Hong Kong Subsidiary generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Hong Kong Subsidiary is HK$10,000, which have been fully paid as at 31 December 2013.

Employee and remuneration policies

The Hong Kong Subsidiary did not enter into any contract of any person engaged in the full-time employment of the Hong Kong Subsidiary.

Management Discussion and Analysis of the Hong Kong Subsidiary for the Year ended 31 December 2014

General Information

The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Gain from changes in fair values of an investment property

The Hong Kong Subsidiary held a residential property located in Kowloon Tong. Based on the independent valuation of the investment property as at 31 December 2014, a valuation gain of HK$10,000,000 was recognised.

Finance cost

The Hong Kong Subsidiary's finance cost for the year ended 31 December 2014 was approximately HK$6,138,000 in relation to interest paid on the bank borrowings and other borrowings.

Liquidity and financial resources

Net Assets

As at 31 December 2014, the Hong Kong Subsidiary recorded total assets of approximately HK$394,080,000 which were financed by liabilities of approximately HK$231,169,000 and equity of approximately HK$162,911,000. The net asset value as at 31 December 2014 was HK$162,911,000.

Bank borrowings

As at 31 December 2014, the Hong Kong Subsidiary had bank borrowings of approximately HK$194,631,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Hong Kong Subsidiary had total cash and bank balances of approximately HK$222,000 as at 31 December 2014. Balances of bank borrowings, amount due to ultimate holding company, amount due to immediate holding company and amount due to a director were approximately HK$231,083,000. The gearing ratio of the Hong Kong Subsidiary as at 31 December 2014, calculated as a ratio of total bank borrowings, amount due to ultimate holding company and amount due to immediate holding company to total equity was approximately 1.42. Net assets were approximately HK$162,911,000.

The Hong Kong Subsidiary recorded total current assets of approximately HK$37,321,000 as at 31 December 2014 and total current liabilities of approximately HK$231,169,000. The current ratio of the Hong Kong Subsidiary, calculated by dividing total current assets by total current liabilities was approximately 0.16 as at 31 December 2014.

Charges on assets

At 31 December 2014, the Hong Kong Subsidiary has pledged its investment property with a carrying amount of HK$355,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary and the banking facilities granted to a related company, in which the then director of the Hong Kong Subsidiary has beneficial interest.

Treasury policies

The Hong Kong Subsidiary generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Hong Kong Subsidiary is HK$10,000, which have been fully paid as at 31 December 2014.

Employee and remuneration policies

The Hong Kong Subsidiary did not enter into any contract of any person engaged in the full-time employment of the Hong Kong Subsidiary.

Management Discussion and Analysis of the Hong Kong Subsidiary for the Year ended 31 December 2015

General Information

The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Revenue

The Hong Kong Subsidiary's revenue for the year ended 31 December 2015 was HK$450,000 which was rental income from investment property.

Gain from changes in fair values of an investment property

The Hong Kong Subsidiary held a residential property located in Kowloon Tong. Based on the independent valuation of the investment property as at 31 December 2015, a valuation gain of HK$48,000,000 was recognised.

Finance cost

The Hong Kong Subsidiary's finance cost for the year ended 31 December 2015 was approximately HK$5,609,000 in relation to interest paid on the bank borrowings and other borrowings.

Liquidity and financial resources

Net Assets

As at 31 December 2015, the Hong Kong Subsidiary recorded total assets of approximately HK$404,975,000 which were financed by liabilities of approximately HK$201,048,000 and equity of approximately HK$203,927,000. The net asset value as at 31 December 2015 was HK$203,927,000.

Bank borrowings

As at 31 December 2015, the Hong Kong Subsidiary had bank borrowings of approximately HK$187,180,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Hong Kong Subsidiary had total cash and bank balances of approximately HK$1,080,000 as at 31 December 2015. Balances of bank borrowings, amount due to ultimate holding company and amount due to immediate holding company were approximately HK$200,097,000. The gearing ratio of the Hong Kong Subsidiary as at 31 December 2015, calculated as a ratio of total bank borrowings, amount due to ultimate holding company and amount due to immediate holding company to total equity was approximately 0.98. Net assets were approximately HK$203,927,000.

The Hong Kong Subsidiary recorded total current assets of approximately HK$1,108,000 as at 31 December 2015 and total current liabilities of approximately HK$201,048,000. The current ratio of the Hong Kong Subsidiary, calculated by dividing total current assets by total current liabilities was approximately 0.01 as at 31 December 2015.

Charges on assets

At 31 December 2015, the Hong Kong Subsidiary has pledged its investment property with a carrying amount of HK$403,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary.

Treasury policies

The Hong Kong Subsidiary generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Hong Kong Subsidiary is HK$10,000, which have been fully paid as at 31 December 2015.

Employee and remuneration policies

The Hong Kong Subsidiary did not enter into any contract of any person engaged in the full-time employment of the Hong Kong Subsidiary.

Management Discussion and Analysis of the Hong Kong Subsidiary for the Nine Months ended 30 September 2016

General Information

The Hong Kong Subsidiary is a limited company incorporated in Hong Kong. The principal activity of the Hong Kong Subsidiary is property investment.

Principal Income Statement Components

Revenue

The Hong Kong Subsidiary's revenue for the period ended 30 September 2016 was approximately HK$4,050,000 which was rental income from investment property.

Finance cost

The Hong Kong Subsidiary's finance cost for the period ended 30 September 2016 was approximately HK$3,664,000 in relation to interest paid on the bank borrowings and other borrowings.

Liquidity and financial resources

Net Assets

As at 30 September 2016, the Hong Kong Subsidiary recorded total assets of approximately HK$404,062,000 which were financed by liabilities of approximately HK$200,323,000 and equity of approximately HK$203,739,000. The net asset value as at 30 September 2016 was HK$203,739,000.

Bank borrowings

As at 30 September 2016, the Hong Kong Subsidiary had bank borrowings of approximately HK$181,472,000 which were secured by legal charge on the Hong Kong Subsidiary's investment property.

Liquidity

The Hong Kong Subsidiary had total cash and bank balances of approximately HK$20,000 as at 30 September 2016. Balances of bank borrowings, amount due to ultimate holding company, amount due to intermediate holding company and amount due to immediate holding company were approximately HK$199,389,000. The gearing ratio of the Hong Kong Subsidiary as at 30 September 2016, calculated as a ratio of total bank borrowings, amount due to ultimate holding company, amount due to intermediate holding company and amount due to immediate holding company to total equity was approximately 0.98. Net assets were approximately HK$203,739,000.

The Hong Kong Subsidiary recorded total current assets of approximately HK$528,000 as at 30 September 2016 and total current liabilities of approximately HK$200,323,000. The current ratio of the Hong Kong Subsidiary, calculated by dividing total current assets by total current liabilities was approximately 0.003 as at 30 September 2016.

Charges on assets

At 30 September 2016, the Hong Kong Subsidiary has pledged its investment property with a carrying amount of HK$403,000,000 to secure mortgage loan granted to the Hong Kong Subsidiary.

Treasury policies

The Hong Kong Subsidiary generally finances its operations with internally generated resources and external borrowings.

Foreign exchange exposure

As the bank borrowings were in HK$, foreign exchange exposure risk is remote.

Capital structure

The initial issued share capital of the Hong Kong Subsidiary is HK$10,000, which have been fully paid as at 30 September 2016.

Employee and remuneration policies

The Hong Kong Subsidiary did not enter into any contract of any person engaged in the full-time employment of the Hong Kong Subsidiary.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Introduction to unaudited pro forma financial information of the Enlarged Group

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Group and the Target Group which has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Proposed Acquisition as if it had taken place on 30 September 2016. Details of the Proposed Acquisition are set out in the letter from the Board contained in this circular.

This unaudited pro forma statement of assets and liabilities has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at 30 September 2016 or at any future date.

(2) Unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2016

Scenario I: the Supplemental Agreement had taken effect on 30 September 2016

	The Group as at 30 September 2016	The Target Group as at 30 September 2016	Pro forma adjustments		The Enlarged Group as at 30 September 2016
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*		*Notes*	
NON-CURRENT ASSETS					
Property, plant and equipment	195	534			729
Investment property	—	403,000	5,342	3	408,342
Available-for-sale equity investments	842,899	—			842,899
Deposits	961	—			961
	844,055	403,534			1,252,931
CURRENT ASSETS					
Equity investments at fair value through profit or loss	166,193	—			166,193
Loan receivables	81,900	—			81,900
Trade receivables	9,788	450			10,238
Prepayments, deposits and other receivables	725	58			783
Cash and bank balances	4,989	22	(4,989)	4	22
	263,595	530			259,136
CURRENT LIABILITIES					
Trade payables	9,025	—			9,025
Other payables and accruals	1,953	934	1,000	7	3,887
Amount due to ultimate holding company	—	2,007	(2,007)	6	—
Amount due to immediate holding company	—	213,966	(213,966)	6	—
Borrowings	—	181,472	222,011	4	403,483
	10,978	398,379			416,395
NET CURRENT ASSETS/ (LIABILITIES)	252,617	(397,849)			(157,259)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,096,672	5,685			1,095,672
NET ASSETS	1,096,672	5,685			1,095,672

Scenario II: the Supplemental Agreement had not taken effect on 30 September 2016

	The Group as at 30 September 2016	**The Target Group as at 30 September 2016**	**Pro forma adjustments**		**The Enlarged Group as at 30 September 2016**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note 1	*Note 2*		*Notes*	
NON-CURRENT ASSETS					
Property, plant and equipment	195	534			729
Investment property	—	403,000	5,342	3	408,342
Available-for-sale equity investments	842,899	—			842,899
Deposits	961	—			961
	844,055	403,534			1,252,931
CURRENT ASSETS					
Equity investments at fair value through profit or loss	166,193	—			166,193
Loan receivables	81,900	—			81,900
Trade receivables	9,788	450			10,238
Prepayments, deposits and other receivables	725	58			783
Cash and bank balances	4,989	22	(4,989)	5 (i)	22
	263,595	530			259,136
CURRENT LIABILITIES					
Trade payables	9,025	—			9,025
Other payables and accruals	1,953	934	1,000	7	3,887
Amount due to ultimate holding company	—	2,007	(2,007)	6	—
Amount due to immediate holding company	—	213,966	(213,966)	6	—
Borrowings	—	181,472	17,011	5 (i)	198,483
	10,978	398,379			211,395
NET CURRENT ASSETS/ (LIABILITIES)	252,617	(397,849)			47,741
TOTAL ASSETS LESS CURRENT LIABILITIES	1,096,672	5,685			1,300,672
NON-CURRENT LIABILITIES					
Convertible bonds	—	—	152,496	5 (ii)	152,496
NET ASSETS	1,096,672	5,685			1,148,176

Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

(1) The balances were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2016 as set out in the unaudited interim report of the Company for the six months ended 30 September 2016.

(2) The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 30 September 2016 as set out in Appendix II to this circular.

(3) The Target Group is mainly holding an investment property in Hong Kong. The acquisition is accounted for as an acquisition of assets and the investment property is initially recognised at the amount of the consideration paid and payable in accordance with Hong Kong Accounting Standard 40 "Investment Property".

In preparing the unaudited pro forma consolidated statement of assets and liabilities in Scenario II, the directors of the Company assume that the purchase price of HK$408,342,000 is also the fair value of the investment property at completion of the Proposed Acquisition. The adjustment represents the difference between the deemed fair value of the investment property and the fair value of the investment property as at 30 September 2016 which has been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited, an independent qualified professional valuer not connected to the Group.

(4) In connection with the Proposed Acquisition of the (i) Sale Share and (ii) Sale Loan, the aggregated consideration is HK$227,000,000 and would be settled in cash if the following conditions set out in the Supplemental Agreement are fulfilled:

1. the passing by the shareholders of Skyway (other than the Company and its associates) (the "**Skyway Independent Shareholders**") who are entitled to vote and not required to be abstained from voting under the Listing Rules and the Takeovers Code at a general meeting of Skyway to be convened and held of the necessary ordinary resolution(s) to approve the Supplemental Agreement and the transactions contemplated thereunder; and

2. all necessary consents and approvals required to be obtained (including the consent from CMBC International Investment Limited, the Skyway Independent Shareholders' approval, the Independent Shareholders' approval and the consent from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates for the special deal contemplated under the Supplemental Agreement) on the part of Skyway and the Company in respect of the Supplemental Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect.

HK$22,000,000 would be satisfied by cash within ten business days from the date of signing the Agreement. The remaining balance of HK$205,000,000 shall be payable in cash upon completion.

The Group did not have sufficient cash and bank balances as at 30 September 2016 to settle HK$227,000,000 in full. For the purpose of this unaudited pro forma financial information, the remaining balance would be settled by borrowings. The management of the Company raised further funds subsequently by placing of notes and disposal of equity investments. Since these funding transactions are entered into subsequent to 30 September 2016, no adjustment had been made in the unaudited pro forma financial information of the Enlarged Group to reflect then.

(5) If the conditions set out in the Supplemental Agreement are not fulfilled, in connection with the Proposed Acquisition of the (i) Sale Share and (ii) Sale Loan, the aggregated consideration is HK$227,000,000. The consideration payable by the Group will be satisfied by way of:

	Notes	*HK$'000*
Cash	*(i)*	22,000
Convertible Bonds	*(ii)*	205,000
		227,000

Notes:

(i) HK$22,000,000 would be satisfied by cash within ten business days from the date of signing the Agreement.

The Group did not have sufficient cash and bank balances as at 30 September 2016 to settle HK$22,000,000 in full. For the purpose of this unaudited pro forma financial information, the remaining balance would be settled by borrowings.

(ii) The remaining balance of HK$205,000,000 is satisfied by the issuance of the two-year zero coupon convertible bonds in the principal amount of HK$205,000,000 by the Company on the date of completion of the Proposed Acquisition.

The Convertible Bonds are accounted for as compound financial instruments which required classification of its compound parts on initial recognition. The liability component is measured first, and the difference between the proceeds of the bonds issue and the fair value of the liability is assigned to the equity component.

In accordance with Hong Kong Financial Reporting Standard 2 "Share-based Payment", the fair value of the Convertible Bonds is based on the fair value of assets acquired. The fair value of liability portion of the two-year zero coupon convertible bonds of HK$152,496,000 as at 30 September 2016 is estimated by Ascent Partners Valuation Service Limited, an independent valuer, by using discounted cash flow method and an equivalent market interest rate for a similar bond with no conversion feature. The amount of HK$52,504,000 is assigned as the equity portion.

The actual fair value of liability portion of the two-year zero coupon convertibles bonds and the corresponding amount assigned as equity portion at the date of completion of the Proposed Acquisition may be different from the respective amounts as shown in the unaudited pro forma consolidated statement of assets and liabilities as shown above as the market interest rate at the date of completion of the Proposed Acquisition may fluctuate and vary from the market interest rate used in the preparation of the unaudited pro forma consolidated statement of assets and liabilities.

(6) As at 30 September 2016, the acquisition of Sale Loan represents the amount due to ultimate holding company of the Target Group of approximately HK$2,007,000 and amount due to immediate holding company of the Target Group of approximately HK$213,966,000.

(7) The adjustment represents the estimated legal and professional fees and other direct expenses in relation to the Proposed Acquisition of approximately HK$1,000,000. This adjustment is not expected to have a continuing financial effect on the Enlarged Group.

(8) Saved as aforesaid, no other adjustments have been made to reflect any trading result or other transactions of the Enlarged Group entered into subsequent to 30 September 2016. Unless otherwise stated, the adjustments above are not expected to have a continuing effect on the Enlarged Group.

(B) REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report from BDO Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants, in respect of the unaudited pro forma financial information of the Enlarged Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.

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

To the directors of China Soft Power Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Soft Power Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 September 2016 and related notes as set out on pages IV-1 to IV-6 of Appendix IV of the Company's circular dated 31 March 2017 (the "Circular") in connection with the proposed acquisition (the "Proposed Acquisition") of (i) entire issued share capital in Sky Eagle Global Limited (the "Target Company"), a company incorporated in the British Virgin Islands with limited liability, and (ii) all obligations, liabilities and debts owing or incurred by the Target Company or its subsidiary to Gold Mission Limited and its associates on or at any time prior to the completion of the Proposed Acquisition. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages IV-1 to IV-6 of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 September 2016 as if the Proposed Acquisition had taken place on 30 September 2016. As part of this process, information about the Group's financial position as at 30 September 2016 has been extracted by the directors of the Company from the Company's interim report for the six months ended 30 September 2016, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition on 30 September 2016 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

BDO Limited
Certified Public Accountants
Hong Kong

31 March 2017

The following is the text of a letter and valuation certificate dated 31 March 2017 prepared for the purpose of incorporation in this circular received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation as at 28 February 2017 of the property interests to be acquired by the Group.

ASCENT PARTNERS
Together We Flourish

Suite 2102, Hong Kong Trade Centre
161–167 Des Voeux Road Central
Hong Kong
Tel: 3679-3890
Fax: 3579-0884

Date: 31 March 2017

The Board of Directors
China Soft Power Technology Holdings Limited
Room 1603–05
Harcourt House
39 Gloucester Road
Wan Chai, Hong Kong

Dear Sir/Madam,

RE: Valuation of No. 2 Lincoln Road, Kowloon, Hong Kong (the "Property")

In accordance with the instructions received from China Soft Power Technology Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for us to carry out a valuation of the Property, we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 28 February 2017 (referred to as the "**Valuation Date**") for the purpose of incorporation in the circular of the Group.

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

BASIS OF VALUATION

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's — length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

VALUATION METHODOLOGY

We have valued the property interests of property on market basis and the direct comparison method is adopted where comparison based on prices realised on actual sales price of comparable property is made. Comparable properties of similar size, character, and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

VALUATION CONSIDERATIONS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

VALUATION ASSUMPTIONS

Unless otherwise stated, our valuation has been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the value of the property interests. We have also assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificate and authorizations have been obtained.

No allowance has been made in our valuation for any charges, mortgages or amount owing on any property interests nor for any expense or taxation which may be incurred in effecting a sale. We have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that the owners of the Property have free and uninterrupted rights to use and dispose of the Property for the whole of the unexpired term of Land Grant.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

TITLE INVESTIGATION

We have carried out title searches at the Land Registry for the property interests located in Hong Kong. We have been, in some instances, provided with the extracts of the documents relating to the Property. However, we have not verified ownership of the Property to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

LIMITING CONDITIONS

We have inspected the exterior, and wherever possible, the interior of the Property but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

REMARKS

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HKD).

Our valuation certificate in respect of the property interests is herewith attached.

Yours faithfully,
For and on behalf of
Ascent Partners Valuation Service Limited
Stephen Y. W. Yeung
MFin BSc(Hons) Land Adm. MHKIS MCIREA RPS(GP)
Principal

Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor (General Practice Division) and a Professional Member of The Hong Kong Institute of Surveyors with over 10 years' experience in valuation of properties in HKSAR and mainland China. Mr. Yeung is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by HKIS.

VALUATION CERTIFICATE

Property interests to be acquired by the Group for investment in Hong Kong

Property	Description and tenure	Particular of Occupancy	Market Value in existing state as at 28 February 2017
No. 2 Lincoln Road, Kowloon New Kowloon Inland Lot No. 705	The Property comprises a 3-storey garden house erected on a parcel of land with a registered site area of approximately 11,169 sq.ft. completed in 2006. The vertical access is served by an internal staircase and a lift. Swimming pool and garden are located on the ground floor of the Property. The Property is currently used for domestic purpose. The gross floor area and the saleable area of the Property are approximately 6,702 sq.ft. and 6,659 sq.ft. respectively. The areas of ancillary accommodations including flat roof, top roof and garden/swimming pool/ open space are approximately 506 sq.ft., 1,710 sq.ft. and 8,740 sq.ft. respectively. New Kowloon Inland Lot No. 705 is held under Government Lease for a term of 75 years renewable for 24 years commencing from 1 July 1898 and statutorily extended until 30 June 2047. The Government rent payable for the Property is an amount equal to 3% of the rateable value for the time being.	The property is currently leased for a term of two years commencing on 1 January 2017 at a monthly rent of HKD450,000 inclusive of Government rent and rates.	HKD410,000,000 (Hong Kong Dollar Four Hundred Ten Million)

Notes:

(1) The registered owner of the Property is Metro Victor Limited vide Memorial No. 10050602690456 dated 20 April 2010.

(2) The Property is subject to encumbrances as listed below:

(i) An Occupation Permit No. KN22/2006 dated 29 November 2006;

(ii) A mortgage in favor of Public Bank (Hong Kong) Limited vide Memorial No. 12092101970147 dated 28 August 2012; and

(iii) A second mortgage in favor of Public Bank (Hong Kong) Limited vide Memorial No. 13011002460296 dated 20 December 2012.

(3) The Property lies within an area zoned "Residential (Group C)" under the approved Kowloon Tong Outline Zoning Plan No. S/K18/19 dated 16 January 2015.

(4) Pursuant to the Government Lease of New Kowloon Inland Lot No. 705 in respect of the Property, it contains, inter alia, the following development covenants:

> *"...And will during the whole of the said term hereby granted keep and maintain on the said piece or parcel of ground hereby demised a messuage or dwelling house which said messuage or dwelling house shall be of the same type of building elevation character and description and shall front and range in an uniform manner with the buildings immediately adjacent thereto the whole to be done to the satisfaction of His said Majesty's Director of Public Works ..."*

(5) The Property is located in Kowloon Tong, a low-density luxurious residential area, on the west side to the junction of Lincoln Road and Waterloo Road. The neighbourhood is mainly composed of villa type developments and the district is home to many prestigious schools, such as Maryknoll Convent School, Diocesan Preparatory School, La Salle College and Yew Chung International School as well other international schools. The City University of Hong Kong and Hong Kong Baptist University are also located in the vicinity. Nearby attractions include Festival Walk shopping centre and Kowloon Walled City Park. In addition, the Kowloon Tong Club is next to the Property. Kowloon Tong MTR Station of both East Rail and Kwun Tong Line is within 15-minute walking distance to the Property.

(6) The Group has confirmed as follows:

(i) No options or rights of pre-emption concerning or affecting the Property;

(ii) No environmental issues such as breach of environmental regulations;

(iii) No investigations notices, pending litigation, breach of law or title defects affecting the Property;

(iv) No plans for construction, renovation, improvement or development of the Property; and

(v) No plans to dispose of or change the use of the Property.

(7) The inspection was performed by Mr. Stephen Yeung on 7 December 2016.

Set out below is an exhaustive list of adjustment events to the Conversion Price under the CB Conditions.

The Conversion Price is subject to adjustments upon the occurrence of the following events:

(a) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.

Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

(b) If and whenever the Company shall issue (other than in lieu of a cash dividend) any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for such issue.

(c) If and whenever the Company shall make any Capital Distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be adjusted by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Market Price on the date on which the Capital Distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) next preceding day of the Capital Distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by the auditors, of the portion of the Capital Distribution or of such rights which is attributable to one Share. For avoidance of doubt, if the Capital Distribution is distributions in cash the fair market value shall be the cash value and determination by the auditors is not required.

Provided that:

(i) if in the opinion of the auditors, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said Market Price which should properly be attributed to the value of the Capital Distribution or rights; and

(ii) the provisions of this event (c) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.

Each such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the Capital Distribution or grant.

(d) (i) If and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights at a price which is less than 80% of the Market Price on the date of the announcement of the terms of the offer, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights and of the amount payable for the total number of new Shares comprised therein would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription.

Such adjustment shall be effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer.

(ii) If and whenever the Company shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80% of the Market Price on the date of the announcement of the terms of the grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such grant by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Market Price of one Share on the last dealing day preceding the date on which the options or warrants to subscribe for new Shares is publicly announced; and

B = the difference between the Fair Market Value of one option or warrant to subscribe for new Shares on a per Share basis on the date of such announcement and the issue price of one option or warrant on a per Share basis on such grant.

Such adjustment shall be effective (if retroactively) from the commencement of the day next following the record date for the grant.

(e) (i) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total Effective Consideration per Share initially receivable for such securities is less than 80% of the Market Price on the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Market Price of one Share on the last dealing day preceding the date on which such issue is announced; and

B = the difference between the Fair Market Value of one security on a per Share basis on the date of such announcement and the issue of one security on a per Share basis of such issue.

Such adjustment shall become effective (if appropriate retroactively) from the close of business in Hong Kong on the Business Day next preceding whichever is the earlier of the date on which the issue is announced and the date on which the Company determines the conversion or exchange rate or subscription price.

(ii) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in paragraph (i) of this event (e) are modified so that the total Effective Consideration per Share initially receivable for such securities shall be less than 80% of the Market Price on the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A - B}{A}$$

where:

A = the Market Price of one Share on the last dealing day preceding the date on which such modification is announced; and

B = the difference between the Fair Market Value of the modification on a per Share basis on the date of such announcement and the consideration received for the modification on a per Share basis of such modification.

Such adjustment shall become effective as at the date upon which such modification shall take effect. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

For the purposes of this event (e), the "**total Effective Consideration**" receivable for the securities issued shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights, and the total Effective Consideration per Share initially receivable for such securities shall be such aggregate consideration divided by the number of Shares to be issued upon (and assuming) such conversion or exchange at the initial conversion or exchange rate or the exercise of such subscription rights at the initial subscription price, in each case without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue.

(f) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the Market Price on the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued.

Such adjustment shall become effective on the date of the issue.

(g) If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share which is less than 80% of the Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted in such manner as may be determined by the auditors.

Such adjustment shall become effective on the date of the issue.

For the purpose of this event (g), "**total Effective Consideration**" shall be the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction of any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof, and the "**total Effective Consideration per Share**" shall be the total Effective Consideration divided by the number of Shares issued as aforesaid.

(h) In any circumstances where the Directors shall consider that an adjustment to the Conversion Price provided for under the above events should not be made or should be calculated on a different basis or that an adjustment to the Conversion Price should be made notwithstanding that no such adjustment is required under the above events or that an adjustment should take effect on a different date or with a different time from that provided for under the above events, the Company may appoint the auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such auditors shall consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner including without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such auditors to be in its opinion appropriate. For the avoidance of any doubts, the per share value of the adjustment cannot exceed the per share value of the dilution in the shareholders' interest in the issuer's equity caused by the transaction.

(i) If the Company or any of its subsidiaries shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, Shares, the Company shall appoint the auditors to consider whether any adjustment to the Conversion Price is appropriate (and if such auditors shall certify that any such adjustment is appropriate, the Conversion Price shall be adjusted accordingly).

(j) If application of any of the adjustments would but for this paragraph result in the Conversion Price being reduced so that on conversion Shares shall fall to be issued at a discount to their nominal value, then the Conversion Price shall be adjusted to an amount equal to the nominal value of one Share.

For the purpose of this Appendix, the following terms have the corresponding definitions listed below:

"Capital Distribution"	any distribution (whether in cash or specie), including any dividend charged or provided for in the accounts for any financial period (whenever paid and however described), provided that any such dividend shall not automatically be so deemed if it is paid out of the aggregate of the net profits (less losses) accrued and attributable to the holders of Shares for all financial periods after 31 March 2016 as shown in the audited consolidated profit and loss account of the Group for each financial period ended 31 March
"Fair Market Value"	with respect to any asset, security, option, warrant or other right on any date, the fair market value of the asset, security, option, warrant or other right as determined by an independent investment bank of international repute (acting as expert) selected by the Company, provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such independent investment bank) the fair market value of such options, warrants, or other rights shall equate the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five dealing days on the relevant market commencing on the first such dealing day such options, warrants or other rights are publicly traded
"Market Price"	the average closing price of one Share on the Stock Exchange for the last five dealing days ending on the last such dealing day preceding the day on or as of which the market price is to be ascertained

Set out below are the biographical details and other information of the Director proposed to be re-elected as an executive Director at the SGM.

The biographical details of Mr. Chen are set out below:

Mr. Chen, aged 35, was appointed as an executive Director and the chairman of the Company on 2 December 2016. He holds a bachelor degree of management from Royal Holloway, University of London. He also holds a master of science degree in process technology and business management from University of Warwick. He has more than 10 years of experience in bank and securities marketing and is familiar with the local market and has strong capabilities in market exploration, customer appraisal and risk management. He also has extensive experience of regulations and rules of financial market in Hong Kong and Mainland China, as well as certain corporate financial analysis skill.

Save as disclosed above, Mr. Chen has not held other directorships in the last three years in any other public companies the securities of which are listed on any securities markets in Hong Kong or overseas and does not have other relationships with the Directors, senior management, substantial Shareholders or controlling Shareholders (as defined in the Listing Rules).

Mr. Chen has not been appointed for any fixed term but is subject to retirement and re-election in accordance with the Company's bye-laws. Pursuant to the service agreement entered into between the Company and Mr. Chen, Mr. Chen is entitled to receive remuneration package of HK$600,000 per year plus a discretionary bonus as may be determined by the Board with reference to his performance. The foregoing emolument of Mr. Chen is recommended by the Company's Remuneration Committee and approved by the Board with reference to his qualifications, experience and responsibilities with the Company.

As far as the Board is aware, as at the Latest Practicable Date, Mr. Chen does not have or is not deemed to have any interests or short positions in the Shares or underlying Shares of the Company pursuant to Part XV of the SFO.

As confirmed by Mr. Chen and as far as the Board is aware, Mr. Chen has no information to be disclosed pursuant to any of the requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters relating to Mr. Chen's appointment that need to be brought to the attention of the Shareholders.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

Authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised:	*HK$*
80,000,000,000 Shares	800,000,000
Issued and fully paid:	*HK$*
8,965,128,980 Shares	89,651,289.80

Authorised and issued share capital of the Company upon full conversion of the Convertible Bonds:

Authorised:		*HK$*
80,000,000,000 Shares		800,000,000
Issued and fully paid:		*HK$*
8,965,128,980 Shares	Shares in issue as at the Latest Practicable Date	89,651,289.80
1,120,218,579 Shares	Conversion Shares to be issued upon full conversion of the Convertible Bonds	11,202,185.79
10,085,347,559 Shares	Shares in total	100,853,475.59

3. DISCLOSURE OF INTERESTS

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

Interests in Shares:

Name of Director	Capacity and nature of interest	Number of Shares (Long Position)	Approximate percentage of Shares in issue
Ms. Lam Hay Yin	Beneficial Owner	13,176	0.01%

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

As at the Latest Practicable Date, save for the loan agreement dated 24 August 2016 entered into by Mr. Chen as borrower referred to in item (i) of the section headed "9. Material Contracts" in this Appendix, the Directors confirm that there is no contract or arrangement subsisting at the date hereof in which a Director is materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which, since 31 March 2016, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Group were made up.

6. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than a Director or chief executive of the Company) had or were deemed or taken to have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 other member of the Group:

Interests in Shares and underlying Shares:

Name of substantial shareholder	Capacity and nature of interest	Number of Shares (Long Position)	Approximate percentage of Shares in issue
Skyway	Beneficial Owner	1,215,971,647	13.56%
Wei Zhenyu	Beneficial Owner	2,150,000,000	23.98%
Chen Xiangru	Beneficial Owner	1,853,992,000	20.68%
Wang Haixiong	Beneficial Owner	460,000,000	5.13%
Huang Chuan	Beneficial Owner	8,610,000	0.10%
	Other *(Note)*	2,000,000,000	23.63%

Note: These interests were held by Dragon Regal Holding Limited, which is controlled by Huang Chuan.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group, or has or may have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Company or its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

(a) the conditional agreement dated 28 November 2014 (the "**Conditional Agreement**") entered into between Qualipak Development Limited (as vendor) and Sino Green Holdings Limited (as purchaser), an indirect wholly owned subsidiary of the Company in relation to the acquisition of the entire issued share capital of King Place Investments Limited (which is the sole legal and beneficial owner of a commercial property in Hong Kong) together with assignment of the shareholder loan for a consideration of HK$92 million. As announced by the Company in its announcement dated 27 February 2015, at the request of Sino Green Holdings Limited (as purchaser), both parties to the Conditional Agreement have agreed to postpone completion to 30 April 2015 (or such other date as the parties may further agree in writing) so as to allow the Company to settle the balance of the consideration payable under the Conditional Agreement after completion of the Rights Issue;

(b) the underwriting agreement and the supplemental agreement dated 5 December 2014 and 7 January 2015 respectively entered into between the Company and Freeman Securities Limited (as underwriter) in relation to the underwriting arrangement in respect to a rights issue of the Company of not less than 3,592,111,050 right shares and not more than 3,611,678,988 rights shares at a subscription price of HK$0.15 per rights share on the basis of six rights share for every share in the Company;

(c) the conditional agreement dated 12 May 2015 entered into between Sino Green Holdings Limited and Future Master Investments Limited in relation to, among other matters, the sale and purchase of the entire issued share capital in King Place Investments Limited and the assignment of certain outstanding unsecured and noninterest bearing shareholder loan advanced by Sino Green Holdings Limited to King Place Investments Limited) at the total consideration of HK$94,000,000;

(d) the conditional subscription agreement dated 20 May 2015 entered into between the Company and Mr. Wei Zhenyu in respect of the subscription of the 4,000,000,000 new Shares subject to and upon the terms and conditions of the subscription agreement;

(e) the share swap agreement dated 6 July 2015 entered into between Co-Lead Holdings Limited (as purchaser), West West Limited and Colour State Limited (as vendors) in relation to the issue of new ordinary share(s) of no par value in the share capital of Co-Lead Holdings Limited in exchange for the ordinary shares of par value at US$0.00000005 each in the share capital of Freeman Corporation Limited held by West West Limited and Colour State Limited respectively;

(f) the agreement dated 30 March 2016 entered into between Hoshing Limited (as vendor) and the China Culture Silicon Valley Limited (as purchaser) in relation to the disposal of one ordinary share of US$1.00 each in the share capital of PLD Holdings Limited and the assignment of the entire amount of the unsecured and non-interest bearing shareholder's loan owing from the PLD Holdings Limited and Pacific Light Data Communication Co Ltd. to the Company being HK$78,045,998 as at the date of the agreement by the vendor to the purchaser pursuant to the agreement;

(g) the agreement dated 16 June 2016 entered into between Hoshing Limited (as vendor) and D9ING International Limited (as purchaser) pursuant to which the vendor has conditionally agreed to sell and assign, and the purchaser has conditionally agreed to purchase one ordinary share of US$1.00 each in the share capital of the CSPT Holdings Limited and accept the assignment of the entire amount of the unsecured and non-interest bearing shareholder's loan owing from CSPT Holdings Limited and its subsidiaries to the Company being approximately HK$77,759,000 as at the date of the agreement at the consideration of US$10.5 million (equivalent to approximately HK$81.9 million);

(h) the loan agreement dated 12 July 2016 entered into between Top Billion Finance Limited (as lender) and Magnum Pacific Limited (as borrower) pursuant to which, the lender has conditionally agreed to provide the loan facility of HK$50,000,000 to the borrower for a term of twelve months commencing from the day of drawing appearing on the first notice of drawing given by the borrower;

(i) the loan agreement dated 24 August 2016 entered into between Top Billion Finance Limited (as lender) and Mr. Chen Xiaodong (as borrower) pursuant to which, the lender has conditionally agreed to provide the loan facility of HK$31,900,000 to the borrower for a term of nine months commencing from the day of drawing appearing on the first notice of drawing given by the borrower;

(j) the Agreement, as supplemented by an extension letter dated 28 February 2017 and the Supplemental Agreement; and

(k) the placing agreement dated 22 December 2016 entered into between the Company and Central Wealth Securities Investment Limited ("**Placing Agent**") pursuant to which the Company has agreed to issue and the Placing Agent has agreed to act as placing agent, on a best effort basis, to procure placees to subscribe for various 4% coupon unlisted and unsecured notes with maturity ranging from two to seven years to be issued by the Company with an aggregate principal amount of up to HK$170,000,000.

10. EXPERT AND CONSENT

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

Name	Qualification
Nuada Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified public accountants
Ascent Partners Valuation Service Limited	Independent professional valuer

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or statements and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, being the date to which the latest published audited financial statements of the Company were made up.

11. MISCELLANEOUS

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

(b) The principal place of business in Hong Kong is located at Room 1603–05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(c) The principal share registrar and transfer office of the Company in Bermuda is located at MUFG Fund Services (Bermuda) Limited, 26 Burnaby Street, Hamilton HM 11, Bermuda.

(d) The branch share registrar and transfer office of the Company in Hong Kong is located at Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary of the Company is Mr. Szeto Pui Tong Patrick. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

(f) In case of any discrepancy, the English text of this circular and the form of proxy shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1603–05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the Agreement, as supplemented by an extension letter dated 28 February 2017 and the Supplemental Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter from Nuada, the text of which is set out in this circular;

(e) the annual reports of the Company for each of the two financial years ended 31 March 2016 and the interim report of the Company for the six months ended 30 September 2016;

(f) the accountant's reports of the Target Group and the Hong Kong Subsidiary, the texts of which are set out in Appendix II and Appendix III to this circular respectively;

(g) the report on unaudited pro forma combined statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(h) the property valuation report from Ascent Partners Valuation Service Limited, the text of which is set out in Appendix V to this circular;

(i) the material contracts referred to in the section headed "9. Material Contracts" in this Appendix;

(j) the written consents of experts referred to in the section headed "10. Experts and Consents" in this Appendix; and

(k) this circular.

China Soft Power Technology Holdings Limited
中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**SGM**") of China Soft Power Technology Holdings Limited (the "**Company**") will be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Friday, 21 April 2017 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the agreement (the "**Agreement**") dated 28 November 2016 (as supplemented by an extension letter dated 28 February 2017 and a supplemental agreement dated 7 March 2017 (the "**Supplemental Agreement**")) entered into between Celestial Lodge Limited as purchaser (the "**Purchaser**") and Gold Mission Limited as vendor (the "**Vendor**") in relation to the acquisition of the entire issued share capital of Sky Eagle Global Limited and the shareholder's loan owing from Sky Eagle Global Limited and its subsidiaries to the Vendor for a total consideration of HK$227,000,000 (the "**Proposed Acquisition**") (details of which are more particularly described in the Company's circular dated 31 March 2017 (the "**Circular**") and a copy of the Agreement and the Circular have been produced to the meeting, marked "A" and "B" respectively and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the directors of the Company (the "**Directors**") be and are hereby authorised to issue the convertible bonds in the principal amount of HK$205,000,000 (the "**Convertible Bonds**") to the Vendor, which may be converted into 1,120,218,579 ordinary shares of HK$0.01 each in the share capital of the Company (the "**Conversion Share(s)**") at the initial conversion price of HK$0.183 per Conversion Share (subject to adjustments) subject to and in accordance with the terms and conditions of the Agreement and the Supplemental Agreement;

(c) the Directors be and are hereby granted a specific mandate to allot and issue such number of Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, credited as fully paid, to the holder of the Convertible Bonds subject to and in accordance with the terms and conditions of the Agreement, the Supplemental Agreement and the Convertible Bonds; and

(d) the Directors be and are hereby authorised to implement and take all such steps and do all such acts and things and execute all such documents (including under seal, where applicable) which they consider necessary, desirable or expedient to give effect to the Agreement, the Supplemental Agreement, the Proposed Acquisition and the transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

2. "**THAT** the re-election of Mr. Chen Xiaodong to serve as an executive Director with immediate effect be and is hereby approved, and the board of Directors be and is hereby authorised to fix his remuneration."

By order of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 31 March 2017

As at the date hereof, Mr. Chen Xiaodong, Ms. Lam Hay Yin and Mr. Yu Qingrui are the executive Directors and Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian are the independent non-executive Directors.

Notes:

1. The register of members of the Company will be closed from Tuesday, 18 April 2017 to Friday, 21 April 2017, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote on the proposed resolutions set out in this notice, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 13 April 2017.

2. A member entitled to attend and vote at the SGM is entitled to appoint one or more proxies (if he is a holder of more than one share) to attend and vote on his behalf. A proxy needs not be a member of the Company.

3. The instrument appointing a proxy and the power of attorney or other authorisation document(s), if any, under which it is signed, or a notarially certified copy of such power of attorney or other authorisation document(s), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof.