**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licenced securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Link Holdings Limited, you should at once hand the circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licenced securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.



# Link Holdings Limited
# 華星控股有限公司*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8237)**

## MAJOR TRANSACTION
## THE ACQUISITION OF 42.3% EQUITY INTERESTS IN ZHUHAI KANG MING DE INVESTMENT LIMITED*
## AND
## NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial Adviser**

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

**Guotai Junan Capital Limited**

A notice convening the extraordinary general meeting of the Company to be held at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong, at 11:00 a.m. on Wednesday, 13 April 2016 is set out on pages EGM-1 and EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the extraordinary general meeting of the Company, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services 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 holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the GEM website at *http://www.hkgem.com*, on the "Latest Company Announcement" page for at least 7 days from the date of its posting and on the website of the Company at *http://www.linkholdingslimited.com*.

* *For identification purpose only*

24 March 2016

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**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

| | |
|---|---|
| "Acquisition" | the purchase of the Sale Interests by the Purchaser from the Vendor pursuant to the terms of the Equity Transfer Agreement |
| "Announcement" | the announcement of the Company dated 1 February 2016 in relation to the Acquisition |
| "associate" | has the meaning ascribed to it under the GEM Listing Rules |
| "Board" | the board of Directors |
| "Business Day(s)" | a working day other than Saturdays, Sundays and public holidays under the laws of the PRC, and a trading day of the Stock Exchange |
| "Company" | Link Holdings Limited (stock code: 8237), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM |
| "Completion" | completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement |
| "Completion Date" | the date of Completion, which means within the fifth Business Day after the last outstanding Condition as specified in the Equity Transfer Agreement shall have been fulfilled or waived (or such other date as the Vendor and the Purchaser may agree in writing) on which Completion is to take place |
| "Condition(s)" | the conditions precedents to Completion, details of which are set out in the sub-section headed "Letter from the Board – The Equity Transfer Agreement – Conditions precedent" of this circular |
| "Consideration" | the consideration for the Acquisition, being the sum of RMB21,150,000 (equivalent to approximately HK$25,280,595). |
| "Controlling Shareholders" | Vertic and its beneficial shareholders, namely Mr. Ngan Iek, Ms. Ngan Iek Chan and Ms. Ngan Iek Peng |

| | |
|---|---|
| "Daxin Mingshi" | 大新明仕旅遊發展有限公司 (in English, for identification purpose only, as Daxin Mingshi Travel Development Limited), a company established in the PRC and a Target Group Company |
| "Daxin Minsu" | 大新民宿酒店管理有限公司 (in English, for identification purpose only, as Daxin Minsu Hotel Management Limited), a company established in the PRC and a Target Group Company |
| "Detian Travel" | 大新縣德天旅行社有限責任公司 (in English, for identification purpose only, as Daxin County Detian Travel Agency Limited), a company established in the PRC and a Target Group Company |
| "Director(s)" | the director(s) of the Company |
| "Effective Date" | the date on which the Purchaser (or its nominee) is duly registered by the relevant administration for industry and commerce authority of the PRC as the owner of the Sale Interests, and the Target has obtained the new business licence as a sino-foreign equity joint venture |
| "EGM" | an extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder |
| "Enlarged Group" | the Group immediately after the Completion |
| "Equity Transfer Agreement" | the conditional equity transfer agreement dated 1 February 2016 entered into between the Vendor and the Purchaser in relation to the Acquisition (as supplemented and varied by a supplemental agreement dated 22 March 2016 made by the same parties) |
| "GEM" | the Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on the GEM |
| "Group" | the Company and its subsidiaries |

| | |
|---|---|
| "Guangxi Detian" | 廣西德天旅遊發展集團有限公司 (in English, for identification purpose only, as Guangxi Detian Travel Development Group Limited), a company established in the PRC and a Target Group Company |
| "Guangzhou Huadu" | 廣州市花都綠業發展有限公司 (in English, for identification purpose only, as Guangzhou Huadu Luye Development Limited), a company established in the PRC |
| "Guangxi Yaotung" | 廣西耀通投資有限公司 (in English, for identification purpose only, as Guangxi Yaotung Investment Limited), a company established in the PRC and a Target Group Company |
| "Guangxi Zhenniu" | 廣西真牛電子科技有限公司 (in English, for identification purpose only, as Guangxi Zhenniu Electronic and Technology Limited), a company established in the PRC and a Target Group Company |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IDR" | Indonesian Rupiah, the lawful currency of Indonesia |
| "Independent Shareholders" | Shareholders other than the Vendor and its associates who are not required to abstain from voting at the EGM to approve the Equity Transfer Agreement and the transactions contemplated thereunder |
| "Independent Third Party" | third party independent of the Company and the connected persons (as defined under the GEM Listing Rules) of the Company and "Independent Third Parties" shall be construed accordingly |
| "Latest Practicable Date" | 22 March 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| "Long Stop Date" | 31 July 2016, or such later date as the Vendor and the Purchaser may agree in writing |

| | |
|---|---|
| "Material Adverse Effect (or Change)" | any effect (or change) which has a material and adverse effect on the financial position, business or prospects or results of operations, of the Target Group Companies as a whole |
| "Nanning Mingshi" | 南寧明仕旅遊策劃有限公司 (in English, for identification purpose only, as Nanning Mingshi Travel Planning Limited), a company established in the PRC and a Target Group Company |
| "PRC" | the People's Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region and Taiwan |
| "PRC Legal Advisors" | GFE Law Office (廣東恒益律師事務所), the legal advisors to the Company as to PRC laws |
| "Purchaser" | Star Adventure Investment Limited, a company incorporated in Hong Kong on 9 October 2015 with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Reorganisation" | Guangxi Detian's acquisition of equity interests in Guangxi Zhenniu from the Vendor, which is to complete before the Completion Date, such that immediately after the said acquisition and as at Completion, the Target Group shall attain the structure as set out under the second diagram under the sub-section headed "Letter from the Board – Information on the Target" of this circular |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "S$" | Singaporean dollars, the lawful currency of Singapore |
| "Sale Interests" | 42.3% of the entire equity interests in the Target |
| "Share(s)" | ordinary share(s) of HK$0.001 each in the share capital of the Company |
| "Shareholder(s)" | the shareholders of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

| | |
|---|---|
| "Target" | 珠海市康明德投資有限公司 (in English, for identification purpose only, as Zhuhai Kang Ming De Investment Limited), a company established in the PRC on 28 December 2000 and was owned as to 99.9% by the Vendor and 0.1% by 畢志彰 (Bi Zhizhang) as at the Latest Practicable Date |
| "Target Group" | the group comprising the Target Group Companies as at Completion |
| "Target Group Companies" | collectively, the Target, Guangxi Detian, Daxin Mingshi, Nanning Mingshi, Daxin Minsu, Guangxi Zhenniu, Guangxi Yaotung and Detian Travel |
| "US$" | United States dollars, the lawful currency of the United States of America |
| "Vendor" | 畢景駿 (Bi Jingjun) |
| "Vertic" | Vertic Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being a Controlling Shareholder |
| "%" | per cent. |

*In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK$ at the rate of RMB1.00 to HK$1.1953; amounts quoted in S$ have been converted into HK$ at the rate of S$1.00 to HK$5.4653; amounts quoted in US$ have been converted into HK$ at the rate of US$1.00 to HK$7.8, unless otherwise specified. Such exchange rate has been used, where applicable, for illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

*In this circular, translated English names of PRC entities for which no official English translation exists are unofficial translations for identification purposes only, and in the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail.*

# Link Holdings Limited
# 華星控股有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 8237)**

*Executive Directors:*
Mr. Ngan Iek *(Chairman)*
Datuk Siew Pek Tho
Mr. Chen Changzheng

*Non-executive Directors:*
Ms. Ngan Iek Peng
Ms. Feng Xiaoying
Mr. Liu Tianlin

*Independent Non-executive Directors:*
Mr. Chan So Kuen
Mr. Thng Bock Cheng John
Mr. Lai Yang Chau, Eugene
Mr. Lu Nim Joel

*Registered office:*
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business in Hong Kong:*
Unit No. 3503 35/F, West Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Sheung Wan
Hong Kong

24 March 2016

*To the Shareholders*

Dear Sir/Madam,

**MAJOR TRANSACTION**
**THE ACQUISITION OF 42.3% EQUITY INTERESTS IN**
**ZHUHAI KANG MING DE INVESTMENT LIMITED***

## INTRODUCTION

Reference is made to the Announcement.

As disclosed in the Announcement, on 1 February 2016, the Purchaser and the Vendor entered into the Equity Transfer Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests, representing 42.3% of the equity interest in the Target, at the Consideration of RMB21,150,000 (equivalent to approximately HK$25,280,595).

The purpose of this circular is to provide you with, among other things, information on the Acquisition and the Target Group and to give you a notice of the EGM at which resolution will be proposed to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder.

## THE EQUITY TRANSFER AGREEMENT

Set out below is a summary of the principal terms of the Equity Transfer Agreement:

| | |
|---|---|
| Date of the original agreement: | 1 February 2016 |
| Date of the supplemental agreement: | 22 March 2016 |
| Parties: | Vendor: Bi Jingjun |
| | Purchaser: Star Adventure Investment Limited, an indirect wholly-owned subsidiary of the Company |

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor is an Independent Third Party.

The purpose of entering into of the supplemental agreement was to extend the Long Stop Date to 31 July 2016.

### Assets to be acquired

The Sale Interests represent 42.3% of the equity interest in the Target beneficially owned by the Vendor as at the date of the Equity Transfer Agreement and up to Completion, which shall be transferred from the Vendor to the Purchaser free from all encumbrances, together with all undistributed dividends of the Target accumulated since its date of establishment up to the Completion Date together with all rights to dividends which may be made in respect of the Target Group Companies on or after the Completion Date.

The Equity Transfer Agreement does not provide any restriction on transfer of the Sale Interests.

### Consideration

The Consideration is RMB21,150,000 (equivalent to approximately HK$25,280,595), which shall be payable in cash within 5 days after Completion Date and in any event no later than 90 days after the Effective Date by the Purchaser by transferring the amount payable to a PRC bank account designated by the Vendor. The payment of the Consideration shall be satisfied by the internal resources of the Group.

#### *Basis of determination of the Consideration*

The Consideration for the Equity Transfer Agreement has been arrived at after arm's length negotiation between the parties to the Equity Transfer Agreement and was determined based on (i) goodwill of the scenery at the locations of the resorts and tourism attractions owned or operated by the Target Group; (ii) the potential earnings prospects of the Target Group, and (iii) the unaudited net asset value of approximately RMB49 million shown on the Target's management account made up to 30 September 2015.

The audited net assets value of the Target Group as at 30 September 2015 amounted to RMB25 million (equivalent to approximately HK$30 million) (as compared to the unaudited net asset value of approximately RMB49 million (equivalent to approximately HK$59 million) as disclosed in the Announcement) was a result of the provision of underpaid social securities and housing allowances by approximately RMB11 million (equivalent to approximately HK$13 million) and the impairment provision of property, plant and equipment by approximately RMB12 million (equivalent to approximately HK$14 million).

Despite the aforesaid, the Vendor has covenanted with the Purchaser under the Equity Transfer Agreement that it shall indemnify the Purchaser in full in the event of any additional taxation, penalty or levis imposed on the Target Group by the competent authorities, and that all relevant liabilities and expenses shall be borne by the Vendor. The Group is able to take advantage of the business diversification opportunity and tap into tourist sightseeing parks and hotel operations in PRC and with the integration of the internal resources of the hotel business and related assets with the Target Group to enhance its service quality to world-class excellence and capture the Group's future income stream. The Directors are of the view that the Consideration contemplated under the Equity Transfer Agreement is fair and reasonable.

For the nine months ended 30 September 2015, the audited consolidated profit after tax of the Target was HK$4,463,658, which is far better than the results for the year ended 31 December 2014, where a consolidated loss before tax of HK$8,845,199 was generated. The turnaround in the performance of the Target Group in 2015 was mainly attributable to the usage of internet platform as a new sales distribution channel. The Target Group commenced its cooperation with four famous internet travel agencies in 2015 to provide a one-stop travelling package to the visitors and to spread the recognition worldwide. Moreover, the improving results was attributable to the Target marketing team who brought recognition to the public at large by cooperating with a movie-shooting company. A television series, The Journey of Flower, used Mingshi Countryside as their shooting background and the television series was first broadcast on television across the PRC in June 2015. With the above factors being persisted, the Directors foresee the performance of the Target can remain steady or relatively consistent for the following years. Furthermore, the Company sees the Acquisition as a stepping stone for the Group's penetration into PRC tourism industry, which the Directors believe will help to broaden the Group's business scope and income streams by reference to the prospects of the three major business divisions of the Target Group as elaborated below.

The Target Group was granted an exclusive operation right by the local government of Daxin County for Detian Waterfall and has ownership of and exclusive operation rights to Mingshi Countryside, which were rated as 4A National Scenic Spots. Detian Waterfall was rated as a world-class largest cross-border waterfall in Asia and the fourth largest cross-border waterfall in the world. Mingshi Countryside was rated as the first world class national natural scenic spot. Please refer to Part (2) of Appendix II to this circular for further details of the scenic spots.

Income generated from the hotel operations of the Target Group constituted the largest portion of total revenue of the Target Group. The Target Group is currently operating four hotels, of which two hotels, namely, Mingshi Mountain Resort and Mingshi Art Hotel, were constructed and owned by the Target Group. The aggregate fair value of these two hotels assessed by AVISTA Valuation Company Limited were approximately RMB79,790,000 (equivalent to approximately HK$95,372,987) as at 31 December 2015. Please refer to Part (2) of Appendix II to this circular for further details of the hotels operated by the Target Group.

The third major business segment of the Target Group is travel and travel-related services. The sale of traveling package including entrance tickets with hotel accommodation and facility usage, as well as tour services offered to visitors, have received support from the customers generally. The Company expects that travel and travel related services will be further marketised through the aforementioned internet sales platforms. Please refer to Part (2) of Appendix II to this circular for further details of the travel and travel-related services operated by the Target Group.

**Conditions precedent**

Completion is subject to the satisfaction or waiver by the Purchaser (as the case may be) of, among other things, the following Conditions:

(1) every core senior management having entered into legal and valid service contracts with the Target, Daxin Mingshi, Daxin Minsu and Guangxi Detian;

(2) the Reorganisation having been approved by and registered with the relevant administration for industry and commerce authority of the PRC, the relevant equity transfer consideration and taxation having been settled in full and the shareholding structure of the Target Group Companies resulting from the Reorganisation having been maintained;

(3) each Target Group Company and its branch business(es) having obtained all necessary licences and certification in respect of their business activities pursuant to the applicable laws and regulations;

(4) save for the shareholder's loan owing by the Target to the Vendor in the sum of RMB24,694,880 ("**Shareholder Loan**"), each Target Group Company having fully repaid all sums owing to its shareholders (and their respective associates); all the agreements and documentations in relation thereto having been terminated; and save for the said shareholder's loan, each Target Group Company not owing any liabilities or obligations pending to be performed for its shareholders (and their respective associates);

(5) approval from the Shareholders of the Acquisition and all transactions contemplated under the Equity Transfer Agreement having been obtained according to the GEM Listing Rules;

(6) the Purchaser (or its nominee, if applicable) having obtained all other necessary consents, approvals, waivers and authorisation for the Acquisition and the execution and performance of the Equity Transfer Agreement;

(7) the sale and purchase of the Sale Interests having been approved by the relevant foreign investment approving authority of the PRC and having completed all registration of change at the relevant administration for industry and commerce authority and the Purchaser (or its nominee) having been duly registered as the owner of 42.3% equity interests in the Target and the Target having obtained the new business licence as a sino-foreign equity joint venture;

(8) the Vendor, each of the Target Group Companies and all relevant persons (if applicable) having obtained all the consents, approvals, waivers and authorisation for the Acquisition and the execution and performance of the Equity Transfer Agreement;

(9) the Purchaser having completed its due diligence on the business, assets, liabilities, activities, operations, prospects and other matters (including without limitation legal, accounting, financials, business(es), operations and other aspects) which in the opinion of the Purchaser, its agents or professional consultants consider reasonably necessary and applicable and being satisfied with the result of the due diligence;

(10) the Purchaser having obtained a PRC legal opinion from its PRC legal advisers, in the form acceptable to and substance satisfactory to the Purchaser, confirming (including without limitation): (i) the establishment, subsistence and licences of each Target Group Company being in compliance with applicable laws, regulations, institutions and other applicable rules; (ii) property interests of the Target Group Companies; (iii) the Vendor and the Target Group Companies having obtained all necessary approvals from and/or attended and completed the registration and filing at the PRC government authorities in respect of the execution, performance and enforcement (including but not limited to the Reorganisation) of the Equity Transfer Agreement, which shall all be legal and valid; (iv) the Reorganisation having been duly completed and all necessary procedures for approval, registration and filing having been completed and (v) all other matters which the Purchaser considers are necessary;

(11) the representations and warranties given by the Vendor in the Equity Transfer Agreement being true, accurate and not misleading in all respects; there being no occurrence of events which result in the breach of any warranties or other provisions in the Equity Transfer Agreement by the Vendor; and

(12) there being no Material Adverse Effect (or Change) since the date of the Equity Transfer Agreement up to and on Completion Date.

As at the Latest Practicable Date, Condition (2) above had been satisfied.

As at the Latest Practicable Date, the Purchaser intended to waive Condition (4) above if it shall not be fulfilled by the Long Stop Date. Apart from the Shareholder Loan, the Target Group was also indebted to the spouse of the Vendor for a sum of RMB2,900,000 (equivalent to approximately HK$3,466,370) as at the Latest Practicable Date. It is intended that such debt, which is non-interest bearing and has no fixed term of repayment, will remain outstanding until the Target has sufficient fund to repay such debt.

Other than such Condition, the Purchaser had no intention to waive any other Conditions.

**Long Stop Date**

The Vendor shall use his best endeavours to procure the fulfillment of Conditions (1), (2), (3), (4), (7), (8), (11) and (12) before the Long Stop Date. The Purchaser shall have the right to waive any Conditions and impose additional conditions to such waiver at its sole discretion (save for Conditions (5), (6), (7) and (8) which are incapable of being waived) by written notice to the Vendor at any time before the Long Stop Date.

If any of the Conditions have not been fulfilled or waived before 4 p.m. on the Long Stop Date, the Equity Transfer Agreement shall lapse immediately and be of no further effect (save for provisions relating to confidentiality, governing law and other miscellaneous provisions) and neither party to the Equity Transfer Agreement shall have any claim against or liability or obligation to the other party save for any antecedent breaches.

**Completion**

Subject to the fulfillment or waiver of all the above Conditions, Completion shall take place on the fifth Business Day after the last outstanding Condition has been fulfilled or waived, or such other date as the Vendor and the Purchaser may agree in writing.

**Indemnities**

The Vendor has unconditionally and irrevocably undertaken and warranted to the Purchaser that it would fully compensate the Purchaser for all loss and damage incurred by the Purchaser as a result of non-performance of any agreement, obligations and undertakings to be performed by the Vendor or the Target Group Companies under the Equity Transfer Agreement and its ancillary documents.

**INFORMATION ON THE TARGET**

As at the Latest Practicable Date, the Target was beneficially held as to 99.9% by the Vendor and 0.1% by Bi Zhizhang, each of whom was to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, an Independent Third Party.

The Target was established on 28 December 2000 in the PRC with limited liability and its existing paid-up capital is RMB6 million. It is principally engaged in the business of providing management consultation services and property investment for rental income. Its principal assets are 94.6% equity interests in Guangxi Detian, which will wholly own Daxin Minsu, Nanning Mingshi, Guangxi Zhenniu and Detian Travel, 92.8% of the equity interest of Daxin Mingshi and 20% of the equity interest of Guangxi Yaotung as at Completion.

Certain information relating to the Target Group Companies are set forth below:

| | Date of Incorporation | Registered capital | Paid-up capital as at the Latest Practicable Date | Principal Business |
|---|---|---|---|---|
| Guangxi Detian | 15 September 1999 | RMB30 million | RMB1.08 million | Tourist scenic spots waterfall sightseeing and hospitality and catering services in the PRC |
| Daxin Mingshi | 27 April 2007 | RMB10 million | RMB10 million | Tourist scenic spots bamboo raft adventure and hospitality and catering services in the PRC |
| Nanning Mingshi | 26 May 2008 | RMB500,000 | RMB500,000 | Dormant in the PRC |
| Daxin Minsu | 14 August 2014 | RMB5 million | Nil | Hotel operation in the PRC |
| Detian Travel | 1 March 2001 | RMB300,000 | RMB300,000 | Travel agency in the PRC |
| Guangxi Zhenniu | 12 August 2014 | RMB5 million | Nil | Consultancy service of tourism information in PRC |
| Guangxi Yaotung | 23 April 2015 | RMB30 million | Nil | Tourism, hotel operation and catering service in the PRC |

**Legal and regulatory requirements for the businesses of the Target Group**

Apart from the Business Licence[Note 1] for the incorporation of each Target Group Company, the Target Group is also required to obtain the following major operation licences for the relevant businesses they are engaged in:

| No. | Licence | Applicable business |
|---|---|---|
| **1** | "Catering Licence" or "Food Operation Licence"[Note 2] (《餐飲服務許可證》或《食品經營許可證》) | Provision of the catering service |
| **2** | "Food Operation Licence" (《食品經營許可證》) | Sale of the pre-packaged food |
| **3** | "Tobacco Monopoly Retail Licence" (《煙草專賣零售許可證》) | Tobacco products retail |
| **4** | "Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (《公眾聚集場所投入使用、營業前消防安全檢查合格證》) | Provision of the accommodation service |
| **5** | "Sanitary Licence" (《衛生許可證》) | Provision of the accommodation service |
| **6** | "Special Trade Licence" (《特種行業許可證》) | Provision of the accommodation service, which is regarded as a "special trade" under the Special Trade Security Administration Ordinance of Guangxi Zhuang Autonomous Region (《廣西壯族自治區特種行業治安管理條例》) |
| **7** | "Highly Dangerous Sports Project Operation Licence" (《 高危險性體育項目經營許可證 》) | Operation of highly dangerous sports business such as swimming and rock climbing |
| **8** | "Sanitary Licence" (《衛生許可證》) | Operation of sauna centers (SPA Bar), hot spring bath houses (rooms), foot bath houses(rooms), artificial swimming pools (natatoriums) |
| **9** | Registration Certificate for the Use of Special Equipment (《特種設備使用登記證》) | Use of boilers, pressure containers, pressure pipelines, elevators, lifting machinery, passenger ropeways, large-scale amusement facilities, and non-road motor vehicles |
| **10** | "Waterway Transportation Licence" (《中華人民共和國水路運輸許可證》) | Operation of domestic waterway transportation |
| **11** | "Travel Agency Licence" (《旅行社業務經營許可證》) | Operation of tourism agency business |

| **No.** | **Licence** | **Applicable business** |
|---|---|---|
| **12.** | Guangxi Terrestrial Wild Animal and its Production Operation License 《廣西陸生野生動物及其產品經營利用許可證》 | Provision of edible terrestrial wild animal in restaurant |

*Note 1:* According to the Opinion of the Office of the State Council on the Expedited Implementation of the Registration System Reform of the "Three-in-one Licence" (《國務院辦公廳關於加快推進"三證合一"登記制度改革的意見》), the respective verification and issuance of licences by administration for industry and commerce, quality and technical supervision and taxation authorities will be replaced with the unified verification and issuance of one business licence by competent administration for industry and commerce authorities set forth with the additional unified social credit code of the legal person (法人統一社會信用代碼的營業執照) instead – that is, the registration mode of "One Licence with One Code" (一照一碼). After the implementation of the registration system reform of the "Three-in-one Licence", the enterprise organization code licence (組織機構代碼證) and the taxation registration licence (稅務登記證) will no longer be issued.

*Note 2:* According to the Announcement in Relation to Start Using the Food Operation Licence (關於啟用食品經營許可證的公告) promulgated on 30 September 2015 by the State Food and Drug Administration (國家食品藥品監督管理總局), the former food distribution licence (食品流通許可證) and catering licence (餐飲服務許可證) not yet expired will continue to be effective. The licencing authority shall replace the former food distribution licence and catering licence not yet expired with the food operation licence upon application by the food operator in accordance with the relevant stipulations. The original issuing authorities shall cancel the former food distribution licence or catering licence upon expiration accordingly.

The following table illustrates the relevant operation licences, approval, certificates and/or authorisation currently held by the Target Group:

| No. | Licence | Issuing Unit | Effective Period | Company Given the Licence |
|---|---|---|---|---|
| 1 | "Travel Agency Licence" (Gui Lv Shen [2009] No. 255) 《旅行社業務經營許可證》(桂旅審[2009]255號) | Tourism Administration of Guangxi Zhuang Autonomous Region (廣西壯族自治區旅遊局) | Not recorded | Detian Travel |
| 2 | "Waterway Transportation Licence" (No. Gui XK06-0205) 《中華人民共和國水路運輸許可證》(编號: 桂XK06-0205) | Chongzuo Port Administration Office (崇左市港航管理處) | From 1 January 2012 to 31 December 2016 | Guangxi Detian |
| 3 | "Food Operation Licence" (Licence No. JY24514240000214)《食品經營許可證》(許可證編號: JY24514240000214) | Daxin County Food and Drug Administration (大新縣食品藥品監督管理局) | As at 10 December 2020 | Detian Restaurant (德天餐廳) of Guangxi Detian |
| 4 | "Catering Licence" (Gui Can Zheng Zi 2013451424000142) 《餐飲服務許可證》(桂餐證字2013451424000142) | Daxin County Food and Drug Administration (大新縣食品藥品監督管理局) | From 19 July 2013 to 18 July 2016 | Yicui Shantang (倚翠山堂) of Daxin Mingshi |
| | "Tobacco Monopoly Retail License" (No. 451424250017) (煙草專賣零售許可證》 | Daxing Tobacco Monopoly Bureau 大新縣煙草專賣局 | From 1 January 2015 to 28 February 2019 | Mingshi Mountain Village (明仕山莊) of Daxin Mingshi |
| | Guangxi Terrestrial Wild Animal and its Production Operation License (Gui Ye Dong Jing No.201501)《廣西陸生野生動物及其產品經營利用許可證》(桂野動經(201501)號) | Daxin Forestry Bureau 大新縣林業局 | As at 28 January 2017 | Yicui Shantang (倚翠山堂) of Daxin Mingshi |

| No. | Licence | Issuing Unit | Effective Period | Company Given the Licence |
|---|---|---|---|---|
| 5 | "Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (Xin Gong Xiao An Jian Xu Zi [2012] No. 33) (《公眾聚集場所投入使用、營業前消防安全檢查合格證》(新公消安檢許字[2012]第33號)) | Daxin County Public Security Fire Brigade (大新縣公安消防大隊) | Not recorded | Detian Mountain Village (德天山莊) of Guangxi Detian |
| | "Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (Xin Gong Xiao An Jian Xu Zi [2012] No. 31) 《公眾聚集場所投入使用、營業前消防安全檢查合格證》(新公消安檢許字[2012]第31號 | Daxin County Public Security Fire Brigade (大新縣公安消防大隊) | Not recorded | Detian Hotel (德天賓館) of Guangxi Detian |
| | "Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (Xin Gong Xiao An Jian Xu Zi [2012] No. 32) (《公眾聚集場所投入使用、營業前消防安全檢查合格證》(新公消安檢許字[2012]第32號)) | Daxin County Public Security Fire Brigade (大新縣公安消防大隊) | Not recorded | Mingshi Mountain Village (明仕山莊) of Daxin Mingshi |
| | "Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (Xin Gong Xiao An Jian Xu Zi [2014] No. 0028) (《公眾聚集場所投入使用、營業前消防安全檢查合格證》(新公消安檢許字[2014]第0028號)) | Daxin County Public Security Fire Brigade (大新縣公安消防大隊) | Not recorded | Daxin Minsu |
| 6 | "Sanitary Licence" (Xin Wei Huan Zi [2013] No. 79) (《衛生許可證》(新衛環字[2013]第79號)) | Daxin County Health Bureau (大新縣衛生局) | From 26 April 2013 to 25 April 2017 | Detian Mountain Village (德天山莊) of Guangxi Detian |
| | "Sanitary Licence" (Xin Wei Huan Zi [2013] No. 47) (《衛生許可證》(新衛環字[2013]第47號)) | Daxin County Health Bureau (大新縣衛生局) | From 25 April 2013 to 24 April 2017 | Detian Hotel (德天賓館) of Guangxi Detian |
| | "Sanitary Licence" (Xin Wei Huan Zi [2012] No. 419) (《衛生許可證》(新衛環字[2012]第419號)) | Daxin County Health Bureau (大新縣衛生局) | From 18 October 2012 to 17 October 2016 | Daxin Mingshi |
| | "Sanitary Licence" (Xin Wei Huan Zi [2014] No. 002) (《衛生許可證》(新衛環字[2014]第002號)) | Daxin County Health Bureau (大新縣衛生局) | From 15 January 2014 to 14 January 2018 | Daxin Minsu |
| | "Sanitary Licence" (Xin Wei Huan Zi [2013] No. 84) (《衛生許可證》(新衛環字[2013]第84號)) | Daxin County Health Bureau (大新縣衛生局) | From 24 April 2013 to 23 April 2017 | Mingshi Mountain Village (明仕山莊) of Daxin Mingshi |
| 7 | "Special Trade Licence" (Xin Gong Te 2009 Zi No. 14) (《特種行業許可證》(新公特2009字第14號)) | Daxin County Public Security Bureau (大新縣公安局) | Not recorded | Detian Mountain Village (德天山莊) of Guangxi Detian |
| | "Special Trade Licence" (Xin Gong Te 2009 Zi No. 16) (《特種行業許可證》(新公特2009字第16號)) | Daxin County Public Security Bureau (大新縣公安局) | Not recorded | Detian Hotel (德天賓館) of Guangxi Detian |
| | "Special Trade Licence" (Xin Gong Te 2009 Zi No. 01) (《特種行業許可證》(新公特2009字第01號)) | Daxin County Public Security Bureau (大新縣公安局) | Not recorded | Mingshi Mountain Village (明仕山莊) of Daxin Mingshi |

| No. | Licence | Issuing Unit | Effective Period | Company Given the Licence |
|---|---|---|---|---|
| | "Special Trade Licence" (Xin Gong Te 2014 Zi No. 04) 《特種行業許可證》(新公特2014字第04號) | Daxin County Public Security Bureau (大新縣公安局) | Not recorded | Daxin Minsu |

As advised by the PRC Legal Advisors, the relevant PRC laws do not specify the conditions for renewal of the above licences and generally, if the conditions for obtaining such licences are met, the relevant PRC authorities will grant the renewal on application of the licence holder.

As at the Latest Practicable Date, the following licences were yet to be obtained by the relevant Target Group Company:

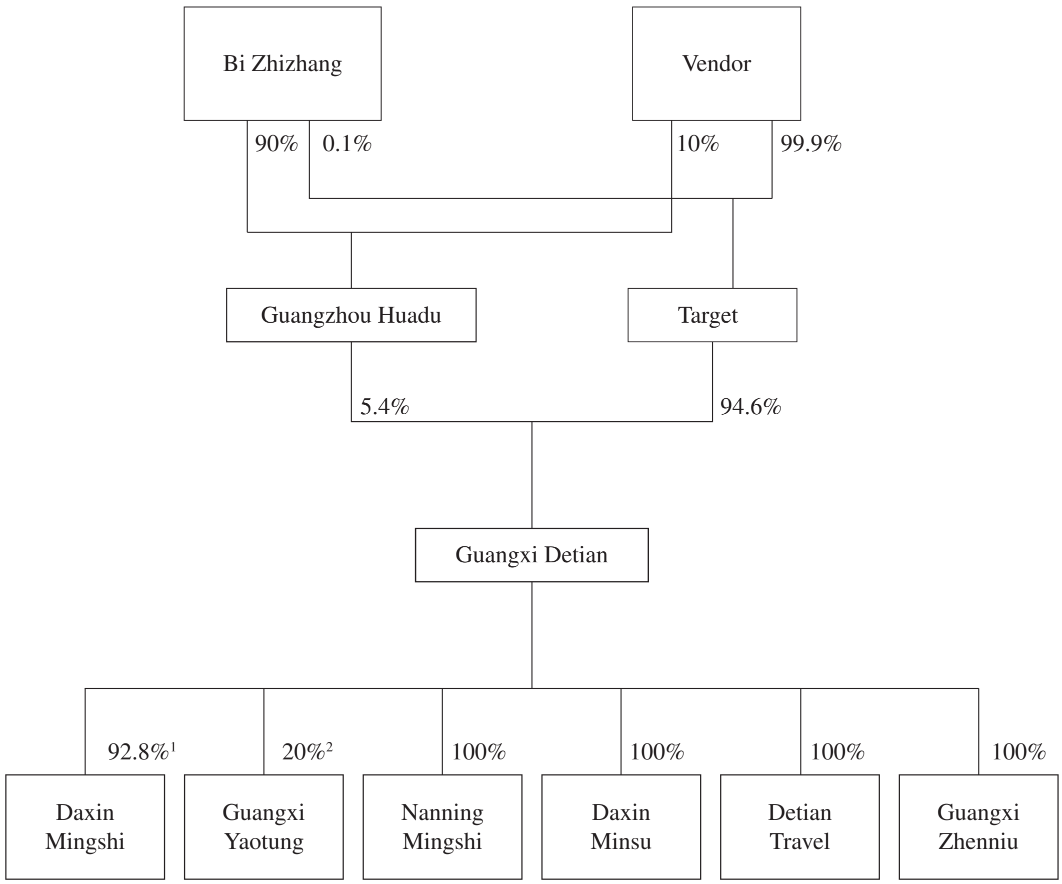
| No. | Company | Licence Not Issued Yet |
|---|---|---|
| 1 | Detian Restaurant (德天餐廳) of Guangxi Detian | "Business Licence" (Three-in-One Version) (《營業執照》(三合一版)) |
| 2 | Detian Hotel (德天賓館) of Guangxi Detian | "Business Licence" (Three-in-One Version) (《營業執照》(三合一版)) |
| 3 | Daxin Mingshi | "Registration Certificate for the Use of Special Equipment" (《特種設備使用登記證》)<br>"the Highly Dangerous Sports Project Operation Licence" (《 高危險性體育項目經營許可證 》)<br>"Fire Safety Inspection Certificate before Putting into Use at the Public Gathering Venue or Starting Business" (《公眾聚集場所投入使用、營業前消防安全檢查合格證》)<br>"Sanitary Licence" (《衛生許可證》) |

For the above-mentioned licences, in light of the relevant PRC laws and regulations requiring the corresponding licences for engagement in the relevant businesses and the conditions necessary for the relevant licence application, the PRC Legal Advisors do not foresee any legal impediments for the obtaining of such licences, so long as the relevant Target Group Company meet the conditions or satisfy the requirements of the relevant PRC laws and regulations. The application procedure of the above licences is undergoing and the Target does not foresee any obstacles involved for obtaining the licences.

The Company has received confirmation from the relevant Target Group Companies that they are in the process of obtaining or has undertaken to obtain the above licences for conducting their respective businesses. The Board is of the view that such applicants fulfill all the conditions for application and hence currently does not foresee any obstacle in such licences being granted to the relevant Target Group Company.

**Group structure of the Target Group**

The following diagram illustrates the shareholding structure of the Target Group as at the Latest Practicable Date:




*Notes:*

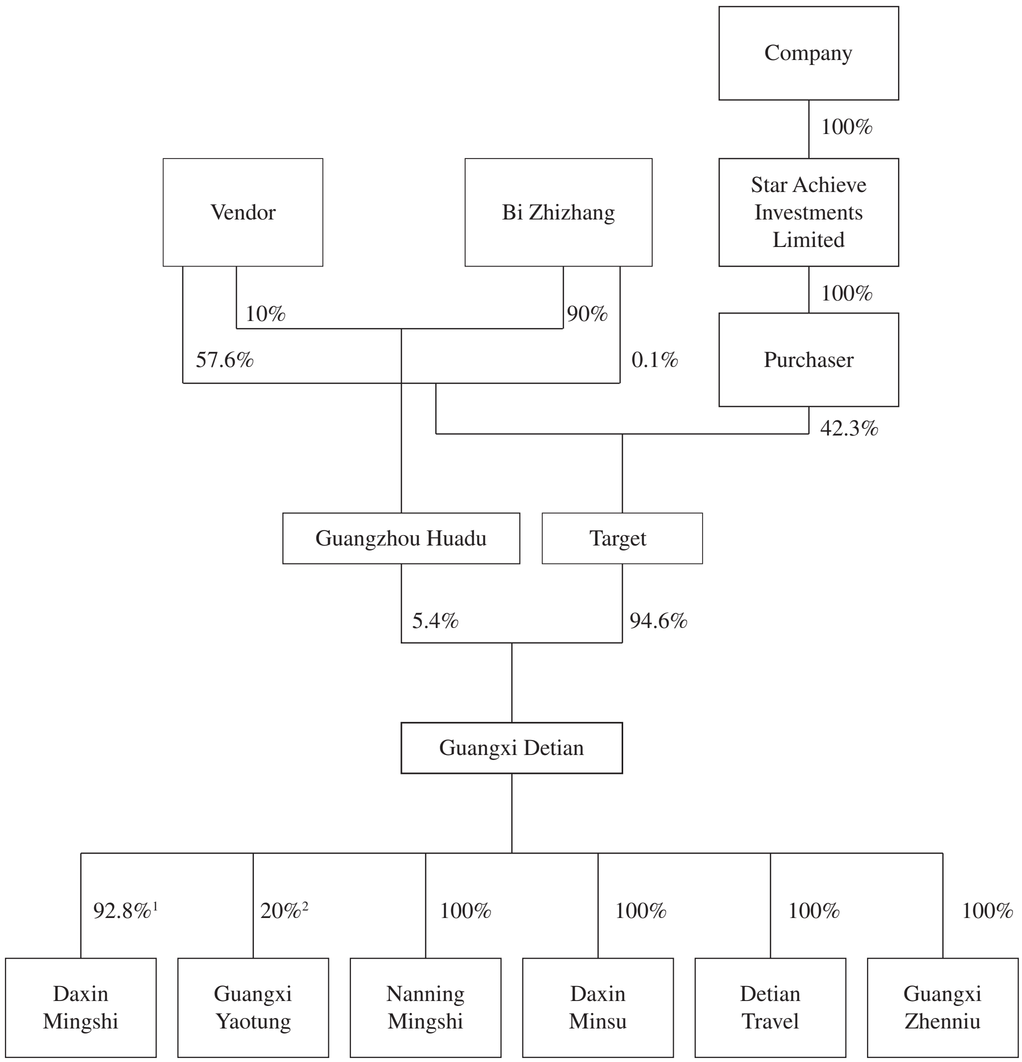
1. 7.2% equity interest of Daxin Mingshi was held by Independent Third Parties.

2. 80% equity interest of Guangxi Yaotung was held by Independent Third Parties.

**Acquisition of 40% equity interest in Guangxi Zhenniu by Guangxi Detian**

On 29 February 2016, the Vendor transferred 40% equity interest of Guangxi Zhenniu to Guangxi Detian at nil consideration. The reason for nil consideration is that as at the date of the transfer, Guangxi Zhenniu did not generate revenue and has incurred an insignificant amount of debts for the Target Group despite its operations of consultancy service of tourism information in PRC since January, 2015. According to the articles of association of Guangxi Zhenniu, its registered capital shall be fully paid up before 30 June 2060. Up to the Latest Practicable Date, no capital has been injected into Guangxi Zhenniu. In acquiring Guangxi Zhenniu, the Target Group intends to utilise Guangxi Zhenniu, which has entered into service agreements with various internet online travel agency platforms, to broaden the Target Group's sales channels. For details of the future plans on the Target Group, please refer to the paragraph headed "Development plans on the Target Group" set out in Part (2) of Appendix II to this circular.

The following diagram illustrates the shareholding structure of the Target Group immediately after Completion:




*Notes:*

1. 7.2% equity interest of Daxin Mingshi was held by Independent Third Parties.

2. 80% equity interest of Guangxi Yaotung was held by Independent Third Parties.

**Regulatory non-compliance relating to certain property interests of the Target Group**

As required by the PRC laws and regulations,

(i) if a construction project proceeds without obtaining the relevant Construction Works Planning Permit (建設工程規劃許可證) or is in violation of the requirements thereof, the relevant planning authorities shall order the construction entity to stop construction. If it is still possible for the construction entity to take measures to eliminate the impact on the implementation of the relevant authority's town planning, the relevant planning authorities shall order the construction entity to rectify within a prescribed time limit and impose a fine ranging from 5% to 10% of the construction cost; if it is impossible to take measures to eliminate the impact, the relevant planning authorities shall order the construction entity to complete the demolitions of the building or structure within a prescribed time limit or in the case where demolition is not possible, the relevant planning authorities shall confiscate the building or the illegal gain arising from such building, and may also impose a fine not more than 10% of the construction cost;

(ii) if a construction entity starts construction without the relevant Construction Works Commencement Permit (建築工程施工許可證), the relevant authorities shall order the construction entity to cease construction and take remedial actions within a prescribed period of time, and may impose a fine ranging from 1% to 2% of the price stipulated in the construction contract.

(iii) in the event that the construction entity delivers the project for use without passing the project completion inspection and acceptance (竣工驗收), then the relevant authorities shall order the construction entity to make rectifications and shall impose a fine of not less than 2% but not more than 4% of the price stipulated in the construction contract. The construction entity shall also be liable for all losses incurred in relation to such construction.

Those having caused losses shall be held responsible for compensation according to the relevant laws.

According to the PRC Legal Advisors, the construction of residential buildings No. 1, No. 7 and No. 19 situated at Mingshi Village, Kanxu Township, Daxin County (大新縣堪圩鄉明仕村) ("**Buildings**") as disclosed in Appendix IV of this circular by Daxin Mingshi were not in compliance with the relevant PRC laws: (i) the Buildings were constructed without obtaining the construction works planning permit; (ii) the Buildings were constructed without obtaining the relevant construction works commencement permit; and (iii) the Buildings were delivered for use or occupation without passing the project completion inspection and acceptance by the relevant government authorities. In light of the foregoing non-compliances, the maximum legal consequences faced by Daxin Mingshi may thus be: (1) request by the relevant authorities to demolish the Buildings; and/or (2) the corresponding penalty being imposed. As confirmed by the Target Group, as at the Latest Practicable Date, the total construction costs and the total price stipulated in the construction contract of the Buildings were RMB2,526,098 and RMB420,300, respectively, and hence the maximum amount of penalty involved shall be approximately RMB277,828.

As at the Latest Practicable Date, Daxin Mingshi was in the process of negotiating with the relevant government authorities (being the Bureau of Housing and Urban-Rural Development of Daxin (大新縣住房和城鄉建設局) which, in the opinion of the PRC Legal Advisors, is the competent authority governing the relevant matter), in order to come to an understanding as to how to rectify the non-compliance. Daxin Mingshi will consider demolishing the Buildings if so requested by the government.

The PRC Legal Advisors are of the opinion that, based on the requirements of the above-mentioned PRC laws, the relevant government authorities may make any or all of the following orders against Daxin Mingshi regarding the Buildings:

(1) an order to rectify within a time limit for construction projects that can be rectified to eliminate the impact on the planning implementation; or

(2) an order to demolish within a time limit for construction projects that cannot be rectified to eliminate the impact on the planning implementation; and

(3) at the same time, the relevant government may impose a fine not exceeding RMB277,828 on Daxin Mingshi.

As confirmed by the Vendor, the revenue generated from such Buildings only amounted to approximately RMB2 million, RMB2 million, RMB1.7 million and RMB1.5 million during the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015, which constitutes approximately 2-3% of the total revenue during such periods, and are thus insignificant in the operation of the Target Group.

As disclosed in the paragraphs above, in view of the non-compliance with the relevant laws and regulations in the construction process of the Buildings, the Buildings may be ordered for demolition and Daxin Mingshi, being the owner of the Buildings, may be fined for a sum not exceeding RMB277,828. While the Buildings formed part of the assets of the Target Group and have contributed approximately RMB2 million, RMB2 million, RMB1.7 million and RMB1.5 million to the revenue of the Target Group during the three years ended 31 December 2014 and the nine months ended 30 September 2015, given that the Vendor has undertaken to the Purchaser that it would indemnify the Purchaser from any losses (including the cost and expenses incurred in the demolition of the Buildings, the necessary relocation cost and expenses, the fine which may be paid by the Target Group and other economic loss), the Directors consider that such non-compliance matter shall not impose any material risk on the Group after Completion.

**Certain financial information of the Target Group**

The audited combined total assets value and net assets value of the Target as at 30 September 2015 were HK$128,227,993 and HK$25,701,546 respectively. The audited consolidated financial information of the Target for the two years ended 31 December 2013 and 2014 and the nine months ended 30 September 2015 is as follows:

| | For the year ended 31 December 2013 *HK$* | For the year ended 31 December 2014 *HK$* | For the nine months ended 30 September 2015 *HK$* |
|---|---|---|---|
| Revenue | 99,128,070 | 97,494,741 | 92,882,662 |
| Net profit/(loss) before taxation | 1,968,933 | (5,579,612) | 8,855,263 |
| Net profit/(loss) after taxation | (1,453,201) | (8,845,199) | 4,463,658 |

For the year ended 31 December 2015, the unaudited consolidated revenue, profit before and after tax of the Target were approximately RMB114,068,000 (approximately HK$136,345,480), RMB13,095,000 (approximately HK$15,652,454) and RMB9,494,000 (approximately HK$11,348,178) respectively. No material adverse change in the Target Group was noted after 30 September 2015.

Further details of the financial information of the Target Group for the three years ended 31 December 2014 and the nine months ended 30 September 2015 are set out in Appendix II to this circular.

As disclosed in the valuation report prepared by AVISTA Valuation Advisory Limited, an independent property valuer, the fair value (including market value and reference value) of the property interests held by the Target Group Companies attributable to the Target as at 31 December 2015 amounted to RMB84,709,000 (equivalent to approximately HK$101,091,721).

## 6. EFFECT OF THE ACQUISITION

Upon Completion, the Target will be owned as to 42.3% by the Company. Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the Acquisition of the Group assuming the Acquisition had been completed on on 30 June 2015 for the unaudited pro forma consolidated statement of financial position or on 1 January 2014 for the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows.

**Assets**

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the unaudited pro forma consolidated total assets of the Group would be unchanged.

**Liabilities**

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the unaudited pro forma consolidated total liabilities of the Group would be unchanged.

**Earnings**

Since the Target will not be a subsidiary of the Company, the financial results of the Target Group will not be consolidated with those of the Group and the Group's interest in the Target Group will only be accounted as an associate of the Group. The Group adopts equity method to account for the investment in an associate in its consolidated financial statements.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in operation of hotel services and properties rental in the Southeast Asia region.

The Board considers that the Acquisition will diversify the business of the Group into tourist sightseeing park and hotel operations in the PRC, and will broaden the Group's profit streams.

After Completion, the Target will be owned as to 42.3% by the Purchaser and hence become an associate of the Group. In order to improve the financial performance as a whole, the Group, with great endeavor, will reorganise and integrate the internal resources of the hotel business and related assets with the Target, to enhance its service quality to world-class excellence.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

## INFORMATION OF THE GROUP

The Group is principally engaged in operation of hotel services and properties rental in the Southeast Asia region.

## EGM

A notice convening the EGM to be held at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong, on Wednesday, 13 April 2016 at 11:00 a.m. is set out on pages EGM-1 and EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and his associates held an aggregate of 115,872,000 Shares, representing approximately 3.32% of the issued share capital of the Company as at the Latest Practicable Date. As the Vendor has a material interest in the Acquisition, he and his associates will abstain from voting on the relevant resolution in respect of the Equity Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM. Save as disclosed, no Shareholder will be required to abstain from voting on the resolution to be proposed at the EGM.

To the best of the knowledge, information and belief of the Directors, there was (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

An announcement on the results of the EGM will be made by the Company after the conclusion of the EGM in accordance with the GEM Listing Rules.

## RECOMMENDATION

The Board considers that the terms of the Equity Transfer Agreement are fair and reasonable and the entering into of the Equity Transfer Agreement is in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Independent Shareholders to vote in favour of the resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder at the EGM.

## INTEREST OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Guotai Junan Capital Limited (the "Compliance Adviser"), except for the compliance advisory agreement entered into between the Company and the Compliance Adviser on 7 April 2014 and the professional fee for acting as the financial adviser to the Company in connection with the Acquisition, neither the Compliance Adviser nor its directors, employees or associates had any interest in relation to the Company or any member of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules as at the Latest Practicable Date.

For and on behalf of the Board
**Link Holdings Limited**
**Ngan Iek**
*Chairman and executive Director*

## 1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the years ended 31 December 2012 and 2013, including the notes thereto, have been published in the prospectus of the Company dated 30 June 2014 (pages I-1 to I-46), available on the Company's website *http://www.linkholdingslimited.com* and the website of the Stock Exchange at *http://www.hkgem.com,* which are incorporated by reference into this circular. The audited consolidated financial statements of the Group for the year ended 31 December 2014, including the notes thereto, have been published in the annual report of the Company for the year ended 31 December 2014 (pages 27 to 90), available on the Company's website at *http://www.linkholdingslimited.com* and the website of the Stock Exchange at *http://www.hkgem.com,* which are incorporated by reference into this circular. The unaudited consolidated financial statements of the Group for the 9 months ended 30 September 2015, including the notes thereto, have been published in the third quarterly report of the Company for the 9 months ended 30 September 2015 (pages 12 to 21), available on the Company's website at *http://www.linkholdingslimited.com* and the website of the Stock Exchange at *http://www.hkgem.com,* which are incorporated by reference into this circular.

## 2. STATEMENT OF INDEBTEDNESS

### Borrowings, securities and guarantees

As at the close of business on the 31 January 2016, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining information contained in this indebtedness statement, the Group had interest-bearing bank loans and other borrowings amounting to HK$259,605,875 comprising (i) interest-bearing bank loans of S$38,566,420 (equivalent to approximately HK$210,777,055), (ii) unsecured and unguaranteed amounts due to non-controlling interests of S$3,902,589 (equivalent to approximately HK$21,328,820), (iii) unsecured and unguaranteed amount due to a director of HK$500,000 and (iv) unsecured and unguaranteed loan from a shareholder of HK$27,000,000. All interest-bearing bank loans are secured by (i) corporate guarantee of the Company and the Company's subsidiary, (ii) pledged of certain property, plant and equipment, (iii) a fixed and floating charge on all of the Group's asset and undertakings, and (iv) a charge over an operating account of the Company's subsidiary.

### Contingent liabilities

As at the close of business on 31 January 2016, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and others payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 January 2016.

## 3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the transactions contemplated under the Equity Transfer Agreement and the financial resources presently available to the Group, in the absence of unforeseeable circumstance, the Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this circular.

## 4. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

## 5. FINANCIAL AND TRADING PROSPECTS

In view of the uncertain economic prospects during 2016, the Company adopts an optimistic attitude to cope with challenges and capture opportunities in a positive way, and is confident in its future growth. In order to achieve steady development, the Company is always committed to quality improvement and efficiency enhancement. Specifically, it lays emphasis on the adjustment to shareholder structure, strengthening of marketing activities on e-commerce platform, and optimisation of operational efficiency of its hotels.

Currently, the renovation and interior decoration works, which was commenced at the beginning of 2015, carried out at Link Hotel in Singapore has been completed. The Board anticipates that the Company will enjoy higher room rates and attract more guests from around the world in 2016, and in turn, a growth in room revenue will be seen.

On 8 October 2015, the Company entered into a subscription agreement with CMI Financial Holding Company Limited ("**CMI Hong Kong**"), an indirect wholly-owned subsidiary of China Minsheng Investment Corp., Ltd., in relation to the proposed subscription of shares and convertible bonds of the Company. The Company fulfilled all the conditions precedent under the subscription agreement and the completion took place on 30 November 2015. As a result, 690,000,000 subscription shares of the Company at the subscription price of HK$0.33 per subscription share and the convertible bonds of the Company in the principal amount of HK$25,278,000 were issued to CMI Hong Kong. The Board considered this arrangement will be beneficial to the Company for funding the sustainable development of Bintan Island in Indonesia, improving the financial position and strengthening the overall investment capacity of the Group amid the prevailing global economic instability, thereby strengthening the overall investment capacity of the Group.

On 30 December 2015, PT. Hang Huo International ("**JV Company**") (being the proposed purchaser), and Tjiagus Thamrin, Siti Maryam Mucti, Verdy Veriady Thamrin, Ira Karmila Tharmin, Yeo Bing Hong, Pretty Ariestawati, Novita, Tri Noviardi Thamrin and Agus Setiawan (being the proposed vendors), conditionally agreed to purchase from the proposed vendors 10 parcels of land (including all the messuages erections and buildings thereon) in a total area of approximately 86,757 square meters situated at Gunung Kijang Village, Gunung Kijang District in Bintan, Indonesia, at the consideration of S$2,000,000 (approximately HK$10,987,400 as at agreement date). The proposed acquisition is aiming to enlarge the site area of Bintan Assets (as defined in the prospectus of the Company dated 30 June 2014). Meanwhile, we are speeding up the master development planning of the Bintan Assets and boosting site construction of phase with aims to realising rapid appreciation of the Bintan Assets and to develop them into a business of resort hotel. After the completion of the development of Bintan Assets, the revenue from Bintan Assets is expected to be the new revenue growth driver for the Company. We will seize every opportunity arising from the growing market in order to bring optimal returns to our shareholders.

Moreover, the Acquisition facilitates the Company to take the opportunity of "One Belt and One Road", in order to further reinforce our brand influence and core competitiveness among the Asian hotel industry, and to fortify its market position in Asia.

The Company is pursuing greater efforts to engage in the promotion and marketing activities in tourism market, and to boost its competitiveness and enhance its efficiency. It will make the most of its advantages in hotel professionalism to consolidate the industry chain for hotel and tourism sectors, as well as to endeavour its best to complete all the tasks of project matching for mergers and acquisitions. By expediting the upgrading of the standard of its management and its core competitiveness, the Group will strive to extend its geographical coverage domestically and internationally and enhance its multinational operating capability. The Group will also maximise its overall return on assets and its corporate value, with a goal to becoming a leader in hotel and tourism industry in Southeast Asia that possesses international competitive strengths.

## 6. ACQUISITION OR PROPOSED ACQUISITION AFTER 31 DECEMBER 2014 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

As disclosed in the announcement of the Company dated 14 May 2015, Mandale Globe Ltd, a wholly-owned subsidiary of the Company, and Tjiagus Thamrin (a connected person of the Company at the subsidiary level), entered into a joint venture agreement on 14 May 2015, pursuant to which Mandale Globe Ltd would, at the cash consideration of US$225,000 (approximately HK$1,755,000) which was to be funded by the internal resources of the Group, subscribe for 90% shareholding interest and Tjiagus Thamrin would, at the cash consideration of US$25,000 (approximately HK$195,000), subscribe for 10% shareholding interest respectively in the JV Company, which was subsequently established on 29 May 2015 in Indonesia. The JV Company was formed to provide accommodation service and for purchasing land and buildings in Bintan Island, Indonesia.

As disclosed in the announcement of the Company dated 30 December 2015, the JV Company has entered into a lands acquisition agreement, under which the JV Company has conditionally agreed to acquire certain land in Indonesia at the consideration of S$2,000,000 (approximately HK$10,987,400 as at the agreement date).

As disclosed in the announcement of the Company dated 11 March 2016, Duchess Global Ltd. (a direct wholly-owned subsidiary of the Company) (as the proposed purchaser) and Mr. Tjiagus Thamrin (as the proposed vendor) entered into a sale and purchase agreement, pursuant to which Duchess Global Ltd. has conditionally agreed to acquire and Mr. Tjiagus Thamrin has conditionally agreed to sell 360,000 shares each having a nominal value of IDR9,867 in the paid-up capital of PT Hang Huo Investment, and a shareholder's loan in the sum of S$2,358,000 (approximately HK$12,969,000 as at the agreement date) owed by PT Hang Huo Investment to Mr. Tjiagus Thamrin, for a cash consideration of S$2,820,000 (approximately HK$15,510,000 as at the agreement date), which would be payable by the Purchaser to the Vendor on Completion.

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquiring companies have not been and will not be varied in consequence of acquisition.

## (1) ACCOUNTANTS' REPORT ON THE TARGET

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the financial information of the Target.*

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24 March 2016

The Directors
Link Holdings Limited
Guotai Junan Capital Limited

Dear Sirs,

We set out below our report on the financial information of 珠海市康明德投資有限公司 (Zhuhai Kang Ming De Investment Limited*) (the "Target") and its subsidiaries (collectively referred to as the "Target Group Companies") which comprises the consolidated statements of financial position of the Target Group Companies as at 31 December 2012, 2013 and 2014 and 30 September 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group Companies for each of the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), together with the comparative financial information of the Target Group Companies including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2014 (the "Comparative Financial Information"), for inclusion in the circular (the "Circular") dated 24 March 2016 issued by Link Holdings Limited (the "Company") in connection with its proposed acquisition of 42.3% of the equity interest in the Target.

The Target was incorporated in the People's Republic of China (the "PRC") on 28 December 2000 as a limited liability company under the Company Law of the PRC.

At the date of this report, the Target has direct or indirect interests in subsidiaries as set out in note 28 of Section II below. No audited financial statements have been prepared for the Target since its establishment. The statutory financial statements of 廣西德天旅遊發展集團有限公司 (Guangxi Detian Travel Development Group Limited*) ("Guangxi Detian"), 大新明仕旅遊發展有限公司 (Daxin Mingshi Travel Development Limited*) ("Daxin Mingshi"), 南寧明仕旅遊策劃有限公司 (Nanning Mingshi Travel Planning Limited*) ("Nanning Mingshi"), 大新

縣德天旅行社有限責任公司 (Daxin County Detian Travel Agency Limited*) ("Detian Travel") for the years ended 31 December 2012, 2013, 2014 and 大新民宿酒店管理有限公司 (Daxin Minsu Hotel Management Limited*) ("Daxin Minsu"), 廣西真牛電子科技有限公司 (Guangxi Zhenniu Electronic and Technology Limited*) ("Guangxi Zhenniu") for the period ended 31 December 2014 were audited by 廣東中乾會計師事務所(普通合夥) (GD Zhong Qian Certified Public Accountants*) a firm of certified public accountants registered in the PRC. All these statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

For the purpose of this report, the directors of the Target have prepared the financial statements of the Target and its subsidiaries for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB"). The Financial Information has been prepared by the directors of the Target based on the Underlying Financial Statements with no adjustment made thereon.

**Directors' responsibility**

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

The directors of the Target are also responsible for the preparation and presentation of the Comparative Financial Information in accordance with the same basis adopted in respect of the Financial Information.

**Reporting accountants' responsibility**

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion 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 issued by the HKICPA and have examined the Financial Information of the Target Group Companies, 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 Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion 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 state of affairs of the Target Group Companies as at 31 December 2012, 2013 and 2014 and 30 September 2015 and of the results and cash flows of the Target Group Companies for the Relevant Periods in accordance with IFRSs.

**Review conclusion in respect of the Comparative Financial Information**

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

* *The English names are for identification purposes only. The official names of these entities are in Chinese.*

## I. FINANCIAL INFORMATION

### Consolidated statements of comprehensive income

| | Notes | Year ended 31 December 2012 HK$ | 2013 HK$ | 2014 HK$ | Nine months ended 30 September 2014 HK$ (Unaudited) | 2015 HK$ |
|---|---|---|---|---|---|---|
| Revenue | 7 | 94,866,031 | 99,128,070 | 97,494,741 | 69,179,474 | 92,882,662 |
| Cost of sales | | (38,410,717) | (37,683,417) | (33,997,096) | (24,659,165) | (31,879,383) |
| Gross profit | | 56,455,314 | 61,444,653 | 63,497,645 | 44,520,309 | 61,003,279 |
| Other income | 8 | 971,814 | 64,577 | 811,026 | 290,061 | 117,360 |
| Selling expenses | | (33,258,028) | (37,704,465) | (44,378,894) | (33,259,601) | (33,465,988) |
| Administrative expenses | | (15,840,180) | (19,186,692) | (22,591,796) | (16,134,961) | (16,675,137) |
| Finance costs | 9 | (3,507,910) | (2,143,313) | (2,917,593) | (2,389,638) | (1,878,966) |
| Impairment loss on construction in progress | | (15,115,510) | – | – | – | – |
| Loss on changes in fair value of investment properties | | – | (505,827) | – | – | – |
| Share of loss of an associate | | – | – | – | – | (245,285) |
| **Profit/(loss) before income tax expense** | 10 | (10,294,500) | 1,968,933 | (5,579,612) | (6,973,830) | 8,855,263 |
| Income tax expense | 12 | (3,833,092) | (3,422,134) | (3,265,587) | (1,732,293) | (4,391,605) |
| **Profit/(loss) for the year/period** | | (14,127,592) | (1,453,201) | (8,845,199) | (8,706,123) | 4,463,658 |
| Other comprehensive income that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange difference on translating foreign operations | | 403,483 | 984,400 | (113,193) | 317,646 | (873,521) |
| **Total comprehensive income for the year/period** | | (13,724,109) | (468,801) | (8,958,392) | (8,388,477) | 3,590,137 |
| Profit/(loss) attributable to: | | | | | | |
| Owners of the Target | | (7,087,362) | (507,159) | (7,073,771) | (6,617,008) | 5,316,141 |
| Non-controlling interests | | (7,040,230) | (946,042) | (1,771,428) | (2,089,115) | (852,483) |
| | | (14,127,592) | (1,453,201) | (8,845,199) | (8,706,123) | 4,463,658 |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Target | | (6,698,832) | 618,237 | (7,207,212) | (6,330,190) | 4,176,160 |
| Non-controlling interests | | (7,025,277) | (1,087,038) | (1,751,180) | (2,058,287) | (586,023) |
| | | (13,724,109) | (468,801) | (8,958,392) | (8,388,477) | 3,590,137 |

## Consolidated statements of financial position

| | Notes | At 31 December 2012 HK$ | At 31 December 2013 HK$ | At 31 December 2014 HK$ | As at 30 September 2015 HK$ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 14 | 81,337,282 | 99,368,850 | 100,004,988 | 91,953,658 |
| Construction in progress | | 4,279,070 | 3,110,298 | 990,869 | 1,731,116 |
| Investment properties | 15 | – | 341,211 | 341,211 | 341,211 |
| Prepaid land lease payments | 16 | 2,666,239 | 2,636,076 | 2,479,781 | 2,288,626 |
| Deposits paid in connection with the acquisition of an associate | | – | – | 1,390,118 | – |
| Interests in an associate | 29 | – | – | – | 1,348,011 |
| Total non-current assets | | 88,282,591 | 105,456,435 | 105,206,967 | 97,662,622 |
| **Current assets** | | | | | |
| Hotel inventories | 17 | 1,152,445 | 1,106,848 | 1,126,840 | 878,791 |
| Trade and other receivables | 18 | 41,590,748 | 43,584,273 | 11,206,669 | 9,101,942 |
| Amounts due from non-controlling interests | 19 | 2,324,680 | 2,582,180 | 2,992,544 | 3,114,174 |
| Amount due from a shareholder | 19 | 2,658,482 | 2,667,014 | 1,273,853 | 1,229,568 |
| Cash and cash equivalents | 20 | 5,440,835 | 2,997,787 | 5,221,168 | 16,240,896 |
| Total current assets | | 53,167,190 | 52,938,102 | 21,821,074 | 30,565,371 |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 42,932,096 | 41,060,430 | 41,934,880 | 34,382,381 |
| Amount due to a shareholder | 19 | 55,849 | 10,747,968 | 10,512,225 | 24,162,210 |
| Interest-bearing bank loans and other borrowings | 22 | 13,221,361 | 14,722,681 | 22,241,880 | 15,247,621 |
| Provision for taxation | | 2,152,626 | 1,504 | 276,933 | 2,874,269 |
| Total current liabilities | | 58,361,932 | 66,532,583 | 74,965,918 | 76,666,481 |
| **Net current liabilities** | | (5,194,742) | (13,594,481) | (53,144,844) | (46,101,110) |
| **Total assets less current liabilities** | | 83,087,849 | 91,861,954 | 52,062,123 | 51,561,512 |
| **Non-current liabilities** | | | | | |
| Interest-bearing bank loans and other borrowing | 22 | 38,754,921 | 49,625,587 | 15,164,918 | 17,687,241 |
| Amount due to a related party | 19 | 12,794,326 | 11,166,566 | 14,785,796 | 8,172,725 |
| Total non-current liabilities | | 51,549,247 | 60,792,153 | 29,950,714 | 25,859,966 |
| **Net assets** | | 31,538,602 | 31,069,801 | 22,111,409 | 25,701,546 |
| **Equity** | | | | | |
| Share capital | 23 | 5,653,444 | 5,653,444 | 5,653,444 | 5,653,444 |
| Reserves | | 29,957,514 | 30,575,751 | 23,368,539 | 27,544,699 |
| | | 35,610,958 | 36,229,195 | 29,021,983 | 33,198,143 |
| **Non-controlling interests** | | (4,072,356) | (5,159,394) | (6,910,574) | (7,496,597) |
| **Total equity** | | 31,538,602 | 31,069,801 | 22,111,409 | 25,701,546 |

## Consolidated statements of changes in equity

| | Equity attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$* | **Statutory surplus reserve** *HK$* *(note a)* | **Other reserves** *HK$* *(note b)* | **Translation reserve** *HK$* *(note c)* | **Retained earnings** *HK$* | **Total** *HK$* | **Non-controlling interests** *HK$* | **Total equity** *HK$* |
| At 1 January 2012 | 5,653,444 | 8,113,887 | 1,229,448 | 6,619,717 | 20,693,294 | 42,309,790 | 2,952,921 | 45,262,711 |
| Loss for the year | – | – | – | – | (7,087,362) | (7,087,362) | (7,040,230) | (14,127,592) |
| Other comprehensive income | | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | 388,530 | – | 388,530 | 14,953 | 403,483 |
| Total comprehensive income for the year | – | – | – | 388,530 | (7,087,362) | (6,698,832) | (7,025,277) | (13,724,109) |
| Transfer to statutory surplus reserve | – | 236,933 | – | – | (236,933) | – | – | – |
| At 31 December 2012 and 1 January 2013 | 5,653,444 | 8,350,820 | 1,229,448 | 7,008,247 | 13,368,999 | 35,610,958 | (4,072,356) | 31,538,602 |
| Loss for the year | – | – | – | – | (507,159) | (507,159) | (946,042) | (1,453,201) |
| Other comprehensive income | | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | 1,125,396 | – | 1,125,396 | (140,996) | 984,400 |
| Total comprehensive income for the year | – | – | – | 1,125,396 | (507,159) | 618,237 | (1,087,038) | (468,801) |
| Transfer to statutory surplus reserve | – | 214,610 | – | – | (214,610) | – | – | – |
| At 31 December 2013 and 1 January 2014 | 5,653,444 | 8,565,430 | 1,229,448 | 8,133,643 | 12,647,230 | 36,229,195 | (5,159,394) | 31,069,801 |
| Loss for the year | – | – | – | – | (7,073,771) | (7,073,771) | (1,771,428) | (8,845,199) |
| Other comprehensive income | | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | (133,441) | – | (133,441) | 20,248 | (113,193) |
| Total comprehensive income for the year | – | – | – | (133,441) | (7,073,771) | (7,207,212) | (1,751,180) | (8,958,392) |
| Transfer to statutory surplus reserve | – | 1,488 | – | – | (1,488) | – | – | – |
| At 31 December 2014 and 1 January 2015 | 5,653,444 | 8,566,918 | 1,229,448 | 8,000,202 | 5,571,971 | 29,021,983 | (6,910,574) | 22,111,409 |
| Profit/(loss) for the period | – | – | – | – | 5,316,141 | 5,316,141 | (852,483) | 4,463,658 |
| Other comprehensive income | | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | (1,139,981) | – | (1,139,981) | 266,460 | (873,521) |
| Total comprehensive income for the period | – | – | – | (1,139,981) | 5,316,141 | 4,176,160 | (586,023) | 3,590,137 |
| Transfer to statutory surplus reserve | – | 748,126 | – | – | (748,126) | – | – | – |
| At 30 September 2015 | 5,653,444 | 9,315,044 | 1,229,448 | 6,860,221 | 10,139,986 | 33,198,143 | (7,496,597) | 25,701,546 |
| **(Unaudited)** | | | | | | | | |
| At 1 January 2014 | 5,653,444 | 8,565,430 | 1,229,448 | 8,133,643 | 12,647,230 | 36,229,195 | (5,159,394) | 31,069,801 |
| Loss for the period | – | – | – | – | (6,617,008) | (6,617,008) | (2,089,115) | (8,706,123) |
| Other comprehensive income | | | | | | | | |
| – Exchange differences arising on translation of foreign operations | – | – | – | 286,818 | – | 286,818 | 30,828 | 317,646 |
| Total comprehensive income for the period | – | – | – | 286,818 | (6,617,008) | (6,330,190) | (2,058,287) | (8,388,477) |
| Transfer to statutory surplus reserve | – | – | – | – | – | – | – | – |
| At 30 September 2014 | 5,653,444 | 8,565,430 | 1,229,448 | 8,420,461 | 6,030,222 | 29,899,005 | (7,217,681) | 22,681,324 |

**(a) Statutory surplus reserve**

In accordance with the Company Law of the PRC, the Target Group Companies registered in the PRC is required to appropriate 10% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

**(b) Other reserve**

Other reserve represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries, or, the difference between the proceeds from disposal and the non-controlling interests disposed of in the case of disposal of partial equity interests in subsidiaries to non-controlling shareholders.

**(c) Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

## Consolidated statements of cash flows

| | Notes | Year ended 31 December 2012 HK$ | 2013 HK$ | 2014 HK$ | Nine months ended 30 September 2014 HK$ (Unaudited) | 2015 HK$ |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Profit/(loss) before income tax expense | | (10,294,500) | 1,968,933 | (5,579,612) | (6,973,830) | 8,855,263 |
| Adjustments for: | | | | | | |
| Finance costs | *9* | 3,507,910 | 2,143,313 | 2,917,593 | 2,389,638 | 1,878,966 |
| Interest income | *8* | (19,914) | (64,179) | (57,710) | (37,117) | (107,627) |
| Depreciation of property, plant and equipment | *10* | 8,361,427 | 9,357,961 | 9,268,658 | 6,951,494 | 6,859,086 |
| Written off of property, plant and equipment | *10* | 242,198 | – | 1,059,832 | 1,059,832 | – |
| Impairment loss on construction in progress | *10* | 15,115,510 | – | – | – | – |
| Share of loss of an associate | *10* | – | – | – | – | 245,285 |
| Loss on changes in fair value of investment properties | *10* | – | 505,287 | – | – | – |
| Loss on disposal of property, plant and equipment | | 57,803 | – | 1,063,542 | 1,063,542 | – |
| Amortisation of prepaid lease payments | *10* | 118,359 | 130,210 | 144,812 | 103,197 | 108,277 |
| **Operating profit/(loss) before working capital change** | | 17,088,793 | 14,041,525 | 8,817,115 | 4,556,756 | 17,839,250 |
| (Increase)/decrease in inventories | | (381,813) | 45,597 | (19,992) | (126,139) | 248,049 |
| (Increase)/decrease in trade and other receivables | | (5,346,127) | (1,039,382) | 21,613,088 | 24,082,074 | 2,135,205 |
| Increase/(decrease) in trade and other payables | | 2,171,045 | (1,871,666) | (874,450) | (2,321,744) | (7,552,499) |
| Cash generated from operations | | 13,531,898 | 11,176,074 | 29,535,761 | 26,190,947 | 12,670,005 |
| Income taxes paid | | (3,516,752) | (5,612,809) | (2,990,449) | (2,990,449) | (1,701,929) |
| Net cash flows from operating activities | | 10,015,146 | 5,563,265 | 26,545,312 | 23,200,498 | 10,968,076 |
| **Cash flows from investing activities** | | | | | | |
| Interest received | | 19,914 | 64,179 | 57,710 | 37,117 | 107,627 |
| (Increase)/decrease in amount due from a shareholder | | – | (8,532) | 1,393,161 | – | 44,285 |
| (Increase)/decrease in amounts due from related companies | | (329,829) | (257,500) | (407,364) | (407,364) | (121,630) |
| Deposits for acquisition of an associate | | – | – | (1,390,118) | – | – |
| Acquisition of investment properties | | – | (836,169) | – | – | – |
| Purchase of property, plant and equipment | | (8,527,167) | (23,063,826) | (12,274,463) | (7,845,585) | (1,050,884) |
| Net cash used in investing activities | | (8,837,082) | (24,101,848) | (12,621,074) | (8,215,832) | (1,020,602) |
| **Cash flows from financing activities** | | | | | | |
| (Repayment of)/advance from amounts due to shareholders | | (1,468,994) | 10,692,119 | (23,743) | (23,743) | 13,649,985 |
| Advance from/(repayment of) amount due to a related party | | 12,183,041 | (1,627,760) | 3,663,230 | (3,053,512) | (6,613,071) |
| Proceeds from bank loans | | 984,565 | 22,359,920 | 15,148,487 | – | 3,775,537 |
| Repayment of bank loans | | (6,219,592) | (11,768,220) | (27,267,276) | (9,022,485) | (7,047,670) |
| Interest paid | | (5,875,452) | (3,700,785) | (3,180,889) | (2,587,107) | (2,155,616) |
| Net cash from/(used in) financing activities | | (396,432) | 15,955,274 | (11,660,191) | (14,686,847) | 1,609,165 |
| **Net increase/(decrease) in cash and cash equivalents** | | 781,632 | (2,583,309) | 2,264,047 | 297,819 | 11,556,639 |
| Cash and cash equivalents at beginning of year | | 4,639,474 | 5,440,835 | 2,997,787 | 2,997,787 | 5,221,168 |
| Effect of exchange rate changes on cash and cash equivalents | | 19,729 | 140,261 | (40,666) | (10,457) | (536,911) |
| Cash and cash equivalents at end of the year/period | *20* | 5,440,835 | 2,997,787 | 5,221,168 | 3,285,149 | 16,240,896 |

**Statements of financial position**

| | Notes | At 31 December 2012 HK$ | At 31 December 2013 HK$ | At 31 December 2014 HK$ | As at 30 September 2015 HK$ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 120,861 | 124,680 | 124,146 | 119,829 |
| Investment properties | *15* | – | 341,211 | 341,211 | 341,211 |
| Interests in subsidiaries | *28* | 2,060,778 | 2,125,904 | 2,116,770 | 2,043,181 |
| | | 2,181,639 | 2,591,795 | 2,582,127 | 2,504,221 |
| **Current assets** | | | | | |
| Other receivables | | 412,567 | 41,158 | 34,306 | 35,784 |
| Amount due from a non-controlling interests | *19* | 119,956 | 307,780 | 727,916 | 928,275 |
| Amounts due from subsidiaries | *28* | 5,407,300 | 5,958,946 | 5,806,968 | 22,967,009 |
| Cash and cash equivalents | | 737,713 | 517,789 | 83,512 | 6,132,331 |
| Total current assets | | 6,677,536 | 6,825,673 | 6,652,702 | 30,063,399 |
| **Current liabilities** | | | | | |
| Other payables | | 40,023 | 12,163 | 29,433 | 168,892 |
| Amount due to a shareholder | | – | 856,555 | 852,875 | 24,162,210 |
| Total current liabilities | | 40,023 | 868,718 | 882,308 | 24,331,102 |
| Net current assets | | 6,637,513 | 5,956,955 | 5,770,394 | 5,732,297 |
| **Net assets** | | 8,819,152 | 8,548,750 | 8,352,521 | 8,236,518 |
| **Equity** | | | | | |
| Share capital | *23* | 5,653,444 | 5,653,444 | 5,653,444 | 5,653,444 |
| Reserves | | 3,165,708 | 2,895,306 | 2,699,077 | 2,583,074 |
| **Total equity** | | 8,819,152 | 8,548,750 | 8,352,521 | 8,236,518 |

# II. NOTES TO THE FINANCIAL INFORMATION OF THE TARGET

## 1. CORPORATE INFORMATION

The principal activity of the Target is investment holding in the PRC. Core business of the Target Group Companies includes the operation and management contract in respect of a national 4A level scene zone, leasing owned properties and operation of hotel premises which mainly serve the tourists to the scene zone.

The Target is a limited liability company incorporated in the PRC. The address of its registered office is No. 13 Building C, No. 15 Longzhu Road, Xinhua Town, Huadu District, Guangzhou, the PRC.

## 2. ADOPTION OF NEW OR AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The International Accounting Standards Board ("IASB") has issued a number of new or revised IFRSs which were relevant to the Target Group Companies and became effective during the Relevant Periods. In preparing the Financial Information and the Comparative Financial Information, the Target Group Companies have adopted all these new or revised IFRSs consistently throughout the Relevant Periods.

At the date of authorisation of the Financial Information and the Comparative Financial Information, the following new/revised IFRSs, potentially relevant to the Target Group Companies' Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group Companies.

| | |
|---|---|
| IFRSs (Amendments) | Annual Improvements 2012-2014 Cycle[1] |
| Amendments to IAS 1 | Disclosure Initiative[1] |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements[1] |
| IFRS 9 (2014) | Financial Instruments[2] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[*] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidated Exception[1] |
| IFRS 15 | Revenue from Contracts with Customer[2] |
| IFRS 16 | Lease[3] |

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for annual periods beginning on or after 1 January 2019

* No mandatory effective date yet determined but it is available for immediate adoption

The directors do not expect that the adoption of these pronouncements will have a material impact on the financial statements of the Target Group Companies.

## 3. BASIS OF PREPARATION

### (i) Statement of compliance

The Financial Information and Comparative Financial Information have been prepared in accordance with accounting policies set out below which comply with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the IASB. It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information and Comparative Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may immediately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information and Comparative Financial Information are disclosed in note 5.

**(ii) Basis of measurement and going concern assumption**

The Financial Information and Comparative Financial Information have been prepared under the historical cost basis except for investment properties, which are measured at fair value as explained in the accounting policies set out below. The significant accounting policies that have been used in the preparation as disclosed in note 4.

In preparing the consolidated financial statements, the directors of the Target have given careful consideration to the future liquidity of the Target Group Companies in light of the fact that the Target Group Companies' current liabilities exceeded its current assets by HK$46,101,110 as at 30 September 2015. The directors of the Target are satisfied that the Target Group Companies will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future, after taking into consideration the estimated future cash flows of the Target Group Companies. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Accordingly, the directors of the Target are of the opinion that, in the absence of unforeseen circumstances, the Target Group Companies will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting date and it is appropriate to prepare the consolidated financial statements for the year ended 30 September 2015 on a going concern basis notwithstanding the net current liabilities position of the Target Group Companies.

The consolidated financial statement did not include any adjustments that may result in the event that the Target Group Companies are unable to continue as a going concern. In the event that the Target Group Companies are unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to be realized other than in the amounts at which they are currently recorded in the consolidated statement of financial position. In addition, the Target Group Companies may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

**(iii) Functional and preparation currency**

The Financial Information and Comparative Financial Information are presented in Hong Kong dollars ("HK$"). Items included in the financial statements of each of the Target's subsidiaries are measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Target is Renminbi ("RMB"). The presentation currency is different from functional currency as the Target Group Companies is being acquired by the Company using HK$ as presentation currency.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Business combination and basis of consolidation**

The Financial Information incorporates the financial statements of the Target and its subsidiaries 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. 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.

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 Companies, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group Companies' 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 Companies 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 rganiz'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.

The results of subsidiaries acquired or disposed of are included in the statements 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 in line with those used by other members of the Target Group Companies.

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 Companies' 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 Companies' 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.

When the Target Group Companies 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.

**4.2 Subsidiaries**

Where the Target has control over an investee, it is classified as a subsidiary. The Target controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor 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's statements 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 on the basis of dividend received and receivable.

**4.3 Associates**

An associate is an entity over which the Target Group Companies have significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised as cost and thereafter, their carrying amount are adjusted for the Target Group Companies' share of the post-acquisition change in the associates' net assets except that losses in excess of the Target Group Companies' interest in the associate are not recognized unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Target Group Companies and its associates are recognized only to the extent of unrelated in investors' interests in the associate. The investor's share in the profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealized losses provide evidence of impairment of the asset transferred they are recognized immediately in profit or loss.

Any premium paid for an associate above the fair value of the Target Group Companies' share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

**4.4 Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to 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 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.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

| | |
|---|---|
| Buildings | 20 years |
| Leasehold improvements | 3 – 20 years |
| Computer equipment | 5 years |
| Furniture, fixtures and equipment | 2 – 10 years |
| Motor vehicles | 4 – 10 years |

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on 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.

**4.5 Investment Properties**

Investment properties are properties held either to earn rentals and/or for capital appreciation, 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. Fair value is determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties. The carrying amounts recognised in the consolidated statement of financial position reflect the prevailing market conditions at the reporting date.

**4.6 Prepaid land lease payments**

Paid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

**4.7 Leasing**

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

***The Target Group Companies as lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Target Group Companies net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group Companies net investment outstanding in respect of the leases.

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.

***The Target Group Companies as lessee***

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

**4.8 Impairment of assets other than financial assets**

At the end of each reporting period, the Target Group Companies 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;
- construction in progress; and
- interests in subsidiaries, an associate

If the recoverable amount (i.e. the greater of the fair value less cost 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, to the extent 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.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of cash generating unit.

**4.9 Financial Instruments**

***(i) Financial assets***

The Target Group Companies classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other 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*

Loans and receivables 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 Companies 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:

a. significant financial difficulty of the debtor;

b. a breach of contract, such as a default or delinquency in interest or principal payments;

c. granting concession to a debtor because of debtor's financial difficulty;

d. it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

*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 Companies classify its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised costs including trade payables, accruals, other payables and interest-bearing bank loans and other borrowings, are subsequently measured at amortised costs, using the effective interest method. The related interest expense is recognised in profit or loss.

Gain 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 of financial liability and of allocating interest income or interest expenses over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or 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 are recorded at the proceeds received, net of direct issue costs.

***(vi) Derecognition***

The Target Group Companies derecognise 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 IAS 39.

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

**4.10 Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**4.11 Revenue recognition**

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

Hotel room income and food and beverage income are recognised upon the provision of the services and the utilisation by guests of the hotel facilities.

Service income from provision of package tours and related services are recognised when the services are rendered.

Sale of scenic spot tickets is recognised when the tickets are issued.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on time basis on the principal outstanding at the applicable interest rate.

**4.12 Income tax expense**

Income taxes for the year 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. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable 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 appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Target Group Companies are 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.

**4.13 Foreign currencies**

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the relevant period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

**4.14 Cash and cash equivalents**

Cash comprises cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target's Group's cash management.

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

**4.15 Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group Companies have 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.

**4.16 Government grants**

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Target Group Companies for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation.

**4.17 Employee benefits**

Retirement benefits to employees are provided through a defined contribution plan. The employees of the Target Group Companies which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of the basic salaries for their employees which are registered as permanent residents in Mainland China. The contributions are charged to the consolidated income statement as they become payable in accordance with the rules of the central pension scheme.

**4.18 Capitalisation of borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**4.19 Employee leave entitlements**

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

**4.20 Related parties**

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

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

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

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

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

(i) The entity and the Target Group Companies 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 Companies or an entity related to the Target Group Companies.

(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).

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.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

In the application of the Target Group Companies' accounting policies, the directors 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 associated 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 reversed 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) Useful lives of property, plant and equipment**

The Target Group Companies' management determines the estimated useful lives for the property, plant and equipment of the Target Group Companies. The estimate is based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which would affect the related amortisation and depreciation charges included in the consolidated statements of comprehensive income.

**(b) Estimate of income and deferred tax provisions**

Significant judgment is required in determining the amount of provision for taxation and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred tax provisions in the period in which such determination are made.

**(c) Provision for impairment of trade receivables**

The policy for the provision for impairment of trade receivables of the Target Group Companies is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Target Group Companies were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

**(d) Fair value measurement**

A number of assets included in the Target Group Companies' financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Group Companies' non-financial assets utilises market observable 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 utilised 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 the 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.

For more detailed information in relation to the fair value measurement of the investment properties, please refer to the note 30.

**6. OPERATING SEGMENT INFORMATION**

The chief operating decision-makers ("CODM") have been identified as the directors of the Target Group Companies who review the Target Group Companies' internal reporting in order to assess performance and allocate resources.

The Target Group Companies determines its operating segments based on the reports reviewed by CODM that are used to make strategic decisions. The chief operating decision-marker considers the business primarily on the assessment of operating performance in each operating unit, which is the basis upon which the Target Group Companies are organised. Each operating unit is distinguished based on types of goods or services delivered or provided. The following summary describes the operations in each of the Target Group Companies' reportable segments:

– Scenic spots;

– Hotel operation; and

– Travel and travel related services.

**(a) Reportable segments**

Management assesses the performance of the operating segments based on the measure of segment results which represents the profit/(loss) before taxation earned by each segment and excluding unallocated gross profit, unallocated income and unallocated expenses. Unallocated expenses mainly included amortization, entertainment, legal and professional fees, repair and maintenance, insurance, travelling, printing and utility expenses. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Target Group Companies' revenue and results by reporting segment during the relevant period:

***Segment revenue and results***

*For the year ended 31 December 2012:*

| | Scenic Spots | Hospitably and catering | Travel and travel related services | Inter-segment elimination | Total |
|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| External revenue | 55,966,268 | 28,479,725 | 9,255,961 | – | 93,701,954 |
| Inter-segment revenue | – | – | 581,673 | (581,673) | – |
| Reportable segment revenue | 55,966,268 | 28,479,725 | 9,837,634 | (581,673) | 93,701,954 |
| Unallocated revenue | | | | | 1,164,077 |
| Total revenue | | | | | 94,866,031 |
| Segment gross profit | 35,267,605 | 19,614,248 | 924,280 | | 55,806,133 |
| Unallocated gross profit | | | | | 649,181 |
| Total gross profit | | | | | 56,455,314 |
| Unallocated interest income | | | | | 19,914 |
| Unallocated other income | | | | | 951,900 |
| Unallocated expenses | | | | | (18,242,344) |
| Written off of property, plant and equipment | | | | | (242,198) |
| Impairment loss on construction in progress | | | | | (15,115,510) |
| Advertising expenses | | | | | (8,574,866) |
| Depreciation of property, plant and equipment | | | | | (8,361,427) |
| Staff costs (excluding directors' remuneration) | | | | | (17,185,283) |
| Loss before income tax expense | | | | | (10,294,500) |

*For the year ended 31 December 2013:*

| | Scenic Spots<br>*HK$* | Hospitably and catering<br>*HK$* | Travel and travel related services<br>*HK$* | Inter-segment elimination<br>*HK$* | Total<br>*HK$* |
|---|---|---|---|---|---|
| External revenue | 58,251,661 | 29,353,572 | 10,864,603 | – | 98,469,836 |
| Inter-segment revenue | – | – | 1,959,476 | (1,959,476) | – |
| Reportable segment revenue | 58,251,661 | 29,353,572 | 12,824,079 | (1,959,476) | 98,469,836 |
| Unallocated revenue | | | | | 658,234 |
| Total revenue | | | | | 99,128,070 |
| Segment gross profit | 38,008,986 | 21,656,300 | 1,160,258 | | 60,825,544 |
| Unallocated gross profit | | | | | 619,109 |
| Total gross profit | | | | | 61,444,653 |
| Unallocated interest income | | | | | 64,179 |
| Unallocated other income | | | | | 398 |
| Unallocated expenses | | | | | (20,056,205) |
| Advertising expenses | | | | | (8,035,155) |
| Depreciation of property, plant and equipment | | | | | (9,357,961) |
| Staff costs (excluding directors' remuneration) | | | | | (21,585,149) |
| Loss on changes in fair value of investment properties | | | | | (505,827) |
| Profit before income tax expense | | | | | 1,968,933 |

*For the period ended 30 September 2014 (Unaudited):*

| | Scenic Spots | Hospitably and catering | Travel and travel related services | Inter-segment elimination | Total |
|---|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| External revenue | 42,728,044 | 20,380,239 | 5,403,783 | – | 68,512,066 |
| Inter-segment revenue | – | – | 581,414 | (581,414) | – |
| Reportable segment revenue | 42,728,044 | 20,380,239 | 5,985,197 | (581,414) | 68,512,066 |
| Unallocated revenue | | | | | 667,408 |
| Total revenue | | | | | 69,179,474 |
| Segment gross profit | 28,187,749 | 15,117,342 | 610,627 | | 43,915,718 |
| Unallocated gross profit | | | | | 604,591 |
| Total gross profit | | | | | 44,520,309 |
| Unallocated interest income | | | | | 37,117 |
| Rental income from leasing investment properties | | | | | 8,333 |
| Unallocated income | | | | | 244,611 |
| Unallocated expenses | | | | | (13,925,675) |
| Written off of property, plant and equipment | | | | | (1,059,832) |
| Advertising expenses | | | | | (12,120,144) |
| Depreciation of property, plant and equipment | | | | | (6,951,494) |
| Staff costs (excluding directors' remuneration) | | | | | (17,727,055) |
| Loss before income tax expense | | | | | (6,973,830) |

*For the year ended 31 December 2014:*

| | Scenic Spots *HK$* | Hospitably and catering *HK$* | Travel and travel related services *HK$* | Inter-segment elimination *HK$* | Total *HK$* |
|---|---|---|---|---|---|
| External revenue | 60,897,475 | 28,686,976 | 6,924,237 | – | 96,508,688 |
| Inter-segment revenue | – | – | 633,564 | (633,564) | – |
| Reportable segment revenue | 60,897,475 | 28,686,976 | 7,557,801 | (633,564) | 96,508,688 |
| Unallocated revenue | | | | | 986,053 |
| Total revenue | | | | | 97,494,741 |
| Segment gross profit | 40,559,200 | 21,268,801 | 793,263 | | 62,621,264 |
| Unallocated gross income | | | | | 876,381 |
| Total gross profit | | | | | 63,497,645 |
| Unallocated interest income | | | | | 57,710 |
| Rental income from leasing investment properties | | | | | 8,515 |
| Unallocated other income | | | | | 744,801 |
| Unallocated expenses | | | | | (20,208,322) |
| Written off of property, plant and equipment | | | | | (1,059,832) |
| Advertising expenses | | | | | (15,536,907) |
| Depreciation of property, plant and equipment | | | | | (9,268,658) |
| Staff costs (excluding directors' remuneration) | | | | | (23,814,564) |
| Loss before income tax expense | | | | | (5,579,612) |

*For the period ended 30 September 2015:*

| | Scenic Spots<br>*HK$* | Hospitably and catering<br>*HK$* | Travel and travel related services<br>*HK$* | Inter-segment elimination<br>*HK$* | Total<br>*HK$* |
|---|---|---|---|---|---|
| External revenue | 62,880,400 | 23,677,425 | 5,542,868 | – | 92,100,693 |
| Inter-segment revenue | – | – | 579,894 | (579,894) | – |
| Reportable segment revenue | 62,880,400 | 23,677,425 | 6,122,762 | (579,894) | 92,100,693 |
| Unallocated revenue | | | | | 781,969 |
| Total revenue | | | | | 92,882,662 |
| Segment gross profit | 41,987,925 | 17,618,623 | 849,575 | | 60,456,123 |
| Unallocated gross profit | | | | | 547,156 |
| Total gross profit | | | | | 61,003,279 |
| Unallocated interest income | | | | | 107,627 |
| Rental income from leasing investment properties | | | | | 7,551 |
| Unallocated other income | | | | | 2,182 |
| Unallocated expenses | | | | | (16,266,382) |
| Advertising expenses | | | | | (11,931,481) |
| Depreciation of property, plant and equipment | | | | | (6,859,086) |
| Staff costs (excluding directors' remuneration) | | | | | (17,208,427) |
| Profit before income tax expense | | | | | 8,855,263 |

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of interest income, rental income from leasing investment properties, changes in fair value of investment properties, advertising expenses, depreciation of property, plant and equipment, staff costs and unallocated expenses. This is the information reported to CODM for the purpose of resource allocation and performance assessment.

***Segment assets***

All assets are allocated to reportable segments other than investment properties, amounts due from non-controlling interests, amount due from a shareholder and cash and cash equivalent.

| | 2012<br>*HK$* | 2013<br>*HK$* | 2014<br>*HK$* | 2015<br>*HK$* |
|---|---|---|---|---|
| Scenic spots | 4,279,070 | 3,110,298 | 990,869 | 1,731,156 |
| Hotel operation | 123,573,528 | 144,552,530 | 115,337,618 | 104,584,528 |
| Travel and travel related services | 3,173,186 | 2,143,517 | 870,778 | 986,460 |
| Total segment assets | 131,025,784 | 149,806,345 | 117,199,265 | 107,302,144 |
| Unallocated | 10,423,997 | 8,588,192 | 9,828,776 | 20,925,849 |
| Consolidated assets | 141,449,781 | 158,394,537 | 127,028,041 | 128,227,993 |

***Segment liabilities***

All liabilities are allocated to reportable segments other than amount due to a shareholder, amount due to a related party, and provision for taxation.

| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Scenic spots | – | – | – | – |
| Hotel operation | 94,584,055 | 104,841,336 | 78,427,912 | 64,960,741 |
| Travel and travel related services | 324,323 | 567,362 | 913,766 | 2,356,502 |
| Total segment liabilities | 94,908,378 | 105,408,698 | 79,341,678 | 67,317,243 |
| Unallocated | 15,002,801 | 21,916,038 | 25,574,954 | 35,209,204 |
| Consolidated liabilities | 109,911,179 | 127,324,736 | 104,916,632 | 102,526,447 |

**(b) Geographical information**

As the Target Group Companies are domiciled in the PRC from where all of its revenue from external customers for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015 are derived and in where all of its assets are located, no geographical segment information is shown.

**(c) Information about major customers**

The Target Group Companies did not have any single customer contributed more than 10% of the Target Group Companies' revenue during the Relevant Periods.

**7. REVENUE**

An analysis of the Target Group Companies' revenue representing the aggregate amount of income from tourism and hotel operations. An analysis of revenue is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Sale of scenic spots tickets | 55,966,268 | 58,251,661 | 60,897,475 | 42,728,044 | 62,880,400 |
| Hotel room | 18,117,536 | 18,035,820 | 17,811,270 | 12,670,644 | 15,133,242 |
| Food and beverage catering services | 10,362,189 | 11,317,752 | 10,875,706 | 7,709,595 | 8,544,183 |
| Package tours and related services | 9,255,961 | 10,864,603 | 6,924,237 | 5,403,783 | 5,542,868 |
| Others *(note)* | 1,164,077 | 658,234 | 986,053 | 667,408 | 781,969 |
| | 94,866,031 | 99,128,070 | 97,494,741 | 69,179,474 | 92,882,662 |

*Note:* The amount mainly represents telecommunications and car park services.

## 8. OTHER INCOME

Other income is analysed as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Government grant *(note)* | 615,353 | – | 744,801 | 239,744 | – |
| Bank interest income | 19,914 | 64,179 | 57,710 | 37,117 | 107,627 |
| Rental income from leasing of investment properties | – | – | 8,515 | 8,333 | 7,551 |
| Others | 336,547 | 398 | – | 4,867 | 2,182 |
| | 971,814 | 64,577 | 811,026 | 290,061 | 117,360 |

*Note:* The government grant is for subsidising the infrastructure of certain projects undertaken by the Target's subsidiaries. There are no unfulfilled conditions or contingencies attached to these government grants.

## 9. FINANCE COSTS

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Interest on bank loans and other borrowings – Wholly repayable within five years | 5,875,452 | 3,700,785 | 3,180,889 | 2,587,107 | 2,155,616 |
| Less: amount capitalized in construction in progress | (2,367,542) | (1,557,472) | (263,296) | (197,469) | (276,650) |
| | 3,507,910 | 2,143,313 | 2,917,593 | 2,389,638 | 1,878,966 |

## 10. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

The Target Group Companies' profit/(loss) before income tax expense is arrived at after charging:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Staff costs (excluding directors' remuneration *(note 11)*) | | | | | |
| Wages and salaries | 12,926,015 | 16,816,634 | 18,523,171 | 13,878,702 | 14,497,369 |
| Short-term non-monetary benefits | 1,782,617 | 2,532,478 | 2,561,637 | 1,796,231 | 1,654,659 |
| Pension scheme contributions | 2,476,651 | 2,236,037 | 2,729,756 | 2,052,122 | 1,056,399 |
| | 17,185,283 | 21,585,149 | 23,814,564 | 17,727,055 | 17,208,427 |
| Depreciation of property, plant and equipment | 8,361,427 | 9,357,961 | 9,268,658 | 6,951,494 | 6,859,086 |
| Advertising expenses | 8,574,866 | 8,038,155 | 15,536,907 | 12,120,144 | 11,931,481 |
| Written off of property, plant and equipment | 242,198 | – | 1,059,832 | 1,059,832 | – |
| Impairment loss on construction in progress | 15,115,510 | – | – | – | – |
| Loss on changes in fair value of investment properties | – | 505,287 | – | – | – |
| Share of loss of an associate | – | – | – | – | 245,285 |
| Auditor's remuneration | 2,831 | 29,631 | 102,252 | 66,876 | 101,940 |
| Amortisation of prepaid lease payments | 118,359 | 130,210 | 144,812 | 103,197 | 108,277 |
| Operating lease charge in respect land and building | 209,189 | 564,576 | 796,006 | 550,568 | 548,597 |

## 11. DIRECTOR'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

### (a) Director's remuneration

Details of the director's remuneration during the Relevant Periods are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Director's fee | – | – | – | – | – |
| Other emolument: | | | | | |
| Salaries, allowances and benefits in kind | 209,282 | 330,205 | 270,527 | 198,988 | 214,010 |
| Pension scheme contributions | 18,000 | 18,000 | 18,000 | 13,500 | 13,500 |
| | 227,282 | 348,205 | 288,527 | 212,488 | 227,510 |

**(b) Five highest paid employees**

The five highest individuals whose emoluments were the highest in the Target Group Companies for the Relevant Periods included 1, 1, 1 and 1 directors of the Target respectively and their emoluments are reflected in the analysis presented in note 11(a). The emoluments payable to the remaining 4, 4, 4 and 4 individuals for the Relevant Periods respectively are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Salaries, allowances and benefits in kind | 1,263,491 | 1,527,710 | 1,702,629 | 1,243,183 | 1,340,826 |
| Pension scheme contributions | 27,309 | 25,974 | 29,082 | 21,811 | 22,298 |
| | 1,290,800 | 1,553,684 | 1,731,711 | 1,264,994 | 1,363,124 |

The number of non-directors, highest paid employees whose remuneration fell within the bands is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* (Unaudited) | *HK$* |
| Nil to HK$1,000,000 | 4 | 4 | 4 | 4 | 4 |

During the Relevant Periods, no remuneration was paid by the Target Group Companies to the directors or any of the five highest paid employees as an inducement to join or upon joining the Target Group Companies or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the Relevant Periods.

## 12. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Target Group Companies did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

The Target Group Companies in the PRC was subject to Enterprise Income Tax at the rate of range from 15% to 25% based on the estimated assessable profits during the Relevant Periods.

The amount of taxation in the consolidated statement of comprehensive income represents:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Current – PRC Tax | | | | | |
| – Tax for the year/period | 3,814,572 | 3,417,932 | 3,081,131 | 1,731,075 | 4,352,795 |
| – Under provision in respect of prior years | 18,520 | 4,202 | 184,456 | 1,218 | 38,810 |
| Total income tax expense for the year/period | 3,833,092 | 3,422,134 | 3,265,587 | 1,732,293 | 4,391,605 |

The income tax expense during the Relevant Periods can be reconciled to the Target Group Companies' profit/(loss) before income tax expense per the consolidated statement of comprehensive income as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* | *HK$* |
| | | | | (Unaudited) | |
| Profit/(loss) before income tax expense | (10,294,500) | 1,968,933 | (5,579,612) | (6,973,830) | 8,855,263 |
| Tax on profit before income tax expense, calculated at reconfirm the rates applicable to profit/(loss) in the tax jurisdictions concerned | (3,147,607) | 170,358 | (1,087,519) | (1,468,248) | 1,062,798 |
| Tax effect of expense not deductible for tax purpose | 6,189,845 | 2,936,551 | 4,144,331 | 3,343,265 | 3,303,232 |
| Tax effect of income not taxable for tax purpose | (106,764) | (65,453) | (59,963) | (263,185) | (76,366) |
| Tax effect of tax loss not recognised | 879,098 | 376,475 | 84,282 | 119,243 | 63,131 |
| Under provision in prior years | 18,520 | 4,203 | 184,456 | 1,218 | 38,810 |
| Income tax expense for the year/period | 3,833,092 | 3,422,134 | 3,265,587 | 1,732,293 | 4,391,605 |

**13. DIVIDENDS**

No dividends have been paid or declared by the Target during the Relevant Periods.

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Buildings *HK$* | Building – others *HK$* | Leasehold improvements *HK$* | Computer equipment *HK$* | Furniture, fixtures and equipment *HK$* | Motor vehicles *HK$* | Total *HK$* |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 January 2012 | 52,220,229 | 1,790,599 | 24,749,236 | 9,408,810 | 13,879,819 | 2,548,092 | 104,596,785 |
| Additions | 5,591,439 | – | 3,492,848 | 1,508,476 | 9,747 | – | 10,602,510 |
| Write off | – | – | (3,568,547) | (1,204,132) | – | (52,156) | (4,824,835) |
| Exchange differences | 223,089 | 7,710 | 106,597 | 40,419 | 59,765 | 17 | 437,597 |
| At 31 December 2012 | 58,034,757 | 1,798,309 | 24,780,134 | 9,753,573 | 13,949,331 | 2,495,953 | 110,812,057 |
| Additions | 4,303,720 | – | 17,035,653 | 2,766,673 | 52,531 | 462,721 | 24,621,298 |
| Exchange differences | 1,890,015 | 56,834 | 1,004,568 | 344,204 | 440,848 | 84,894 | 3,821,363 |
| At 31 December 2013 | 64,228,492 | 1,855,143 | 42,820,355 | 12,864,450 | 14,442,710 | 3,043,568 | 139,254,718 |
| Additions | 48,338 | 4,902,789 | 3,734,753 | 1,955,829 | 455,592 | 380,635 | 11,477,936 |
| Write off | – | (11,298) | (287,001) | (6,224,359) | (355,553) | (37,063) | (6,915,274) |
| Disposal | – | – | – | – | – | (72,702) | (72,702) |
| Exchange differences | (275,920) | (2,665) | (180,248) | 80,017 | (61,948) | (12,705) | (453,469) |
| At 31 December 2014 | 64,000,910 | 6,743,969 | 46,087,859 | 8,675,937 | 14,480,801 | 3,301,733 | 143,291,209 |
| Additions | 224,174 | 389,258 | 1,353,724 | 185,026 | – | – | 2,152,182 |
| Exchange differences | (2,231,859) | (246,422) | (1,643,855) | (307,305) | (503,419) | (114,783) | (5,047,643) |
| At 30 September 2015 | 61,993,225 | 6,886,805 | 45,797,728 | 8,553,658 | 13,977,382 | 3,186,950 | 140,395,748 |
| **Accumulated depreciation** | | | | | | | |
| At 1 January 2012 | 6,190,189 | 317,865 | 7,175,510 | 7,341,682 | 3,356,421 | 1,205,339 | 25,587,006 |
| Charge for the year | 2,633,016 | 87,454 | 1,822,216 | 892,223 | 2,591,584 | 334,934 | 8,361,427 |
| Write off | – | – | (3,390,119) | (1,143,719) | – | (48,799) | (4,582,637) |
| Exchange differences | 25,819 | 1,340 | 31,397 | 31,694 | 13,630 | 5,099 | 108,979 |
| At 31 December 2012 | 8,849,024 | 406,659 | 5,639,004 | 7,121,880 | 5,961,635 | 1,496,573 | 29,474,775 |
| Charge for the year | 2,830,885 | 83,922 | 2,409,440 | 1,041,114 | 2,639,723 | 352,877 | 9,357,961 |
| Exchange differences | 316,453 | 13,943 | 209,530 | 238,605 | 222,718 | 51,883 | 1,053,132 |
| At 31 December 2013 | 11,996,362 | 504,524 | 8,257,974 | 8,401,599 | 8,824,076 | 1,901,333 | 39,885,868 |
| Charge for the year | 2,875,251 | 142,440 | 2,574,894 | 1,135,000 | 2,097,758 | 443,315 | 9,268,658 |
| Write off | – | (10,734) | (272,651) | (5,213,265) | (323,583) | (35,209) | (5,855,442) |
| Disposal | – | – | – | – | – | (68,992) | (68,992) |
| Exchange differences | (48,426) | (2,025) | 190,895 | (40,523) | (35,990) | (7,802) | 56,129 |
| At 31 December 2014 | 14,823,187 | 634,205 | 10,751,112 | 4,282,811 | 10,562,261 | 2,232,645 | 43,286,221 |
| Charge for the period | 2,126,583 | 235,595 | 2,211,566 | 592,906 | 1,362,707 | 329,729 | 6,859,086 |
| Exchange differences | (580,720) | (29,293) | (429,223) | (167,124) | (409,100) | (87,757) | (1,703,217) |
| At 30 September 2015 | 16,369,050 | 840,507 | 12,533,455 | 4,708,593 | 11,515,868 | 2,474,617 | 48,442,090 |
| **Net book value** | | | | | | | |
| At 31 December 2012 | 49,185,733 | 1,391,650 | 19,141,130 | 2,631,693 | 7,987,696 | 999,380 | 81,337,282 |
| At 31 December 2013 | 52,232,130 | 1,350,619 | 34,562,381 | 4,462,851 | 5,618,634 | 1,142,235 | 99,368,850 |
| At 31 December 2014 | 49,177,723 | 6,109,764 | 35,336,747 | 4,393,126 | 3,918,540 | 1,069,088 | 100,004,988 |
| At 30 September 2015 | 45,624,175 | 6,046,298 | 33,264,273 | 3,845,065 | 2,461,514 | 712,333 | 91,953,658 |

The Group's buildings are located in the PRC under long term lease.

At 31 December 2012 and 2013, the net carrying amount of Building-others of HK$1,390,803 and HK$1,347,780 were pledged for the Target Group Companies' bank borrowings respectively (note 22).

## 15. INVESTMENT PROPERTIES

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| At 1 January (level 3 recurring fair value) | – | – | 341,211 | 341,211 |
| Addition | – | 847,038 | – | – |
| Change in fair value | – | (505,827) | – | – |
| At 31 December/30 September (level 3 recurring fair value) | – | 341,211 | 341,211 | 341,211 |

The fair value of the Target Group Companies' investment properties as at 31 December 2013 and 2014 and 30 September 2015 has been arrived at on the basis of a valuation carried out by AVISTA Valuation Advisory Limited, independent qualified professional valuers not connected to the Target Group Companies. They have relevant professional qualifications and recent experience in the location and category of the investment properties being valued. Change in fair value of investment properties is recognised in the line item "Loss on changes in fair value of investment properties" on the face of the consolidated statements of comprehensive income.

The valuations of the investment properties are determined based on income capitalisation approach. In respect of income capitalisation approach, the valuation is determined using the discounted cash flow method, based on the estimated rental value of the property. The valuation takes account of expected annual growth of the properties. The revision yield adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. There were no changes to the valuation techniques during the Relevant Periods.

*Significant unobservable inputs*

| **Income capitalisation approach (Level 3):** | |
|---|---|
| Market unit rent | RMB1,000 |
| Annual growth rate | 7% |
| Revision yield | 7% |

The higher the market unit rent and annual growth rate, the higher the fair value, and vice versa. The higher the revision yield, the lower the fair value, and vice versa.

In estimation the fair value of the properties, the highest and best use of the properties is their current use. During the Relevant Periods, there were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy. The directors estimated that the effect on the fair value of investment properties in response to reasonably possible changes in key inputs would be insignificant during the Relevant Periods.

The investment properties are located in the PRC and held under medium-term lease.

## 16. PREPAID LAND LEASE PAYMENTS

The Target Group Companies interests in land use rights represented prepaid operating lease payments and the movements in their net carrying amounts are analysed as follows:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| At 1 January | 2,772,621 | 2,666,239 | 2,636,076 | 2,479,781 |
| Additions | – | 10,991 | – | – |
| Amortisation *(note 10)* | (118,359) | (130,210) | (144,812) | (108,277) |
| Exchange differences | 11,977 | 89,056 | (11,483) | (82,878) |
| At 31 December/30 September | 2,666,239 | 2,636,076 | 2,479,781 | 2,288,626 |

The land use rights are located in the PRC and held under medium-term lease.

At 31 December 2012 and 2013, the land use right of HK$2,306,070 and HK$2,331,916 was pledged for the Target Group Companies' bank borrowing respectively (note 22).

## 17. HOTEL INVENTORIES

Hotel inventories comprise food and beverage and other consumables.

## 18. TRADE AND OTHER RECEIVABLES

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade receivables | 4,929,016 | 4,283,067 | 1,947,402 | 1,625,645 |
| Deposits and prepayments *(note a)* | 29,359,756 | 30,439,451 | 2,063,636 | 2,034,508 |
| Bank deposits pledged for bank loans *(note 22)* | 2,460,630 | 4,004,315 | 3,917,604 | 1,341,791 |
| Deferred expenditure *(note b)* | 1,777,133 | 2,570,603 | 2,480,894 | 2,175,515 |
| Temporary funding receivables *(note c)* | 1,112,083 | 501,605 | 298,386 | 1,345,193 |
| Other receivables | 1,952,130 | 1,785,232 | 498,747 | 579,290 |
| | 41,590,748 | 43,584,273 | 11,206,669 | 9,101,942 |

*Note a:* The balances represent payments for construction costs, which were subsequently transferred to property, plant and equipment and administrative expenses depending on construction progress.

*Note b:* Deferred expenditure mainly represent advertising fees paid but services have not been performed, which will be recognised as expenses over the term of the services.

*Note c:* Temporary funding receivables are funds temporarily advanced to non-related parties, which are non-interest bearing and unsecured.

Trade receivables are recognised and carried at their original invoiced amounts less impairment which is made when collection of the full amounts is no longer probable. Bad debts are written off as incurred.

The aged analysis of trade receivables as at the end of the respective reporting periods, based on the invoice date, is as follows:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Current to 30 days | 803,164 | 455,656 | 592,287 | 269,766 |
| 31 to 60 days | 863,025 | 1,359,585 | 240,499 | 527,884 |
| 61 to 90 days | 1,347,878 | 709,850 | 211,458 | 202,658 |
| Over 90 days | 1,914,949 | 1,757,976 | 903,158 | 625,337 |
| | 4,929,016 | 4,283,067 | 1,947,402 | 1,625,645 |

The Target Group generally grants no credit period to its customers except for certain significant transactions where credit terms or settlement schedules are negotiated on individual basis.

The aged analysis of trade receivables that are net of impairment loss, at the end of respective reporting periods, is as follows:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Within 1 month past due | 803,164 | 455,656 | 592,287 | 269,766 |
| 1 to 3 months past due | 2,210,903 | 2,069,435 | 451,957 | 730,542 |
| 3 to 12 months past due | 1,387,994 | 860,293 | 291,524 | 582,414 |
| More than 1 year past due | 526,955 | 897,683 | 611,634 | 42,923 |
| | 4,929,016 | 4,283,067 | 1,947,402 | 1,625,645 |

Trade receivables that were neither past due nor impaired relate to a number of diversified independent customers that have a good track record within the Target Group Companies. Based on past experience, the Directors of the Target Group are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Target Group Companies recognises impairment loss in accordance with the policy in note 4.9(ii). The Target Group Companies' credit policy is set out in note 30.

The Target Group Companies seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group Companies' trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group Companies do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

The balances of other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 19. BALANCES WITH RELATED COMPANIES/PARTIES

**Target Group Companies**

***(a) Amounts due from non-controlling interests (note 1)***

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| 江志權 (Jiang Zhiquan) | 172,244 | 177,687 | 176,924 | 170,773 |
| 梁志輝 (Liang Zhihui) | 172,244 | 177,687 | 176,924 | 170,773 |
| 劉高源 (Liu Gaoyuan) | 137,796 | 142,149 | 141,540 | 136,619 |
| 李愛軍 (Li Aijun) | 137,796 | 142,149 | 141,540 | 136,619 |
| 吳偉 (Wu Wei) | 137,796 | 142,149 | 141,540 | 136,619 |
| 葉杰賢 (Ye Jiexian) | 137,796 | 142,149 | 141,540 | 136,619 |
| 吳賢標 (Ye Xianbiao) | 103,346 | 106,613 | 106,154 | 102,464 |
| 宋潔洪 (Song Jiehong) | 103,346 | 106,613 | 106,154 | 102,464 |
| 韓廷財 (Han Tingcai) | 103,346 | 106,613 | 106,154 | 102,464 |
| 劉年壽 (Liu Nianshou) | 103,346 | 106,613 | 106,154 | 102,464 |
| 劉薇 (Liu Wei) | 103,346 | 106,613 | 106,154 | 102,464 |
| 楊莉 (Yang Li) | 103,346 | 106,613 | 106,154 | 102,464 |
| 何東斌 (He Dongbin) | 103,346 | 106,613 | 106,154 | 102,464 |
| 梁波 (Liang Bo) | 103,346 | 106,613 | 106,154 | 102,464 |
| 抉俊 (Jue Jun) | 103,346 | 106,613 | 106,154 | 102,464 |
| 陸永娟 (Lu Yongjuan) | 103,346 | 106,613 | 106,154 | 102,464 |
| 黃偉紅 (Hong Weihong) | 68,898 | 71,075 | 70,770 | 68,310 |
| 陳祥新 (Chen Xiangxin) | 68,898 | 71,075 | 70,770 | 68,309 |
| 尚斷仙 (Shang Duanxian) | 68,898 | 71,075 | 70,770 | 68,309 |
| 唐軍 (Tang Jun) | 68,898 | 71,075 | 70,770 | 68,309 |
| 廣州市花都綠業發展有限公司 (Guangzhou Huadu Luye Development Limited*) | 119,956 | 307,780 | 727,916 | 928,275 |
| | 2,324,680 | 2,582,180 | 2,992,544 | 3,114,174 |

| | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| ***(b) Amount due from a shareholder (note 2)*** | 2,658,482 | 2,667,014 | 1,273,853 | 1,229,568 |

**Target**

***Amount due from non-controlling interests (note 1)***

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| 廣州市花都綠業發展有限公司 (Guangzhou Huadu Luye Development Limited*) | 119,956 | 307,780 | 727,916 | 928,275 |

*Note 1:* The amounts due from non-controlling interests are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

*Note 2:* The amount due from a shareholder is unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

***(c) Amount due to a shareholder***

The amount is unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

* *The English names are for identification purposes only. The official names of the entity is in Chinese.*

*(d) Amount due to a related party*

The amount is unsecured, bears interest of 3% per annum and repayable in 2017. In July 2014, a subsidiary of the Target entered into an supplemental agreement with the related party pursuant to which the amount was interest-free with effect in July 2014. The related party is a shareholder's spouse. The carrying amounts of the amounts due approximate to its fair values.

## 20. CASH AND CASH EQUIVALENTS

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Cash at bank and on hand | 5,440,835 | 2,997,787 | 5,221,168 | 16,240,896 |

As at 31 December 2012, 2013 and 2014 and 30 September 2015, cash at bank and on hand are denominated in RMB. RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group Companies are permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 21. TRADE AND OTHER PAYABLES

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Trade payables *(note a)* | 1,391,563 | 1,757,050 | 1,492,071 | 2,074,737 |
| Receipt in advance | 549,319 | 2,642,652 | 3,384,611 | 6,837,160 |
| Accruals *(note b)* | 20,361,331 | 12,538,616 | 17,409,283 | 7,984,328 |
| Provision of social insurance | 5,579,881 | 8,414,634 | 11,721,875 | 13,329,986 |
| Other payables | 15,050,002 | 15,707,478 | 7,927,040 | 4,156,170 |
| | 42,932,096 | 41,060,430 | 41,934,880 | 34,382,381 |

*Note a:* The Target Group Companies normally obtains credit terms of up to 30 days from its suppliers. Trade payables are interest-free.

*Note b:* The balances mainly represent accrued advertising expenses for promotion of scenic spots and hotels.

The aged analysis of trade payables as at the end of the respective reporting periods, based on the invoice dates, is as follows:

| | | At 31 December | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Current to 30 days | 641,611 | 748,209 | 650,820 | 1,082,728 |
| 31 – 60 days | 514,067 | 491,865 | 557,419 | 742,047 |
| 61 – 90 days | 100,963 | 361,937 | 138,314 | 122,672 |
| Over 90 days | 134,922 | 155,039 | 145,518 | 127,290 |
| | 1,391,563 | 1,757,050 | 1,492,071 | 2,074,737 |

**22. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS**

| | | At 31 December | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Current** | | | | |
| Secured | | | | |
| – bank loans due for repayment within one year *(notes a and c)* | 13,221,361 | 14,722,681 | 22,241,880 | 15,247,621 |
| **Non-current** | | | | |
| Secured | | | | |
| – bank loans due for repayment after one year *(notes a and c)* | 23,688,088 | 35,029,826 | 15,164,918 | 17,687,241 |
| **Unsecured** | | | | |
| – other borrowings due for repayment after one year *(note b)* | 15,066,833 | 14,595,761 | – | – |
| | 38,754,921 | 49,625,587 | 15,164,918 | 17,687,241 |
| | 51,976,282 | 64,348,268 | 37,406,798 | 32,934,862 |

(a) As at 31 December 2012, 2013, 2014 and 30 September 2015, the interest-bearing bank loans are denominated in RMB, repayable within one to five years and bears interest at fixed rate ranging 5.96%, 5.96% to 6.72%, 6.72% to 8% and 6.72% to 8% per annum respectively.

The Target Group Companies banking facilities and its interest-bearing bank loans are secured by:

- A floating charge on revenue from sale of scenic spots tickets of the Target's subsidiary;
- The pledge of certain property, plant and equipment, and land use rights of the Target Group Companies with net carrying amount of HK$3,696,873 and HK$3,679,696 as at 31 December 2012 and 2013 respectively (notes 14 &16). The pledge has been released in the year ended 31 December 2014;

- Corporate guarantee of 廣西中小企業信用擔保有限公司 (Guangxi SME credit guarantee Limited*), an independent third party;

- Personal guarantees from shareholders of the Target; and

- Bank deposits as disclosed in note 18.

(b) On 20 July 2011, the Target Group Companies entered into an agreement with an independent third party to borrow a loan of RMB15,500,000. The loan was matured on 19 July 2016. The effective interest rate is 3% per annum. The loan was fully settled in 2014.

(c) As at 31 December 2014 and 30 September 2015, the Target's subsidiary, Guangxi Detian, has provided corporate guarantees amounted to HK$15,164,918 and HK$18,297,146 to the bank respectively in respect of the interest-bearing bank loans to its subsidiary.

At the end of each reporting period, total current and non-current bank loans and other borrowings were scheduled to repay as follows:

| | | **At 31 December** | | **As at 30 September** |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| On demand or within one year | 13,221,361 | 14,722,681 | 22,241,880 | 15,247,621 |
| More than one year, but not exceeding two years | 24,606,299 | 21,322,503 | 631,872 | – |
| More than two years, but not exceeding five years | 14,148,622 | 28,303,084 | 14,533,046 | 17,687,241 |
| | 51,976,282 | 64,348,268 | 37,406,798 | 32,934,862 |

## 23. SHARE CAPITAL

| | | **At 31 December** | | **As at 30 September** |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Paid-in capital | 5,653,444 | 5,653,444 | 5,653,444 | 5,653,444 |

## 24. RESERVES

The amounts of the Target Group Companies' reserve and the movements for the Relevant Periods are set out in the consolidated statements of changes in equity.

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

**25. RELATED PARTY TRANSACTIONS**

(i) In addition to the transactions detailed elsewhere in this report, the Target Group Companies had the following material transactions with related party during the Relevant Periods:

| Relationship/name of related party | Nature of transaction | Year ended 31 December 2012 HK$ | 2013 HK$ | 2014 HK$ | Nine months ended 30 September 2014 HK$ (Unaudited) | 2015 HK$ |
|---|---|---|---|---|---|---|
| *Shareholder's spouse* 盧麗麗 | Interest expense (a) | 36,577 | 162,642 | 69,413 | 69,413 | – |

(a) The terms of the above transaction are mutually agreed by the Target Group Companies and the related party. The directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

(ii) Compensation of key management personnel of the Target Group Companies, including directors' remuneration as disclosed in note 11 to the Financial Information is as follows:

| | Year ended 31 December 2012 HK$ | 2013 HK$ | 2014 HK$ | Nine months ended 30 September 2014 HK$ (Unaudited) | 2015 HK$ |
|---|---|---|---|---|---|
| Salaries, allowances and benefits in kind | 1,407,309 | 1,702,346 | 1,882,779 | 1,375,692 | 1,483,445 |
| Pension scheme contributions | 31,612 | 34,632 | 38,776 | 29,082 | 29,731 |
| | 1,438,921 | 1,736,978 | 1,921,555 | 1,404,774 | 1,513,176 |

(iii) As at 31 December 2012, 2013, 2014 and 30 September 2015, the banking facilities and interest-bearing bank loans of the Target Group Companies were supported by personal guarantees executed by the shareholders of the Target.

(iv) Details of the Target Group Companies' balance with related parties are disclosed in note 19 to this report.

(v) The Target Group Companies has not made any provision on impairment for bad or doubtful debts in respect of related party's debtors, nor has any guarantee been given or received during the Relevant Periods regarding related party balances.

## 26. OPERATING LEASE ARRANGEMENTS

**As lessee**

The Target Group Companies leases certain of its office premises under operating lease arrangements. Leases of these properties are negotiated for terms ranging from one to fifteen years. At the end of the respective reporting period, the Target Group Companies had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Within one year | 269,562 | 158,587 | 142,856 | 429,375 |
| Later than one year and not later than five years | 299,331 | 293,057 | 291,798 | 312,942 |
| Later than five years | 315,637 | 325,612 | 324,213 | – |
| | 884,530 | 777,256 | 758,867 | 742,317 |

**As lessor**

The Target Group Companies leases certain retail space and areas of its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of leases generally also require the tenants to pay security deposits. None of the leases includes contingents rentals.

At the end of respective reporting period, the Target Group Companies had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Within one year | 41,228 | 115,826 | 72,153 | 88,796 |
| Later than one year and not later than five years | 87,916 | 122,012 | 85,555 | 64,836 |
| | 129,144 | 237,838 | 157,708 | 153,632 |

## 27. CAPITAL COMMITMENTS

The Target Group Companies had the following capital commitments at the end of the respective reporting periods:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | **2012** | **2013** | **2014** | **2015** |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Contracted, but not provided for, in respect of acquisition of Property, plant and equipment | – | 341,998 | – | 622,469 |

## 28. INTERESTS IN SUBSIDIARIES

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Unlisted shares, at cost | 2,060,778 | 2,125,904 | 2,116,770 | 2,043,181 |
| Amounts due from subsidiaries | 5,407,300 | 5,958,946 | 5,806,968 | 22,967,009 |

Balances with subsidiaries are unsecured, interest-fee and repayable on demand.

Details of the subsidiaries are as follows:

| Company name | Place and date of incorporation/ establishment | Particulars of issued and fully paid share capital/ registered capital | Percentage of equity attributable to the Target Direct % | Indirect % | Place of operation and principal activities |
|---|---|---|---|---|---|
| **Subsidiaries** | | | | | |
| 廣西德天旅遊發展集團有限公司[1] Guangxi Detian Travel Development Group Limited* | The People's Republic of China (the "PRC"), 15 September 1999 | RMB1,080,000 | 94.60 | – | Tourist scenic spots waterfall sightseeing and hospitality and catering services in the PRC |
| 大新明仕旅遊發展有限公司[1] Daxin Mingshi Travel Development Company Limited* | The PRC, 27 April 2007 | RMB10,000,000 | – | 56.76 | Tourist scenic spots bamboo raft adventure and hospitality and catering services in the PRC |
| 南寧明仕旅遊策劃有限公司[1] Nanning Mingshi Travel Planning Ltd* | The PRC, 26 May 2008 | RMB500,000 | – | 94.60 | Dormant in the PRC |
| 大新縣德天旅行社有限責任公司[1] Daxin County Detian Travel Agency Ltd* | The PRC, 1 March 2001 | RMB300,000 | 40 | 56.76 | Travel agency in the PRC |
| 大新民宿酒店管理有限公司[1] Daxin Minsu Hotel Management Ltd* | The PRC, 14 August 2014 | n/a[2] | – | 56.76 | Hotel operation in the PRC |
| 廣西真牛電子科技有限公司[1] Guangxi Zhenniu Electronic and Technology Ltd* | The PRC, 12 August 2014 | n/a[3] | – | 56.76 | Dormant in the PRC |

*Notes:*

1 All these statutory financial statements prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC for the period from its dates of incorporation to 31 December 2014 were audited by 廣東中乾會計師事務所 (普通合夥) (GD Zhong Qian Certified Public Accountants*), certified public accountants registered in the PRC.

2 Pursuant to the Articles of the Company, it is required to complete the capital injection of RMB2,500,000 before 31 August 2020 and additional of RMB2,500,000 before 31 August 2025.

3 Pursuant to the Articles of the Company, it is required to complete the capital injection of RMB500,000 before 30 June 2060.

4 None of the subsidiaries had issued any debt securities at the end of the year.

* The English translation of the name is for reference only, its official name is in Chinese.

## 29. INTERESTS IN AN ASSOCIATE

| | **As at 30 September 2015** *HK$* |
|---|---|
| Unlisted equity investment, at cost | 1,585,753 |
| Share of post-acquisition loss and other comprehensive income | (245,285) |
| Exchange difference | 7,543 |
| | 1,348,011 |

Details of the associate are as follows:

| **Company name** | **Place of incorporation, operation and principal activity** | **Percentage of ownership interests, voting power and profit sharing** |
|---|---|---|
| 廣西耀通投資有限公司 (Guangxi Yaotung Investment Limited*) | Tourism, hotel operation and Catering service in the PRC | 20% |

## 30. FINANCIAL INSTRUMENTS BY CATEGORY

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

**(a) Categories of financial instruments**

**Target Group Companies**

| | **At 31 December** | | | **As at 30 September** |
|---|---|---|---|---|
| | **2012** *HK$* | **2013** *HK$* | **2014** *HK$* | **2015** *HK$* |
| **Financial assets** | | | | |
| **Loan and receivables:** | | | | |
| Trade receivables | 4,929,016 | 4,283,067 | 1,947,402 | 1,625,645 |
| Deposits and other receivable | 7,388,098 | 8,950,601 | 7,284,092 | 5,527,176 |
| Amounts due from non-controlling interests | 2,324,680 | 2,582,180 | 2,992,544 | 3,114,174 |
| Amount due from a shareholder | 2,658,482 | 2,667,014 | 1,273,853 | 1,229,568 |
| Cash and cash equivalents | 5,440,835 | 2,997,787 | 5,221,168 | 16,240,896 |
| | 22,741,111 | 21,480,649 | 18,719,059 | 27,737,459 |

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Financial liabilities measured at amortised cost:** | | | | |
| Trade payables | 1,391,563 | 1,757,050 | 1,492,071 | 2,074,737 |
| Accruals, provision of social insurance and other payables | 40,991,214 | 36,660,728 | 37,058,198 | 25,470,484 |
| Amount due to a related party | 12,794,326 | 11,166,566 | 14,785,796 | 8,172,725 |
| Amount due to a shareholder | 55,849 | 10,747,968 | 10,512,225 | 24,162,210 |
| Interest-bearing bank loans and other borrowings | 51,976,282 | 64,348,268 | 37,406,798 | 32,934,862 |
| | 107,209,234 | 124,680,580 | 101,255,088 | 92,815,018 |

**Target**

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| **Financial assets** | | | | |
| **Loan and receivables:** | | | | |
| Other receivables | 412,567 | 41,158 | 34,306 | 35,784 |
| Amount due from non-controlling interests | 119,956 | 307,780 | 727,916 | 928,275 |
| Amounts due from subsidiaries | 5,407,300 | 5,958,946 | 5,806,968 | 22,967,009 |
| Cash and cash equivalents | 737,713 | 517,789 | 83,512 | 6,132,331 |
| | 6,677,536 | 6,825,673 | 6,652,702 | 30,063,399 |
| **Financial liabilities measured at amortised cost:** | | | | |
| Other payables | 40,023 | 12,163 | 29,433 | 168,892 |
| Amount due to a shareholder | – | 856,555 | 852,875 | 24,162,210 |
| | 40,023 | 868,718 | 882,308 | 24,331,102 |

**(b) Financial risk management and fair value**

The Target Group Companies' principal financial instruments comprise trade and other receivables, cash and cash equivalents, trade payables and other payables and interest-bearing bank loans and other borrowings. The Target Group Companies has various other financial assets and liabilities such as balances with related parties.

It is, and has been, through the Relevant Periods, the Target Group Companies' policy that no trading in financial instruments shall be undertaken.

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

***Foreign currency risk***

Substantially all the transactions of the Target Group Companies in the PRC are carried out in RMB, which is the functional currency of the subsidiaries. Therefore, the risk on foreign currency risk is minimal.

***Credit risk***

The Target Group Companies' credit risk is primarily attributable to its trade receivables, other receivables, amounts due from related companies and cash and cash equivalents. There was no history of material default for amounts due from related parties, other receivables and the bank deposits are placed in the banks with high credit-ratings.

In respect of trade receivables, the Target Group Companies trades only with recognised and credit worthy customers and the receivable balances are monitored on an ongoing basis and on an individual basis. The Group have a significant degree of concentration of credit risk on trade receivables. As at 31 December 2012, 2013, 2014 and 30 September 2015, the trade receivables from the five largest debtors represented 67%, 74%, 63% and 53% of the total trade receivables respectively, while the largest debtor represented 22%, 28%, 22% and 17% of the total trade receivables respectively. Given the credit worthiness and reputation of the major debtors, management believes the risk arising from concentration is manageable and not significant.

***Interest rate risk***

The Target Group Companies' exposure to interest rate risk arises from interest-bearing bank loans and other borrowings from financial institutions. The Target Group Companies' policy is to maintain an efficient and optimum cost structure using a combination of fixed and variable rate debts and short and long term borrowings. The Target Group Companies' results are affected by changes in interest rates due to the impact of such changes on interest expenses from bank loans which are at floating interest rates. It is the Target Group Companies' policy to obtain quotes from the financial institutions to ensure that the most favourable rates are made available to the Target Group Companies.

The following table demonstrates the sensitivity analysis of the interest-bearing bank loans and other borrowings at the end of the respective reporting periods if there was 1% change in interest rates, with all other variables held constant, of the Target Group Companies' profit after income tax:

| | **31 December 2012** *HK$* | | **31 December 2013** *HK$* | | **31 December 2014** *HK$* | | **30 September 2015** *HK$* | |
|---|---|---|---|---|---|---|---|---|
| | *+1%* | *-1%* | *+1%* | *-1%* | *+1%* | *-1%* | *+1%* | *-1%* |
| Increase/(decrease) in profit after tax for the years/period | 485,780 | (485,780) | 581,592 | (581,592) | 280,551 | (280,551) | 247,011 | (247,011) |

***Liquidity risk***

The Target Group Companies' policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each of the Relevant Periods of the Target Group Companies' financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Target can be required to pay.

**Target Group Companies**

| **31 December 2012** | **Carrying amount** *HK$* | **Total contractual undiscounted cash flow** *HK$* | **Within 1 year or on demand** *HK$* | **More than 1 year but less than 5 years** *HK$* | **More than 5 years** *HK$* |
|---|---|---|---|---|---|
| Trade payables | 1,391,563 | 1,391,563 | 1,391,563 | – | – |
| Accruals, provision of social insurance and other payables | 40,991,214 | 40,991,214 | 40,991,214 | – | – |
| Amount due to a related party | 12,794,326 | 13,400,782 | 2,613,002 | 10,787,780 | – |
| Amount due to a shareholder | 55,849 | 55,849 | 55,849 | – | – |
| Interest-bearing bank loans and other borrowings | 51,976,282 | 57,104,735 | 15,531,418 | 41,573,317 | – |
| Total | 107,209,234 | 112,944,143 | 60,583,046 | 52,361,097 | – |

| **31 December 2013** | **Carrying amount** *HK$* | **Total contractual undiscounted cash flow** *HK$* | **Within 1 year or on demand** *HK$* | **More than 1 year but less than 5 years** *HK$* | **More than 5 years** *HK$* |
|---|---|---|---|---|---|
| Trade payables | 1,757,050 | 1,757,050 | 1,757,050 | – | – |
| Accruals, provision of social insurance and other payables | 36,660,728 | 36,660,728 | 36,660,728 | – | – |
| Amount due to a related party | 11,166,566 | 11,625,188 | 775,897 | 10,849,291 | – |
| Amount due to a shareholder | 10,747,968 | 10,747,968 | 10,747,968 | – | – |
| Interest-bearing bank loans and other borrowings | 64,348,268 | 70,932,036 | 17,989,759 | 52,942,277 | – |
| Total | 124,680,580 | 131,722,970 | 67,931,402 | 63,791,568 | – |

| **31 December 2014** | **Carrying amount** *HK$* | **Total contractual undiscounted cash flow** *HK$* | **Within 1 year or on demand** *HK$* | **More than 1 year but less than 5 years** *HK$* | **More than 5 years** *HK$* |
|---|---|---|---|---|---|
| Trade payables | 1,492,071 | 1,492,071 | 1,492,071 | – | – |
| Accruals, provision of social insurance and other payables | 37,058,198 | 37,058,198 | 37,058,198 | – | – |
| Amount due to a related party | 14,785,796 | 14,785,796 | 394,734 | 14,391,062 | – |
| Amount due to a shareholder | 10,512,225 | 10,512,225 | 10,512,225 | – | – |
| Interest-bearing bank loans and other borrowings | 37,406,798 | 35,278,819 | 15,855,130 | 19,423,689 | – |
| Total | 101,255,088 | 99,127,109 | 65,312,358 | 33,814,751 | – |

| 30 September 2015 | Carrying amount *HK$* | Total contractual undiscounted cash flow *HK$* | Within 1 year or on demand *HK$* | More than 1 year but less than 5 years *HK$* | More than 5 years *HK$* |
|---|---|---|---|---|---|
| Trade payables | 2,074,737 | 2,074,737 | 2,074,737 | – | – |
| Accruals, provision of social insurance and other payables | 25,470,484 | 25,470,484 | 25,470,484 | – | – |
| Amount due to a related party | 8,172,725 | 8,172,725 | 118,245 | 8,054,480 | – |
| Amount due to a shareholder | 24,162,210 | 24,162,210 | 24,162,210 | – | – |
| Interest-bearing bank loans and other borrowings | 32,934,862 | 35,278,819 | 15,855,130 | 19,423,689 | – |
| Total | 92,815,018 | 95,158,975 | 67,680,806 | 27,478,169 | – |

**Target**

| 31 December 2012 | Carrying amount *HK$* | Total contractual undiscounted cash flow *HK$* | Within 1 year or on demand *HK$* | More than 1 year but less than 5 years *HK$* | More than 5 years *HK$* |
|---|---|---|---|---|---|
| Other payables | 40,023 | 40,023 | 40,023 | – | – |
| Total | 40,023 | 40,023 | 40,023 | – | – |

| 31 December 2013 | Carrying amount *HK$* | Total contractual undiscounted cash flow *HK$* | Within year or on demand *HK$* | More than 1 year but less than 5 years *HK$* | More than 5 years *HK$* |
|---|---|---|---|---|---|
| Other payables | 12,163 | 12,163 | 12,163 | – | – |
| Amount due to a shareholder | 856,555 | 856,555 | 856,555 | – | – |
| Total | 868,718 | 868,718 | 868,718 | – | – |

| 31 December 2014 | Carrying amount *HK$* | Total contractual undiscounted cash flow *HK$* | Within 1 year or on demand *HK$* | More than 1 year but less than 5 years *HK$* | More than 5 years *HK$* |
|---|---|---|---|---|---|
| Other payables | 29,433 | 29,433 | 29,433 | – | – |
| Amount due to a shareholder | 852,875 | 852,875 | 852,875 | – | – |
| Total | 882,308 | 882,308 | 882,308 | – | – |

| 30 September 2015 | Carrying amount<br>*HK$* | Total contractual undiscounted cash flow<br>*HK$* | Within 1 year or on demand<br>*HK$* | More than 1 year but less than 5 years<br>*HK$* | More than 5 years<br>*HK$* |
|---|---|---|---|---|---|
| Other payables | 168,892 | 168,892 | 168,892 | – | – |
| Amount due to a shareholder | 24,162,210 | 24,162,210 | 24,162,210 | – | – |
| Total | 24,331,102 | 24,331,102 | 24,331,102 | – | – |

***Fair values***

The financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy are described in note 5(d). The fair value of the Target Group Companies' investment properties are measured at income capitalisation approach using the discounted cash flow method according to the estimated rental value of the properties, categorised into level 3 of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

During the year ended 31 December 2012, 2013 and 2014 and 30 September 2015, there were no transfers between instruments in Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

***Capital management***

The Target Group Companies' capital management objectives are to ensure the Target Group Companies' ability to continue as a going concern and to provide an adequate return to shareholders by pricing services commensurately with the level of risk.

The Target Group Companies actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Target Group Companies monitor its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowing less cash and cash equivalents. In order to maintain or adjust the ratio, the Target Group Companies may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The Target Group Companies monitor its capital using the basis of net debt to equity ratio. For this purpose net debt is defined as amount due to a shareholder, amount due to a related party and interest-bearing bank borrowings less cash and cash equivalents. The Target Group Companies aim to maintain the net debt to equity ratio at reasonable level. The Target Group Companies' net debt to equity ratio at the end of each of the Relevant Records were:

| | At 31 December | | | As at 30 September |
|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 |
| | *HK$* | *HK$* | *HK$* | *HK$* |
| Amount due to a shareholder | 55,849 | 10,747,968 | 10,512,225 | 24,162,210 |
| Amount due to a related party | 12,794,326 | 11,166,566 | 14,785,796 | 8,172,725 |
| Interest-bearing bank borrowings | 51,976,282 | 64,348,268 | 37,406,798 | 32,934,862 |
| Less: Cash and cash equivalents | (5,440,835) | (2,997,787) | (5,221,168) | (16,240,896) |
| Net debts | 59,385,622 | 83,265,015 | 57,483,651 | 49,028,901 |
| Total equity | 31,538,602 | 31,069,801 | 22,111,409 | 25,701,546 |
| Net debt to equity ratio | 188% | 268% | 260% | 191% |

## III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group Companies in respect of any period subsequent to 30 September 2015 and up to the date of this report.

No dividend or distribution has been declared or made by the Target Group Companies in respect of any period subsequent to 30 September 2015.

Yours faithfully,
**BDO Limited**
*Certified Public Accountants*
**Lee Ka Leung, Daniel**
Practising Certificate Number P01220
Hong Kong

## (2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE YEARS ENDED 31 DECEMBER 2012, 2013, 2014 AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

*Set out below is the management discussion and analysis on the Target Group, which is based on the financial information of the Target Group for the period from 1 January 2012 to 30 September 2015 ("**Period**") as set out in Part (1) of this Appendix.*

### (i) Financial and business performance

The Target Group Companies are principally engaged in three business segments, namely (i) scenic spots which involves receiving ticket income from scenic spots, Detian Waterfall and Mingshi Countryside contributing over 65% of the total revenue of the Target Group Companies; (ii) hospitality and catering which involves the provision of hotel accommodation and food catering services to tourists contributing approximately 25% of the total revenue of the Target Group Companies; and (iii) travel and travel related services which involves arranging tourism and sale of travelling package contributing the remaining portion of the total revenue of the Target Group Companies. The audited consolidated revenue of the Target was maintained steady throughout the years ended 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015, which amounted to HK$94,866,031, HK$99,128,070, HK$97,494,741 and HK$99,882,662, respectively.

The net current liabilities position of HK$5.2 million in 2012 was mainly attributable to accrual of large amount advertising expenses of HK$20.4 million and initial accrual of provision of social insurance of HK$5.6 million.

The net current liabilities position of HK$13.5 million in 2013 was mainly attributable to the increase in amount due to a shareholder by HK$10.7 million and interest-bearing bank loans and other borrowings by HK$1.5 million, which was mainly used to finance the infrastructure of property, plant and equipment in 2013.

The increase of shareholder's loan was used for the repayment of bank borrowings, which was used to finance the construction of property, plant and equipment. The shareholder's loan was interest-free and no repayment to the shareholder was scheduled. The shareholder and the Company agreed that such loan will be settled when the Target has sufficient capital for repayment.

The increase in net liabilities position to HK$53 million in 2014 was mainly attributable to the decrease of prepayment in other receivables of HK$28.3 million and increase in interest-bearing bank loans and other borrowings by HK$7.5 million.

The huge decrease of prepayment in 2014 was due to refund from renovation contractor. The Target Group Companies had intention to renovate and repair the infrastructure of its countryside and waterfall and therefore placed certain sum as a prepayment to renovation contractor at the end of 2012. However, the renovation project was cancelled finally. The refund amount was used to settle the other borrowing classified under non-current liabilities.

As shown in note 19(a) to the audited financial information of the Target Group set out in Part (1) of this Appendix, during the Period, there were certain amounts due from non-controlling interests from 20 individuals and Guangzhou Huadu. The said individuals and Guangzhou Huadu were the then existing shareholders of Daxin Mingshi and the amounts due represented the amount of capital to be paid up by them in the respective period as required by the articles of association of Daxin Mingshi.

The Target Group has a significant degree of concentration of credit risk on trade receivables. The five largest debtors are government bodies, television broadcast station and sizeable travel agency who maintain recurring transaction and good relationship with the Target Group Companies. The Directors could not see any recoverability problem, hence consider the risk arising from concentration is not significant.

The Target's audited consolidated profit (loss) after taxation for the years ended 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015 amounted to HK$(14,127,592), HK$(1,453,201), HK$(8,845,199) and HK$4,463,658, respectively. With the improvement of accessibility by enhancing the road infrastructure to the sightseeing spots operated by the Target Group Companies and the improvement of popularity by launching promotion campaigns to local tourists, the Target had improved its loss position steadily and had achieved a profit after taxation of HK$4,463,658 for the nine months ended 30 September 2015.

***Scenic Spots***

The Vendor first acquired 55% equity interest of the Target in 2007 and then acquired the remaining 45% interest of the Target in 2008 and had since become the sole shareholder of the Target until 2012. In 2012, he disposed of 0.1% equity interest in the Target to his father, Mr. Bi Zhizhang.

The Target acquired 90% of equity interest of Guangxi Detian in 2001. In 2010, the Target further acquired 4.6% equity interest of Guangxi Detian.

The site of the major scenic spots is located in Daxin County, Guangxi Zhuang Autonomous Region, the PRC. It is famous for its location as it is also located at the Sino-Vietnamese border, facing the northern part of Vietnam. The site includes two major scenic spots namely, Detian Waterfall and Mingshi Countryside, being two national 4A level scenic zones located 35km apart from each other in the Daxin County.

*Major scenic spots operated by the Target Group*

Detian Waterfall is the largest cross-border waterfall in Asia. The scenic area, with a standard ticketing income of RMB80 per person, consisted of Detian Restaurant, Detian Hotel, Detian Villa Resort and small scale grocery stores with an intimate distance with the Detian Waterfall. It opened for public visitors and started to generate revenue in 1999 and has attracted approximately 637,000 visitors, 610,000 visitors, 601,000 visitors and 589,000 visitors respectively for the years ended 31 December 2012, 2013 and 2014 and for the period ended 30 September 2015. It contributed the largest portion of ticketing income among the scenic spot business segment of the Target Group during the Period.

Mingshi Countryside is a scenic spot fully covered with paddy fields and surrounded by mountains and the Mingshi River. Tourists can spend their vacation in the world class hotels, namely Mingshi Mountain Resort and Mingshi Art Hotel. The scenic area, with a standard ticketing income of RMB80 per person, offers bamboo rafting, spa centre and variety shows during opening hours. Sales of entrance tickets have often been offered with bamboo rafting and hotel accommodation in a travel package through travel agencies. The land covering the entire area of Mingshi Countryside was purchased by Daxin Mingshi from the government of Daxin pursuant to a sale and purchase agreement dated 28 October 2009 at the consideration of RMB1,900,000. Pursuant to the Reply to Conditions for Planning of Land issued by the government of Daxin on 28 August 2009, the usage for the land should be for tourist services. As advised by our PRC Legal Advisors, Daxin Mingshi has sole and exclusive right to operate Mingshi Countryside and is entitled to revenue generated from Mingshi Countryside, which rights shall cease on the expiry of the land use rights falling 40 years from the date of grant of the relevant Land Use Certificate. The scenic spot opened for public visitors and started to generate revenue in 2009 and has attracted approximately 122,000 visitors, 147,000 visitors, 153,000 visitors and 152,000 visitors respectively for the years ended 31 December 2012, 2013 and 2014 and for the period ended 30 September 2015.

The revenue of scenic spots was growing at a steady pace for the years ended 31 December 2012, 2013 and 2014 which amounted to HK$55,966,268, HK$58,251,661 and HK$60,897,475. The corresponding periods ended on 30 September 2014 and 2015 amounted to HK$42,728,044 and HK$62,880,400 respectively. The dramatic growth is mainly due to the imposition of promotion campaign and the usage of internet travel platform as a new sales distribution channel. The gross profit margin was maintained at a steady rate being 65%, 68%, 66% and 67% respectively for the years ended 31 December 2012, 2013, 2014 and for the nine months ended 30 September 2015.

On 25 December 2014, Daxin Mingshi entered into a 15-year agreement with Guangzhou Qi Lian Vehicle Service Company Limited ("**Guangzhou Vehicle Company**") being an Independent Third Party, for leasing a land, which was located at Nong Peng Village with 176 acres and it was rented from a group of villagers with RMB176,000 per annum, payable every three years, to Guangzhou Vehicle Company for operating go-kart track at NongPeng Village. Accordingly, Daxin Mingshi would receive a 20% of the monthly revenue generated from the go-kart track business as the operation fees. In return, Daxin Mingshi would, as the operator, be responsible for the maintenance of the site, visitors service centre and box office. As at 30 September 2015, the construction of the attraction was not yet completed and has not generated any revenue. The total estimated investment on this project is RMB778,000 (approximately HK$929,943).

The Company understands from the current management team of the Target Group that it has no intention to terminate the abovementioned outsource arrangement after completion of the Acquisition.

***Hospitality and catering***

As at the Latest Practicable Date, the Target Group had the rights to operate five hotels, namely: (i) Detian Villas with 83 hotel rooms; (ii) Detian Hotel with 30 hotel rooms; (iii) Mingshi Mountain Village with 140 rooms; (iv) Mingshi Art Hotel with 74 hotel rooms; and (v) Mingshi Express Hotel with 22 hotel rooms. Detian Villas and Detian Hotel are located at the Detian Waterfall scenic spot, whereas the remaining three hotels are located at Mingshi Countryside scenic spot.

*Operations of the hotels*

On 25 November 2010, Guangxi Detian signed a 7-year cooperation agreement ("**Detian Hotel Cooperation Agreement**") with a government body, the Management Office of Expressway of Daxin County, in respect of obtaining the operation right of Detian Hotel with premises owned by them. Such agreement covered 1 January 2011 to 31 December 2017. Thereafter, Guangxi Detian launched the hotel business of Detian Hotel in 2011. The first-year annual rental fee was RMB210,000 and the second-year annual rental fee was RMB220,500, subsequently increasing 5% every year, payable on yearly basis. For the years ended 31 December 2012, 2013, 2014 and the period ended 30 September 2015, the rental fees paid to the government by the Target Group were RMB220,500, RMB231,525, RMB243,101, RMB255,256 respectively.

The operations of Detian Hotel has been outsourced to an Independent Third Party, Ms. Zhao Li Zhen since 1 May 2012, with an annual management fee of RMB60,000 from 1 May 2012 to 30 April 2013, RMB70,000 from 1 May 2013 to 30 April 2014 and RMB90,000 from 1 May 2014 to 31 December 2017 pursuant to an agreement signed between Guangxi Detian and Ms. Zhao on 1 May 2012, payable on monthly basis. Under the said agreement, the cooperation period would be effective from 1 May 2012 to 31 December 2017. Guangxi Detian possessed the operation right of Detian Hotel whereas Ms. Zhao would be responsible for daily operation and management of the hotel. For the years ended 31 December 2012, 2013, 2014 and the period ended 30 September 2015, the management fees paid by Ms. Zhao to the Target Group were RMB40,000, RMB66,666, RMB83,333, RMB24,770 respectively. The said agreement was early terminated on 31 March 2015 and the Target Group has since ceased operations of Detian Hotel. For the years ended 31 December 2012, 2013, 2014 and the period ended 30 September 2015, Detian Hotel contributed to less than 0.2% of the total hotel revenue of the Target Group, and the net book value of the plant and equipment located at Detian Hotel contributed to less than 0.1% of the total property plant and equipment of the Target Group, and thus are insignificant to the Target Group in the opinion of the Directors.

As represented by the Vendor, in light of the insignificant revenue generated by Detian Hotel, it is not the intention of the management of the Target Group to renew the Detian Hotel Management Agreement upon its expiry in 2017 with the Management Office of Expressway of Daxin County.

Mingshi Art Hotel and Mingshi Mountain Village were constructed, owned and operated by Target Group Companies. Mingshi Art Hotel commenced its business in 2013 and it contributed approximately 11%, 16% and 15% of total revenue to the Target Group for the years ended 31 December 2013, 2014 and the period ended 30 September 2015.

Mingshi Mountain Village commenced its business in 2009 and it contributed the largest portion of hotel revenue, at approximately 79%, 75%, 71% and 71% for the years ended 31 December 2012, 2013, 2014 and for the period ended 30 September 2015 respectively.

Detian Villas is owned by the local government of Daxin County and commenced operations in August 1999. In August 1999, Guangzhou Huadu, being one of the shareholders of Guangxi Detian, entered into a cooperation agreement ("**1999 Agreement**") with the government of Daxin County, pursuant to which, among other things: (1) the parties agreed to set up a joint venture entity, namely Guangxi Detian, to be held by Daxin Detian Travel Company (大新德天旅遊公司, an entity designated by the local government of Daxin County for holding of equity interest in Guangxi Detian at its establishment, hereafter referred to as "**Detian Travel Company**")) and Guangzhou Huadu; (2) Detian Travel Company would grant the right of operating Detian Villas and operation rights of tourist attractions in Daxin County, while Guangzhou Huadu would contribute capital to Guangxi Detian; the then existing rights and liabilities of Detian Travel Company shall be borne by Guangxi Detian; and (3) Guangxi Detian shall pay a management fee to the government in the sum of RMB500,000 per annum, for a period of 50 years from the date of the agreement, expiring in 2049.

Pursuant to a supplemental agreement ("**1st Supplemental Agreement**") signed between Daxin Detian Management Company (廣西大新縣德天旅遊風景區管理處, an entity designated by the local government of Daxin County for entering into the 1st Supplemental Agreement, "**Detian Management**") and Guangzhou Huadu in July 2005, the government designated Detian Management to develop the scenic spot at Detian Waterfall with Guangzhou Huadu. Pursuant to the 1st Supplemental Agreement, among other things, (1) Detian Management would be entitled to (i) firstly, 2% of the monthly ticketing income of Detian Waterfall and (ii) 40% of the remaining ticketing income (after netting off the said 2% share) and Guangzhou Huadu would be entitled to the remaining 60%; (2) Detian Villas would continue to be exclusively operated by Guangzhou Huadu, who would also be entitled to all its revenue and be liable to all the liabilities of Detian Travel Company in return; and (3) Guangxi Detian would be solely managed by Guangzhou Huadu and save for the aforesaid ticketing income, Guangzhou Huadu would be entitled to all the rights and liable to all obligations of Guangxi Detian.

In August 2010, pursuant to a second supplemental agreement signed between Guangxi Chongzuo Huashan National Attractions Daxin Detian Management Company (廣西崇左花山國家級風景名勝區大新縣德天管理處, "**Chongzuo Detian Management**") and Guangxi Detian, among other things: (1) all the rights and obligations of Guangzhou Huadu as stipulated under the 1999 Agreement and the 1st Supplemental Agreement shall be assigned to Guangxi Detian; (2) all the infrastructure and ancillary facilities shall belong to the Daxin government at nil consideration after expiry of the 1999 Agreement; (3) Detian Villas shall be owned by Chongzuo Detian Management and operated exclusively by Guangxi Detian, who would also be entitled to the rights and liabilities therefrom; and (4) Chongzuo Detian Management would be entitled to (i) firstly, 2% of the monthly ticketing income of Detian Waterfall and (ii) 40% of the remaining ticketing income (after netting off the said 2% share) and Guangxi Detian would be entitled to the remaining 60%.

No right of renewal is granted under the said agreements.

The Target Group had paid such foregoing amounts stipulated under the said agreements during the Track Record Period. For the years ended 31 December 2012, 2013, 2014 and the period ended 30 September 2015, Detian Villas contributed approximately 11%, approximately 8%, approximately 6% and approximately 7% of the total hotel revenue respectively. The net book value of the plant and equipment located at Detian Villas contributed approximately 4%, 2%, 2% and 2% of the total property plant and equipment of the Target Group as at 31 December 2012, 2013, 2014 and 30 September 2015 respectively and thus is insignificant to the Target Group in the opinion of the Directors.

Mingshi Express Hotel consists of two buildings and are owned by Mr. He Hanmin ("**Mr. He**"), a villager of Daxin County, and is operated by the Target Group. Mingshi Express Hotel commenced operations in January 2011. Pursuant to a lease agreement entered into between the Target Group and Mr. He in January 2011, Mr. He leased Mingshi Express Hotel to the Target Group for a term of 15 years, expiring on 31 December 2025. The rental payable for one of the buildings shall be RMB150,000 (for the first five years), RMB230,900 (for the second five years) and RMB51,310 annually onwards. The rental payable for the other building shall be RMB25,665 annually during the 15-year term. The rental was reached after negotiation of the parties. The Target Group had paid such foregoing amounts pursuant to the lease agreement during the Track Record Period. Mingshi Express Hotel contributed a minimal portion of hotel revenue during the Track Record Period.

The revenue generated from hospitality and catering maintained a steady growth for the years ended 31 December 2012, 2013 and 2014 which amounted to HK$28,479,725, HK$29,353,572, HK$28,686,976 respectively. The corresponding periods ended on 30 September 2014 and 2015, amounted to HK$20,380,239 and HK$28,686,976 respectively with a dramatic growth and it was in line with the growth of total revenue. The gross profit margin was maintained at a steady rate, 65%, 68%, 66% and 67% for the years ended 31 December 2012, 2013, 2014 and for the nine months ended 30 September 2015.

The Directors are regularly reviewing the operations of hotel and restaurants and strive to improve the service quality so as to enhance its competitiveness among the similar type of scenic spots in Guangxi. Also, we can incorporate the Company's hotel operation expertise by offering training to the frontline employees and improve the catering service to the world class level.

***Travel and travel related services***

Detian Travel was incorporated on 1 March 2001 with a paid-up capital of RMB300,000 and was held by Guangxi Detian (40%) and the Target (60%) respectively. On 16 December 2015, Guangxi Detian further acquired 60% equity interest of Detian Travel at no consideration, and Detian Travel has since become a wholly-owned subsidiary of Guangxi Detian. Its major business is offering local tours to visitors for scenic spots at Detian Waterfall and Mingshi Countryside and the sales of travel packages to tourists for such scenic spots at a service outlet located in Nanning City, the capital of Guangxi Province.

The revenue generated from travel and travel related services amounted to HK$9,255,961, HK$10,864,603 and HK$6,924,237 for the year ended 31 December 2012, 2013 and 2014 respectively. With improvement of accessibility to the scenic spot since 2013, tourists chose to visit on their own instead of joining the local tour provided by the Detian Travel. Therefore, the revenue generated from this segment dropped significantly for the period ended 2014 comparing to the period ended 2013. Comparing to the same period on 30 September 2014 and 2015, the revenue amounted to HK$5,403,783 and HK$5,542,868 respectively maintained a stable growth. The gross profit margin was 9%, 9%, 10% and 14% for the years ended 31 December 2012, 2013, 2014 and 30 September 2015. Detian Travel diminished the employee size and decreased the number of service outlets since the dramatic decrease of revenue in 2013, which help to increase the gross profit margin in this segment.

On the other hand, the Target Group Companies is exploring potential business opportunity in developing an ticketing sales electronic platform through mobile applications and internet websites in order to increase its popularity worldwide.

***Development plans on the Target Group***

After the completion of the Acquisition, the Company will put our expertise in to enhancing the service quality of the frontier staff at the scenic spots and hotels. We will assist and provide advice to the Target Group in regards to the environmental and hotel quality improvement. Save as otherwise disclosed up to the Latest Practicable Date, the management of the Target Group had no concrete development plans on the future plans regarding hotel operations, development of the scenic spots and travel and travel-related services.

Guangxi Zhenniu has entered into separate service agreements with four companies offering famous internet travel agency platforms, namely Ctrip.com International Company Limited (www.ctrip.com), Tong Cheng International Company Limited (*www.LY.com*), Beijing Qunar Software Technology Company Limited (*www.qunar.com*) and Yi Long Information Technology (Beijing) Company Limited (Guangzhou Branch) (*www.elong.com*) in 2015. The service agreements set out the agreed selling price through e-trade distribution platform as well as sales and booking arrangement to end-customer. The said agreements are subject to annual renewal. With the new distribution channels provided through such service agreements, the Target Group is expected to broaden its sales channels to cover online sale and is also expected to increase its popularity and awareness among the public.

**(ii) Liquidity, financial resources and capital structure**

The Target Group Companies generally financed its operations through its internal resources generated from its operating activities and banking facilities. There's no foreign currency net investment hedged by currency borrowings and other hedging instruments.

Set out below is a summary of the audited consolidated financial information relating to the assets and liabilities of the Target Group extracted from the accountants' report set out in Part (1) of this Appendix on the Target as at 31 December 2012, 2013, 2014 and 30 September 2015, respectively:

| | | As at 31 December | | | As at 30 September |
|---|---|---|---|---|---|
| | | **2012** | **2013** | **2014** | **2015** |
| | | *HK$* | *HK$* | *HK$* | *HK$* |
| Cash and bank balances | | 5,440,835 | 2,997,787 | 5,221,168 | 16,240,896 |
| Total assets | | 141,449,781 | 158,394,537 | 127,028,041 | 128,227,993 |
| Total liabilities | | 109,911,179 | 127,324,736 | 104,916,632 | 102,526,447 |
| Net assets | | 31,538,602 | 31,069,801 | 22,111,409 | 25,701,546 |
| Current ratio | *(1)* | 0.91 | 0.79 | 0.29 | 0.40 |
| Gearing ratio | *(2)* | 0.78 | 0.80 | 0.83 | 0.80 |

*(1)* The current ratio is calculated as a ratio of the current assets over current liabilities.

*(2)* The gearing ratio is calculated on the basis of total liabilities to total assets.

***As at 31 December 2012***

As at 31 December 2012, the audited consolidated net assets and net current liabilities of the Target were HK$31,538,602 and HK$5,194,742, respectively. The Target had total cash and bank balances of HK$5,440,835 as at 31 December 2012, and the corresponding current ratio was 0.91.

As at 31 December 2012, the Target Group had a secured interest-bearing bank loans of HK$36,909,449 which was repayable within 5 years and at a fixed rate of 5.96% per annum. It was secured by buildings and land use rights as described in note (vii) in this section. Moreover, the Target Group had an unsecured borrowings from an Independent Third Party at HK$14,595,761, which was repayable within 5 years and at a fixed rate of 3% per annum. They were denominated in RMB and they were fully settled in 2014. The corresponding gearing ratio was 0.78.

***As at 31 December 2013***

As at 31 December 2013, the audited consolidated net assets and net current liabilities of the Target were HK$31,069,801 and HK$13,594,481, respectively. The Target had total cash and bank balances of HK$2,997,787 as at 31 December 2013, and the corresponding current ratio was approximately 0.79.

As at 31 December 2013, the Target Group had a secured interest-bearing bank loans of HK$25,383,942, an unsecured interest-bearing bank loans of HK$24,368,575. They were repayable within 5 years and at a fixed rate of 5.96%

and 6.72% per annum respectively. The secured interest-bearing bank loan was secured by buildings and land use rights as described in note (vii) in this section. Moreover, the Target Group had an unsecured borrowings from an Independent Third Party of HK$14,595,761, which was repayable within 5 years and at a fixed rate of 3% per annum. The secured interest-bearing bank loan and the unsecured borrowings from an Independent Third Party was settled during 2014. All the bank loans and borrowings were denominated in RMB. The corresponding gearing ratio was 0.80.

***As at 31 December 2014***

As at 31 December 2014, the audited net assets and net current liabilities of the Target were HK$22,111,409 and HK$53,144,844, respectively. The Target had total cash and bank balances of HK$5,221,168 as at 31 December 2014, and the corresponding current ratio was approximately 0.29.

As at 31 December 2014, the Target Group had unsecured interest-bearing bank loans of HK$37,406,798 which was repayable in 3 to 5 years and at a fixed rate ranging from 6.72% to 8% per annum. It was denominated in RMB. The corresponding gearing ratio was 0.83.

***As at 30 September 2015***

As at 30 September 2015, the audited net assets and net current liabilities of the Target were HK$25,701,546 and HK$46,101,110, respectively. The Target had total cash and bank balances of HK$16,240,896 as at 30 September 2015, and the corresponding current ratio was approximately 0.4.

As at 30 September 2015, the Target had an audited consolidated borrowing of HK$32,934,862 which was repayable in 3 to 5 years and at a fixed rate ranging from 6.72% to 8% per annum. It was denominated in RMB. The corresponding gearing ratio was 0.8.

**(iii) Capital and treasury policies**

The registered capital of the Target was RMB6,000,000 (equivalent to approximately HK$5,653,444) as at 31 December 2012, 2013, 2014 and 30 September 2015. The Target Group had no treasury policies for the Period.

**(iv) Material investments, acquisitions or disposals**

On 29 June 2015, Guangxi Detian acquired 20% equity interest in Guangxi Yaotung at nil consideration because the registered capital of RMB30,000,000 was not fully paid-up. Up to the Latest Practicable Date, Guangxi Detian paid RMB1,700,000 of its registered capital.

On 13 January 2016, Guangxi Detian acquired 40% of equity interest in Daxin Minsu from the Vendor at nil consideration.

On 13 January 2016, Guangxi Detian acquired 40% of equity interest in Detian Travel from the Target at the consideration of RMB120,000 (approximately HK$143,436).

On 14 December 2015, Guangxi Detian acquired 28.8% equity interest in Daxin Mingshi from Independent Third Parties at the total consideration of RMB2,800,000 (approximately HK$3,346,840). On 14 January 2016, Guangxi Detian further acquired 4% equity interest in Daxin Mingshi from Independent Third Parties at the total consideration of RMB400,000 (approximately HK$478,120).

On 29 February 2016, the Vendor transferred 40% equity interest of Guangxi Zhenniu to Guangxi Detian at nil consideration. The reason for nil consideration is that as at the date of the transfer, Guangxi Zhenniu did not generate revenue and has incurred an insignificant amount of debts for the Target Group despite its operations of consultancy service of tourism information in PRC since January, 2015.

Save as disclosed above, there was no material acquisitions and disposals of subsidiaries and associated companies or joint ventures of the Target Group and no significant investments made during the Period.

**(v) Core management of the Target Group**

The key management of Target Group included Mr. Bi Zhizhang, the chief executive director; Mr. Bi Jingjun (being the Vendor), the executive director; Mr. Liang Zhihui, the general manager; Mr. Wu Yuewei, the director of the operation centre; Ms. Huang Yanmei, the director of finance and Mr. Li Yong, the general manager of Mingshi Villas Resort.

**Mr. Bi Zhizhang (Chief executive director of Guangxi Detian)**

Mr. Bi Zhizhang, 61, was employed by Target Group since September 1999. In recent years, he was responsible for supervising the operation of Target and monitoring the performance of the other key management. He has over 30 years experience in tourism business. He is the legal representative of Guangxi Detian and Detian Travel and responsible for supervising the daily operation of the scenic spots and hotels operated by the Target Group.

**The Vendor (Executive director of Guangxi Detian)**

The Vendor, 35, graduated from Zhong Shan University. He joined Target in July 2007 after his acquisition of 55% equity interest in the Target. He is the legal representative of Daxin Mingshi, Daxin Mingsu, Guangxi Zhenniu and the Target and responsible for supervising the daily operation of the scenic spots and hotels operated by the Target Group.

**Mr. Liang Zhihui (General manager of the Guangxi Detian)**

Mr. Liang, 55, graduated from Guangzhou University and joined the Target in March 2002. He has over 20 years of working experience relating to tourism business. He is responsible for organizing and executing the business development plans and exploring new opportunities in the tourism industry.

**Mr. Wu Yuewei (Director of the operation centre of Guangxi Detian)**

Mr. Wu, 56, graduated from Huanan Polytechnic University and joined the Target Group in February 2007. He has over 20 years of working experience relating to tourism marketing sector. He is the director of the operation centre of the Target Group and is responsible for designing, promoting and advertising the Target Group's products and services. He is also responsible for setting up sales and pricing strategies.

**Ms. Huang Yanmei (Director of Finance of Target)**

Ms. Huang, 58, graduated from Guangzhou Jinan University and joined Target in July 2012. Before working with the Target, she was the financial controller of a sizeable corporation in shipping industry. She is responsible for overseeing and managing the accounting function of the Target Group.

**Mr. Li Yong (General Manager of Mingshi Villas Resort)**

Mr. Li, 43, graduated from Guangzhou University and joined the Target Group in September 2010 as the general manager of Mingshi Villas Resort. He has over 16 years of hotel management experience. He is responsible for the operation and management of the hotels.

After the completion of the Acquisition, the Company will appoint our executive director Mr. Ngan Iek and Mr. Cheong Puihing as the directors of the Target. The selection of an experienced financial controller is ongoing. The financial controller is to work with the Director of Finance, Ms. Huang, so as to ensure due compliance with the GEM Listing Rules, the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and other applicable laws and regulations.

Mr. Ngan, aged 44, was appointed as our Director on 15 May 2012. He is one of the founders of our Group. He is responsible for formulating development strategies and overseeing the overall business of our Group. Mr. Ngan obtained a Bachelor of Business degree from University of New England in Australia in March 1997. He then obtained a Master of Business in Accounting and Finance from the University of Technology, Sydney in Australia in May 1998 and a Doctor of Business Administration from the Macau University of Science and Technology in October 2010. Mr. Ngan obtained a registered accountant licence from the Financial Services Bureau of the Government of Macau in June 2000. He became a member of the ninth session of the committee of All-China Youth Federation (中華全國青年聯合會) in January 2004. Mr. Ngan is also a member of the eleventh Fujian Province Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議第十一屆福建省委員會會員).

Mr. Cheong, aged 60, graduated in Bachelor of Engineering from the Fuzhou University. He is currently the general manager of Hang Huo Enterprise Group Limited, and is responsible for the management of hotel operation for three hotels located in PRC. He has more than 30 years experience in hotel business marketing and management.

**(vi) Employee and remuneration policy**

There were 459, 528, 485 and 461 staff employed by the Target Group Companies and the total staff costs amounted to approximately HK$17,185,283, HK$21,585,149, HK$23,814,564 and HK$17,208,427 for the years ended 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015 respectively.

The Target Group Companies reviews staff remuneration once a year, or as their management considers appropriate. Changes in remuneration are based on a range of factors including the performance of the relevant company, the competitiveness of remuneration with the external market, and individual employee's performance. The employees were paid at fixed remuneration with discretionary bonus and benefits of a defined contribution scheme, and necessary training.

**(vii) Pledge of assets**

As at 31 December 2012 and 2013, the buildings and land use rights of the Target Group Companies with total net carrying amount of HK$75,146,795 and HK$88,388,134 were pledged to secure an interest-bearing bank loans granted to the Target Group Companies.

As at 31 December 2014, the pledge has been released and the Target Group Companies did not have any material charge on assets.

As at 30 September 2015, the Target Group Companies did not have any material charge on assets.

**(viii) Exposure to foreign exchange**

Most of the trading transactions, assets and liabilities of the Target Group Companies for the years ended 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015 were denominated mainly in Renminbi. The Directors believe that the Target Group Companies does not have significant foreign exchange exposure, and thus do not implement any foreign currency hedging policy at the moment. However, if necessary, the Target Group Companies will consider using forward exchange contracts to hedge against foreign currency exposures.

**(ix) Contingent liabilities**

The Target did not have any material contingent liabilities as at 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015.

**(x) Capital Commitments**

As at 31 December 2012, the Target Group Companies did not have undertaken any material capital commitments.

As at 31 December 2013, the Target Group Companies had capital expenditure commitments contracted for acquiring buildings of HK$341,998. The Target Group Companies had sufficient internal resources to finance its capital expenditures.

As at 31 December 2014, the Target Group Companies had no capital expenditure commitments contracted.

As at 30 September 2015, the Target Group Companies had capital expenditure commitment contracted for construction of garage. The Target Group Companies had sufficient internal resources to finance its capital expenditures.

## (3) PROPERTY INTERESTS AND PROPERTY VALUATION OF THE TARGET GROUP

AVISTA Valuation Advisory Limited, an independent property valuer, has valued our property interests as of 31 December 2015 in the PRC. The texts of its letter and valuation certificate are set out in Appendix IV to this circular. A reconciliation of the net book value of property interests as of 30 September 2015 to their fair value (including market value and reference value) as stated in Appendix IV to this circular is as follows:

| | *HK$* |
|---|---|
| Net book value of property interest of Target Group as at 30 September 2015 | |
| Investment properties | 334,208 |
| Property, plant and equipment | 73,650,736 |
| Movement for the period from 1 October 2015 to 31 December 2015 | |
| Less: depreciation for the period (unaudited) | (1,529,154) |
| Net book value as at 31 December 2015 (unaudited) | 72,455,790 |
| Valuation surplus (unaudited) | 28,652,872 |
| Valuation of property as at 31 December 2015 (approximately) (translated at the rate of RMB1 to HK$1.1936) | 101,108,662 |

## A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

### Introduction to the Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information"), being Link Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") together with its interest in 珠海市康明德投資有限公司 (Zhuhai Kang Ming De Investment Limited*) (the "Target") and its subsidiaries (collectively referred to as the "Target Group Companies"), is prepared by the directors of the Company (the "Directors") to illustrate the financial effect of the potential acquisition of 42.3% of the Target (the "Acquisition"), as if the Acquisition had been completed on 30 June 2015 for the unaudited pro forma consolidated statement of financial position.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guidance 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG7") issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of the Equity Transfer Agreement dated 1 February 2016 entered into between the Company and the equity owner of the Target.

The Unaudited Pro Forma Financial Information is based upon the unaudited consolidated interim financial information of the Group as of 30 June 2015, which has been extracted from the Company's published interim report; the consolidated financial information of the Target Group Companies for the period ended 30 September 2015 as extracted from the accountants' report thereon set out in Appendix II to this circular, and adjusted on a pro forma basis to reflect the effect of the Acquisition. These pro forma adjustments are (i) directly attributable to the acquisition and not relating to other future events and decisions and (ii) factually supportable based on the terms of the Equity Transfer Agreement.

The unaudited pro forma financial information 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 Acquisition been completed as at the specified dates or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published interim report of the Company for the six months ended 30 June 2015, the accountants' report of the Target Group Companies as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

* *The English name is for identification purpose only.*

**Unaudited Pro Forma Consolidated Statement of Financial Position**

| | The Group as at 30 June 2015 | Unaudited pro forma adjustments | Unaudited pro forma consolidated statement of financial position of the Enlarged group |
|---|---|---|---|
| | *HK$* | *HK$* | *HK$* |
| | *(Note a)* | *(Note b)* | |
| **Non-current assets** | | | |
| Property, plant and equipment | 164,061,778 | – | 164,061,778 |
| Interest in an associate | – | 28,898,770 | 28,898,770 |
| Investment properties | 147,157,297 | – | 147,157,297 |
| Prepaid lease payments | 76,746,350 | – | 76,746,350 |
| Total non-current assets | 387,965,425 | 28,898,770 | 416,864,195 |
| **Current assets** | | | |
| Hotel inventories | 236,496 | – | 236,496 |
| Trade and other receivables | 30,373,366 | – | 30,373,366 |
| Cash and cash equivalents | 77,495,804 | (28,898,770) | 48,597,034 |
| Total current assets | 108,105,666 | (28,898,770) | 79,206,896 |

| | The Group as at 30 June 2015 HK$ (Note a) | Unaudited pro forma adjustments HK$ (Note b) | Unaudited pro forma consolidated statement of financial position of the Enlarged group HK$ |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 10,306,653 | – | 10,306,653 |
| Amount due to a director | 41,608,897 | – | 41,608,897 |
| Interest-bearing bank borrowings | 66,907,199 | – | 66,907,199 |
| Provision for taxation | 1,663,299 | – | 1,663,299 |
| Derivative financial instruments | 1,260,081 | – | 1,260,081 |
| Total current liabilities | 121,746,129 | – | 121,746,129 |
| **Net current liabilities** | (13,640,463) | (28,898,770) | (42,539,233) |
| **Total assets less current liabilities** | 374,324,962 | – | 374,324,962 |
| **Non-current liabilities** | | | |
| Interest-bearing bank borrowings | 144,419,888 | – | 144,419,888 |
| Deferred tax liabilities | 14,635,133 | – | 14,635,133 |
| Total non-current liabilities | 159,055,021 | – | 159,055,021 |
| **Net assets** | 215,269,941 | – | 215,269,941 |
| **Capital and reserves** | | | |
| Share capital | 2,800,000 | – | 2,800,000 |
| Reserves | 204,794,904 | – | 204,794,904 |
| Equity attributable to owners of the Company | 207,594,904 | – | 207,594,904 |
| Non-controlling interests | 7,675,037 | – | 7,675,037 |
| **Total equity** | 215,269,941 | – | 215,269,941 |

**Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group**

a. The unadjusted consolidated statement of financial position of the Group as at 30 June 2015 is extracted from published interim report of the Group for six months ended 30 June 2015, on which a review report has been published.

b. The adjustment represents the consideration of RMB21,150,000 (equivalent to approximately HK$25,798,770) payable to the Vendor (the "Consideration") and the acquisition-related cost payable of RMB2,541,400 (equivalent to approximately HK$3,100,000) for the Acquisition.

According to the Equity Transfer Agreement dated 1 February 2016 (the "Agreement"), the Group proposed to acquire 42.3% of equity interest of the Target (presumption of the shareholding structure of the Target Group Companies immediately after Completion). Upon completion of the Acquisition, the Group would be able to exercise significant influence over the Target. As such, the Target is accounted for as an associate of the Group in this Unaudited Pro Forma Financial Information.

In addition, the Acquisition will be accounted for in accordance with International Accounting Standard ("IAS") 28 "Investments in Associates and Joint Ventures" issued by the International Accounting Standards Board (the "IASB").

| | *Notes* | *RMB* | *HK$* |
|---|---|---|---|
| Consideration for 42.3% equity interests of the Target | | | |
| – Cash payment | *(i)* | 21,150,000 | 25,798,770 |
| – Acquisition-related costs | *(i)* | 2,541,400 | 3,100,000 |
| Total consideration | | 23,691,400 | 28,898,770 |
| Less: The Group's 42.3% share of the fair value of identifiable net assets of the Target Group Companies as at acquisition date | *(ii)* | 16,282,539 | 19,861,441 |
| Pro forma goodwill (included in interest in an associate) | *(iii)* | 7,408,861 | 9,037,329 |

(i) Pursuant to the Agreement, the consideration is RMB21,500,000, which shall be payable in cash within 5 days after the fulfillment of the conditions precedent to the Agreement.

The Directors estimated that the acquisition – related costs (including fee to legal advisers, reporting accountants, finance adviser, valuer, printer and other expenses) shall be approximately HK$3,100,000.

(ii) The Group's 42.3% share of the fair value of identifiable net assets of the Target Group Companies represents:

| | *RMB* | *HK$* |
|---|---|---|
| Net assets value of the Target Group Companies before Acquisition* | 21,070,295 | 25,701,546 |
| Fair value adjustment** | 23,230,273 | 28,336,287 |
| Effect of deferred tax liabilities estimated at the rate of 25% | (5,807,568) | (7,084,072) |
| Total fair value of identifiable net assets of the Target Group Companies | 38,493,000 | 46,953,761 |
| The Group's 42.3% share of the fair value of identifiable net assets of the Target Group Companies as at the acquisition date | 16,282,539 | 19,861,441 |

* Net assets value of Target Group Companies before Acquisition is extracted from audited consolidated statements of financial position of the Target Group Companies as at 30 September 2015 as set out in Appendix II to the Circular.

** The fair value adjustment of the Target Group Companies as at 30 September 2015 is as follow:

| | **Carrying amount** *HK$* | **Fair value adjustment** *HK$* | **Fair value** *HK$* |
|---|---|---|---|
| Property, plant and equipment – Buildings and Leasehold improvements | 84,934,746 | 27,204,266 | 112,139,012 |
| Property, plant and equipment – Others | 7,018,912 | 1,132,021 | 8,150,933 |
| | 91,953,658 | 28,336,287 | 120,289,945 |

The fair value adjustment mainly on the Target Group Companies' buildings refers to the assets valuation appreciation on the buildings located in Guangxi owned by the Target Group Companies. Fair value of the buildings is estimated by reference to the valuation report issued by AVISTA Valuation Advisory Limited. The fair value is determined using the income and market Approach.

The amounts of fair values of the identifiable assets and liabilities of the Target Group Companies are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group Companies on the date of completion of the Acquisition. Consequently, the carrying amount of the investment in the associate and the share of profit or loss of the associate in subsequent reporting periods, will likely result in different amounts than those stated in this unaudited pro forma financial information.

(iii) According to IAS 28, IAS 39, Financial Instruments: Recognition and Measurement, and IAS 36, Impairment of Assets, after initial recognition, the entire carrying amount of the investment in an associate is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount, whenever there is indicator that the investment in an associate may be impaired.

For the purpose of the unaudited pro forma financial information, the Company has ensured the steps taken on the assessment of impairment performed in accordance with IAS 36. The Directors have assessed the impairment of the investment in an associate by considering whether the carrying amount of the investment in an associate will exceed its recoverable amount, being higher of value in use and fair value less costs of disposal, as at 30 September 2015 for the unaudited pro forma consolidated statement of financial position as if the Acquisition had been completed on 30 September 2015. Should the recoverable amount is below the carrying amount of the investment in an associate, an impairment loss will be recognised.

Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target Group Companies was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the unaudited pro forma financial information. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realised at their book values. However, should there be any adverse changes to the business of the Target Group Companies, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the investment in an associate in accordance with IAS 36.

The recoverable amount of the investment in an associate was determined with reference to the valuation report dated 30 September 2015 on the fair value of the 42.3% equity interest in the Target Group Companies using the income approach prepared by an independent valuer, AVISTA Valuation Advisory Limited. Since the recoverable amount of the investment in an associate is higher than its carrying amount, the Company concludes there is no impairment of the investment in an associate. The Company's auditor concurs with the Company that no impairment of the investment in an associate.

The Company will adopt consistent accounting policies, valuation method and principal assumptions as used in the unaudited pro forma financial information to assess the impairment of the investment in an associate in subsequent reporting periods. The Company's auditor will review the Company's assessment on the impairment of the investment in an associate in accordance with International Accounting Standards at the end of each reporting period for the purposes of its audit in future.

c. No adjustment has been made to the unaudited pro forma financial information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2015.

d. The Directors assume that the exchange rate of HKD against RMB used in the unaudited pro forma financial information of the Enlarged Group was RMB1.00 to HK$1.2198.

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

*The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong*

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香港干諾道中111號
永安中心25樓

24 March 2016

*To the Directors of Link Holdings Limited*

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Link Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix III on pages III-1 to III-7 of the circular dated 24 March 2016 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III on pages III-1 to III-7 to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of proposed acquisition of Zhuhai Kang Ming De Investment Limited (the "Proposed Acquisition") on the Group's financial position as at 30 June 2015 as if the Proposed Acquisition had taken place at 30 June 2015. As part of this process, information about the Group's financial position as at 30 June 2015 has been extracted by the Directors from the interim report of the Group for six months ended 30 June 2015, on which a review report has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guidance 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules, and with reference to AG7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2015 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the 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 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 7.31(1) of the GEM Listing Rules.

**BDO Limited**
*Certified Public Accountants*
**Lee Ka Leung, Daniel**
Practising Certificate Number
P01220
Hong Kong

*The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests of the Group as at 31 December 2015.*

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

Suite 807, 8th Floor, AXA Centre, 151 Gloucester Road,
Wan Chai, Hong Kong

TEL : (852) 3907 0680 FAX : (852) 3914 6388
info@avaval.com
www.avaval.com

24 March 2016

The Board of Directors
**Link Holdings Limited**
Unit No. 3503, 35/F., West Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs/Madams,

**INSTRUCTIONS**

In accordance with the instructions of Link Holdings Limited (the "Company") for us to value property interests held by Zhuhai Kang Ming De Investment Limited (珠海市康明德投資有限公司) and its subsidiaries (hereinafter together referred to as the "Target Group") (detail of properties are more particularly listed in the Summary of Values of this report), we confirm that we have carried out inspections, made relevant enquiries and searches 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 31 December 2015 (the "valuation date").

**PREMISES OF VALUE**

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

**BASIS OF VALUATION**

In valuing the property interests, we have complied with all the requirements set out in Chapter 8 of the GEM Listing Rule published by The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

## VALUATION METHODOLOGY

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by the Target Group, which in turn being classified into the following groups:

Group I – Property interests held and occupied by the Target Group in the PRC

Group II – Property interest contracted to be acquired by the Target Group in the PRC

Group III – Property interests held for investment by the Target Group in the PRC

Group IV – Property interests rented and occupied by the Target Group in the PRC

We have valued the property interest in Group I and Group II by market approach by making reference to comparable market transactions in our assessment of the property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

We have valued the property interest in Group III, as well as for cross-checking purposes of Group I by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

We have attributed no commercial value to the property interest Group IV which is rented by the Target Group, due to the inclusion in non-alienation clause or otherwise due to the lack of substantial profit rents.

## TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents and tenancy agreements relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser-GFE Law Offices, concerning the validity of title and tenancy of the properties in the PRC.

**SITE INVESTIGATION**

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Ms. Catherine Lam (Manager), Mr. Paul Hau (Senior Valuer) and Mr. David He (Valuer) during the period from 21 September 2015 to 22 September 2015. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. 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. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

## SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

## VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

**LIMITING CONDITION**

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

**CURRENCY**

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). The exchange rate adopted in our valuation is approximately RMB1 = HK$1.1936 which was approximately the prevailing exchange rate as at the date of valuation. Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
**AVISTA Valuation Advisory Limited**
**Sr Oswald W Y Au**
*MHKIS(GP) AAPI MSc(RE)*
*Registered Professional Surveyor (GP)*
*Director*

*Note:* Mr. Oswald W Y Au holds a Master‘s Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 9 years' experience in the valuation of properties in the PRC and 12 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

## SUMMARY OF VALUES

### Group I – Property interests held and occupied by the Target Group in the PRC

| No. | Property | Market value in existing state as at 31 December 2015<br>*RMB* | Interest Attributable to the Target Group | Market value Attributable to the Target Group as at 31 December 2015<br>*RMB* |
|---|---|---|---|---|
| 1. | Mingshi Mountain Village, Kanxu Township, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣堪圩鄉明仕村明仕山莊) | 49,106,000 | 87.79% | 43,110,000 |
| 2. | Mingshi Art Hotel, Mingshi Village, Kanxu Township, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣堪圩鄉明仕村明仕藝術酒店) | 17,972,000 | 87.79% | 15,777,000 |
| 3. | No. 10209, Unit 2, Building No. 1, Xiangxieli Garden Phase 1, No. 2 Fengxiang Road, Qingxiu District, Nanning City, Guangxi Province, The PRC<br><br>(廣西南寧市青秀區鳳翔路2號香榭裡花園一期1號樓2單元10209號) | 1,255,000 | 94.60% | 1,187,000 |

| No. | Property | Market value in existing state as at 31 December 2015<br>*RMB* | Interest Attributable to the Target Group | Market value Attributable to the Target Group as at 31 December 2015<br>*RMB* |
|---|---|---|---|---|
| 4. | Unit 3, Building No. 40, Jiahe Town, No. 995 Kunlun Avenue, Xingning District, Nanning City, Guangxi Province, The PRC<br><br>(廣西南寧市興甯區昆侖大道995號嘉和城40棟3號) | 1,402,000 | 94.60% | 1,326,000 |
| | **Sub-total:** | **69,735,000** | | **61,400,000** |

**Group II – Property interest contracted to be acquired by the Target Group in the PRC**

| No. | Property | Market value in existing state as at 31 December 2015<br>*RMB* | Interest Attributable to the Target Group | Market value Attributable to the Target Group as at 31 December 2015<br>*RMB* |
|---|---|---|---|---|
| 5. | 4 residential units located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的四套住宅) | No Commercial Value | 87.79% | No Commercial Value |
| 6. | 3 shop units located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的三個商鋪) | No Commercial Value | 94.60% | No Commercial Value |
| | **Sub-total:** | No Commercial Value | | No Commercial Value |

**Group III – Property interests held for investment by the Target Group in the PRC**

| No. | Property | Market value in existing state as at 31 December 2015 *RMB* | Interest Attributable to the Target Group | Market value Attributable to the Target Group as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 7. | 2 shop units located in Block C, No. 15 Longzhu Road, Xinhua Town, Huadu District, Guangzhou City, Guangdong Province, The PRC<br><br>(廣州市花都區新華鎮龍珠路15號C幢的兩個商鋪) | 280,000 | 100.00% | 280,000 |
| | **Sub-total:** | **280,000** | | **280,000** |

**Group IV – Property interests rented and occupied by the Target Group in the PRC**

| No. | Property | Market value in existing state as at 31 December 2015 *RMB* | Interest Attributable to the Target Group | Market value Attributable to the Target Group as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 8. | 3 car parks located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的三個車位) | No Commercial Value | 94.60% | No Commercial Value |
| | **Sub-total:** | No Commercial Value | | No Commercial Value |
| | **Grand-total:** | **70,015,000** | | **61,680,000** |

## VALUATION CERTIFICATE

### Group I – Property interests held and occupied by the Target Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 1. | Mingshi Mountain Village, Kanxu Township, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣堪圩鄉明仕村明仕山莊) | The property comprises a parcel of land with a site area of approximately 21,738.00 sq.m., and mainly include two hotels named Mingshi Mountain Village and Mingshi Art Hotel erected upon.<br><br>The Mingshi Mountain Village has 20 buildings and various structures erected upon with a total gross floor area of approximately 10,670.56 sq.m. which were completed in about 2012 to 2015.<br><br>The buildings mainly include 17 blocks of hotel buildings (total provided 140 hotel rooms), 1 restaurant and various types of amenities such as meeting rooms, swimming pools, massage rooms, spa facilities and staff dormitories.<br><br>The land use rights of the property have been granted for a term expiring on 28 October 2049 for other commercial use. | The property is currently occupied by the Target Group for hotel business. | 49,106,000<br><br>(87.79% interest attributable to the Target Group: RMB43,110,000) |

*Notes:*

i. Pursuant to a State-owned Land Use Rights Certificate – Hin Guo Yong (2010) Di No. 0171 dated 22 July 2010 issued by The People's Government of Daxin County, the land use rights of a parcel of land with a site area of approximately 21,738.00 sq.m. have been granted to Daxin Mingshi Travel Development Limited for a term expiring on 28 October 2049 for other commercial use.

ii. Pursuant to the 16 Building Ownership Certificates issued by Daxin County Property Management office, the property with the total gross floor area of approximately 6,922.79 sq.m. are held by Daxin Mingshi Travel Development Limited with the detail information as follow:

| No. | Building Name | Stated-owned Buildings Ownership Certificates | Gross Floor Area (sq.m.) |
|---|---|---|---|
| 1 | Yicui Shantang (倚翠山堂) | Xin Fang Quan Zheng Kan Zi Di No. 2013011769 | 1,724.67 |
| 2 | Dormitory Building | Xin Fang Quan Zheng Kan Zi Di No. 2013011770 | 1,385.09 |
| 3 | Building No. 2 | Xin Fang Quan Zheng Kan Zi Di No. 2013011771 | 239.57 |
| 4 | Building No. 3 | Xin Fang Quan Zheng Kan Zi Di No. 2013011772 | 237.43 |
| 5 | Building No. 5 | Xin Fang Quan Zheng Kan Zi Di No. 2013011773 | 306.02 |
| 6 | Building No. 6 | Xin Fang Quan Zheng Kan Zi Di No. 2013011774 | 464.92 |
| 7 | Building No. 8 | Xin Fang Quan Zheng Kan Zi Di No. 2013011775 | 265.60 |
| 8 | Building No. 9 | Xin Fang Quan Zheng Kan Zi Di No.2013011777 | 209.75 |

| No. | Building Name | Stated-owned Buildings Ownership Certificates | Gross Floor Area (sq.m.) |
|---|---|---|---|
| 9 | Building No. 10 | Xin Fang Quan Zheng Kan Zi Di No. 2013011776 | 268.90 |
| 10 | Building No. 11 | Xin Fang Quan Zheng Kan Zi Di No. 2013011778 | 264.97 |
| 11 | Building No. 12 | Xin Fang Quan Zheng Kan Zi Di No. 2013011779 | 210.18 |
| 12 | Building No. 13 | Xin Fang Quan Zheng Kan Zi Di No. 2013011780 | 265.60 |
| 13 | Building No. 15 | Xin Fang Quan Zheng Kan Zi Di No. 2013011781 | 275.25 |
| 14 | Building No. 16 | Xin Fang Quan Zheng Kan Zi Di No. 2013011782 | 264.96 |
| 15 | Building No. 17 | Xin Fang Quan Zheng Kan Zi Di No. 2013011783 | 275.25 |
| 16 | Building No. 18 | Xin Fang Quan Zheng Kan Zi Di No. 2013011784 | 264.63 |

iii. Pursuant to Construction Work Planning Permit – Xin Jian Zi Di No. 451424201100026 dated 4 March 2011 in favour of Daxin Mingshi Travel Development Limited, permission by the relevant local authority has been given to approve the construction work of the Swimming Center with a total gross floor area of approximately 2,800.00 sq.m.

iv. Pursuant to the Building Ownership Certificate – Gui Chong Fang Quan Zheng Da Xin Xian Zi Di No. xc201600019 date 18 January 2016 issued by Daxin County Property Management Office, the property with the total gross floor area of approximately 2,132.97 sq.m. is held by Daxin Mingshi Travel Development Limited.

v. In the course of our valuation, we have attributed no commercial value to the Building Nos. 1, 7 & 19 and Swimming Center with no valid title documents obtained as at valuation date. For reference purpose, we are of the opinion that the capital value of the property as at the valuation date would be RMB23,809,000, assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

vi. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

a. A parcel of the granted land and the 16 building titles of the buildings thereon are legally held and can be legally occupied, used, transferred, leased or mortgaged by the Target Group;

b. Building Nos. 1, 7 & 19 which has not yet obtained the Construction Work Planning Permit and/or the Construction Work Commencement Permit before starting to commence for the constructions of the property, Daxin Mingshi Travel Development Limited may subject to demolition and a relevant penalty by the relevant government department regarding the Property.

vii. A summary of major certificates/licences is shown as follows:

| | | |
|---|---|---|
| a. | State-owned Land Use Rights Certificate | Yes |
| b. | Building Ownership Certificates | Partial |

viii. As confirmed by the Company that there is no material environmental and planning issues.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 2. | Mingshi Art Hotel, Mingshi Village, Kanxu Township, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣堪圩鄉明仕村明仕藝術酒店) | The property comprises a parcel of land with a site area of approximately 21,738.00 sq.m., and mainly include two hotels named Mingshi Mountain Village and Mingshi Art Hotel erected upon.<br><br>Mingshi Art Hotel is a five-floor hotel building including 74 rooms with a total gross floor area of approximately 3,031.71 sq.m. which were completed in 2014.<br><br>The land use rights of the property have been granted for a term expiring on 28 October 2049 for other commercial use. | The property is currently occupied by the Target Group for hotel business. | 17,972,000<br><br>(87.79% interest attributable to the Target Group: RMB15,777,000) |

*Notes:*

i. Pursuant to a State-owned Land Use Rights Certificate – Hin Guo Yong (2010) Di No. 0171 dated 22 July 2010 issued by The People's Government of Daxin County, the land use rights of a parcel of land with a site area of approximately 21,738.00 sq.m. have been granted to Daxin Mingshi Travel Development Limited for a term expiring on 28 October 2049 for other commercial use.

ii. Pursuant to the Building Ownership Certificate – Xin Fang Quan Zheng Tao Zi Di No. 2014013120 date 26 May 2014 issued by Daxin County Property Management Office, the property with the total gross floor area of approximately 3,031.71 sq.m. is held by Daxin Mingshi Travel Development Limited.

iii. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

    a. A parcel of the granted land and the building title of the building thereon are legally held and can be legally occupied, used, transferred, leased or mortgaged by the Target Group.

iv. A summary of major certificates/licences is shown as follows:

| | | |
|---|---|---|
| a. | State-owned Land Use Rights Certificate | Yes |
| b. | Building Ownership Certificates | Yes |

v. As confirmed by the Company that there is no material environmental and planning issues.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 3. | No. 10209, Unit 2, Building No. 1, Xiangxieli Garden Phase 1, No. 2 Fengxiang Road, Qingxiu District, Nanning City, Guangxi Province, The PRC<br><br>(廣西南寧市青秀區鳳翔路2號香榭裡花園一期1號樓2單元10209號) | The property comprises a residential unit with a total gross floor area of approximately 160.88 sq.m. and a saleable area of approximately 141.44 sq.m. which were completed in 2002.<br><br>The land use rights of the property have been granted for a term for residential use. | The property is currently occupied by the Target Group for staff residence. | 1,255,000<br><br>(94.60% interest attributable to the Target Group: RMB1,187,000) |

*Notes:*

i. Pursuant to the Building Ownership Certificate – Yong Fang Quan Zheng Zi Di No. 02588083 dated 11 March 2015 issued by Nanning Real Estate Trading Center, the property with the total gross floor area of approximately 160.88 sq.m. is held by Guangxi Detian Travel Development Group Limited.

ii. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

a. The property is legally held and can be legally occupied, used, transferred, leased or mortgaged by the Target Group.

iii. A summary of major certificates/licences is shown as follows:

| | | |
|---|---|---|
| a. | Building Ownership Certificates | Yes |

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 4. | Unit 3, Building No. 40, Jiahe Town, No. 995 Kunlun Avenue, Xingning District, Nanning City, Guangxi Province, The PRC<br><br>(廣西南寧市興甯區昆侖 大道995號嘉和城40棟3號) | The property comprises a three-floor villa with a total gross floor area of approximately 175.21 sq.m and a saleable area of approximately 166.48 sq.m. which were completed in 2006.<br><br>The land use rights of the property have been granted for a term for residential use. | The property is currently occupied by the Target Group for staff residence. | 1,402,000<br><br>(94.60% interest attributable to the Target Group: RMB1,326,000) |

*Notes:*

i. Pursuant to the Building Ownership Certificate – Yong Fang Quan Zheng Zi Di No. 02588084 dated 11 March 2015 issued by Nanning Real Estate Trading Center, the property with a total gross floor area of approximately 175.21 sq.m. is held by Guangxi Detian Travel Development Group Limited.

ii. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. The property is legally held and can be legally occupied, used, transferred, leased or mortgaged by the Target Group.

iii. A summary of major certificates/licences is shown as follows:

   a. Building Ownership Certificates Yes

## VALUATION CERTIFICATE

### Group II – Property interest contracted to be acquired by the Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 5. | 4 residential units located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的四套住宅) | Detian Peninsula Garden is a high-rise residential project located in the southern part of Daxin County with a relatively convenient transportation network.<br><br>The property comprises 4 residential units with a total gross floor area of approximately 339.36 sq.m..<br><br>The land use rights of the property have been granted for a term expiring on 30 November 2079 for residential use. | The property is currently occupied by the Target Group for staff dormitory. | No Commercial Value<br><br>(87.79% interest attributable to the Target Group: No Commercial Value) |

*Notes:*

i. Pursuant to two Sales and Purchase Agreements – Nos. Xin Dong B2040 and Xin Dong B2039 entered into between Daxin Mingshi Travel Development Limited and Daxin Jin Lu Yin Property Development Company Limited on 1 November 2013, the residential unit Nos. 2140 and 2139 with a total gross floor area of approximately 170.06 sq.m. have been agreed to be transferred to Daxin Mingshi Travel Development Limited at a total acquisition price of RMB410,000.

ii. Pursuant to two Sales and Purchase Agreements – Nos. Xin Dong B1023 and Xin Dong B1040 entered into between Daxin Mingshi Travel Development Limited and Daxin Jin Lu Yin Property Development Company Limited on 17 November 2013, the residential unit Nos. 1123 and 1140 with a total gross floor area of approximately 169.3 sq.m. have been agreed to be transferred to Daxin Mingshi Travel Development Limited at a total acquisition price of RMB428,000.

iii. In the course of our valuation, we have attributed no commercial value to the 4 residential units which have not obtained any valid title document as at valuation date. For reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB1,086,000, assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

iv. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. As the property has obtained the Commodity Housing Pre-sale Permits, there will be no legal obstacle for Target Group to obtain the Building Ownership Certificates after compliance with relevant regulations and procedures.

## VALUATION CERTIFICATE

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 6. | 3 shop units located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的三個商鋪) | Detian Peninsula Garden is a high-rise residential project located in the southern part of Daxin County with a relatively convenient transportation network.<br><br>The property comprises 3 shop units with a total gross floor area of approximately 191.91 sq.m..<br><br>The land use rights of the property have been granted for a term expiring on 30 November 2079 for commercial use. | The property is currently occupied by the Target Group for office use. | No Commercial Value<br><br>(94.60% interest attributable to the Target Group: No Commercial Value) |

*Notes:*

i. Pursuant to two Sales and Purchase Agreements – Nos. Xin Dong BS2003, Xin Dong BS2004 entered into between Daxin County Detian Travel Agency Limited and Daxin Jin Lu Yin Property Development Company Limited on 7 May 2014, shop unit Nos. 2003 and 2004 with a total gross floor area of approximately 134.62 sq.m. have been agreed to be transferred to Daxin County Detian Travel Agency Limited at a total acquisition price of RMB880,000.

ii. Pursuant to the Sales and Purchase Agreement – No. Xin Dong BS2002 entered into between Guangxi Detian Travel Development Group Limited and Daxin Jin Lu Yin Property Development Company Limited on 19 March 2015, a shop unit No. 2002 with a total gross floor area of approximately 57.29 sq.m. have been agreed to be transferred to Guangxi Detian Travel Development Group Limited at a total acquisition price of RMB300,000.

iii. In the course of our valuation, we have attributed no commercial value to the 3 shop units which have not obtained any valid title document as at valuation date. For reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB1,086,000, assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

iv. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. As the property has obtained the Commodity Housing Pre-sale Permits, there will be no legal obstacle for Target Group to obtain the Building Ownership Certificates after compliance with relevant regulations and procedures.

## VALUATION CERTIFICATE

### Group III – Property interests held for investment by the Target Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 7. | 2 shop units located in Block C, No. 15 Longzhu Road, Xinhua Town, Huadu District, Guangzhou City, Guangdong Province, The PRC<br><br>(廣州市花都區新華鎮龍珠路15號C幢的兩個商鋪) | The property comprises 2 shop units with a total gross floor area of approximately 85.75 sq.m. which were completed in 2000.<br><br>The land use rights of the property have been granted for a term for commercial use. | Shop No. 17 with a gross floor area of approximately 50.22 sq.m. was leased to an independent third party for office use while shop No. 18 with a gross floor area of 35.53 sq.m. was vacant as at the valuation date. | 280,000<br><br>(100.00% interest attributable to the Target Group: RMB280,000) |

*Notes:*

i. Pursuant to the 2 Building Ownership Certificates-Yue Fang Di Zheng Zi Di No. C4231781 and Yue Fang Di Zheng Zi Di No. C4231782 dated 20 February 2006 issued by Guangzhou Municipal Land Resources and Housing Administrative Bureau with the total gross floor area of approximately 85.75 sq.m. are held by Guangzhou Kang Ming De Investment Limited (the former name of Zhuhai Kang Ming De Investment Limited).

ii. Pursuant to the tenancy agreement dated 2 June 2013, the Shop No. 17 was leased to Luo Shao Hong (駱少紅) for a term of over 3 years from 2 June 2013 to 30 June 2016 at a monthly rent of RMB500.

iii. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. The properties are legally held and can be legally occupied, used, transferred, leased or mortgaged by the Target Group.

iv. In our valuation, we have made reference to some rental evidence and asking rent of similar commercial development in the locality which are in the region of RMB10 to RMB30 per sq.m./month on ground floor. The market yield assumed by us is 7% which is in line with the market yield of this property sector in the region of 6% to 8%.

## VALUATION CERTIFICATE

### Group IV – Property interests rented and occupied by the Target Group in the PRC

| No. | Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 December 2015 *RMB* |
|---|---|---|---|---|
| 8. | 3 car parks located in Detian Peninsula Garden, Daxin County, Chongzuo City, Guangxi Province, The PRC<br><br>(廣西崇左市大新縣德天半島花園的三個車位) | Detian Peninsula Garden is a high-rise residential project located in the southern part of Daxin County with a relatively convenient transportation network.<br><br>The property comprises 3 car parking spaces Nos. 32, 42 and 43 in the basement floor of Detian Peninsula Garden. | The property is currently occupied by the Target Group for car park use. | No Commercial Value<br><br>(94.60% interest attributable to the Target Group: No Commercial Value) |

*Notes:*

i. Pursuant to three Car Park Use Right Sales and Purchase Contracts – Nos. Xin Dong BX32, Xin Dong BX42 and Xin Dong BX 43 dated 7 May 2014 made between Daxin Jin Lu Yin Property Development Company Limited and Daxin County Detian Travel Agency Limited, the car park use right of the car park Nos. 32, 42 and 43 have been transferred to Daxin County Detian Travel Agency Limited for a total price of RMB195,000.

ii. According to the terms and conditions of the three Car Park Use Right Sales and Purchase Contracts as stated in note i, the three car parks cannot be obtain Building Ownership Certificates and freely transferred.

iii. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

a. The three Car Park Use Right Sales and Purchase Contracts as stated in note i are legal and valid.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information regarding 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. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

***(i) Long position in the Shares and underlying Shares***

| Name of Director | Capacity | Number of Shares | Approximate percentage |
|---|---|---|---|
| Mr. Ngan Iek | Interest in controlled corporation | 1,900,000,000 *(Note 1)* | 54.44% |

*Note 1:* These Shares are registered in the name of Vertic, a company beneficially owned as to 50% by Mr. Ngan Iek, 25% by Ms. Ngan Iek Chan and 25% by Ms. Ngan Iek Peng. Mr. Ngan Iek is the elder brother of Ms. Ngan Iek Chan and Ms. Ngan Iek Peng. Mr. Ngan Iek is deemed to be interested in all the Shares held by Vertic under Part XV of the SFO. Mr. Ngan Iek is a director of Vertic.

*(ii) Long position in Vertic, an associated corporation of the Company*

| Name of Directors | Capacity | Number of shares in the associated corporation | Approximate percentage of shareholding in the associated corporation |
|---|---|---|---|
| Mr. Ngan Iek | Beneficial owner | 500 | 50% |
| Ms. Ngan Iek Peng | Beneficial owner | 250 | 25% |
| Datuk Siew Pek Tho | Interest of spouse *(Note 2)* | 250 | 25% |

*Note 2:* Datuk Siew Pek Tho is the spouse of Ms. Ngan Iek Chan who is the beneficial owner of 25% shareholdings in Vertic. Datuk Siew Pek Tho is deemed to be interested in the 25% shareholdings in Vertic held by Ms. Ngan Iek Chan under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were taken or deemed to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

**(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

***Long position in Shares***

| Name of Shareholder | Capacity | Number of Shares | Approximate Percentage |
|---|---|---|---|
| Vertic | Beneficial owner | 1,900,000,000 *(Note 1)* | 54.44% |

| Name of Shareholder | Capacity | Number of Shares | Approximate Percentage |
|---|---|---|---|
| Ms. Cheng Wing Shan | Interest of spouse | 1,900,000,000 *(Note 2)* | 54.44% |
| CMI Financial Holding Company Limited ("**CMI Hong Kong**") | Beneficial owner | 766,600,000 *(Note 3)* | 21.97% |
| Minsheng (Shanghai) Assets Management Company Limited ("**Minsheng Shanghai**") | Interest of controlled corporation | 766,600,000 *(Note 3)* | 21.97% |
| China Minsheng Investment Corporation Limited ("**Minsheng Corp**") | Interest of controlled corporation | 766,600,000 *(Note 3)* | 21.97% |

*Notes:*

1. Vertic is a company beneficially owned as to 50% by Mr. Ngan Iek, 25% by Ms. Ngan Iek Chan and 25% by Ms. Ngan Iek Peng. Mr. Ngan Iek is the elder brother of Ms. Ngan Iek Chan and Ms. Ngan Iek Peng.

2. Ms. Cheng Wing Shan is the spouse of Mr. Ngan Iek. Ms. Cheng Wing Shan is deemed to be interested in all the Shares in which Mr. Ngan Iek is interested in under Part XV of the SFO.

3 Such Shares are held by CMI Hong Kong, which is wholly-owned by Minsheng Shanghai, which is in turned wholly-owned by Mingsheng Corp. Both Minsheng Shanghai and Minsheng Corp are deemed to be interested in all the Shares held by CMI Hong Kong by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

## 3. COMPETING INTEREST

Apart from the interests in the Group, as at the Latest Practicable Date, Mr. Ngan Iek (a Director and one of our Controlling Shareholders) was beneficially interested in 100% equity interests of a group of companies which were principally engaged in the hotel business in the PRC, of which two hotels were in operation in Guilin City and Jinjiang City and another one was under construction in Shihezi City.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the Controlling Shareholders nor their respective close associates had any business which competes or may compete, either directly or indirectly, with the business of the Group.

## 4. DIRECTORS' SERVICE CONTRACTS

Each of, Datuk Siew Pek Tho and Mr. Chen Changzheng, being all of the executive Directors, has entered into a service agreement with the Company for an initial term of three years commencing from 7 July 2014, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Datuk Siew Pek Tho is entitled to a Director's fee of HK$1 per annum, and Mr. Chen Changzheng is entitled to a Director's fee of HK$1,200,000 per annum. Mr. Ngan Iek, formerly a non-executive Director, was redesignated as an executive Director with effect from 2 March 2016. Mr. Ngan Iek has entered into a letter of appointment with the Company appointed as a non-executive Director with an initial term of three years commencing from 7 July 2014, at a Director's fee of HK$1 per annum until terminated by not less than three months' notice in writing served by either party on the other and subject to termination in certain circumstances as stipulated in the relevant letter of appointment. Save for the redesignation of the position held by Mr. Ngan Iek, all the other terms of appointment of Mr. Ngan Iek as an executive Director would remain the same under the said letter of appointment.

Each of Ms. Ngan Iek Peng, Ms. Feng Xiaoying and Mr. Liu Tianlin, being all of the non-executive Directors, has entered into a letter of appointment with the Company. Each of our non-executive Directors is appointed with an initial term of three years (Ms. Ngan Iek Peng's appointment taking effect from 7 July 2014, Ms. Feng Xiaoying's appointment taking effect from 30 November 2015 and Mr. Liu Tianlin's appointment taking effect from 7 December 2015), at a Director's fee of HK$1 per annum, until terminated by not less than three months' notice in writing served by either party on the other and subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Each of Mr. Thng Bock Cheng John, Mr. Chan So Kuen, Mr. Lai Yang Chau, Eugene, and Mr. Lu Nim Joel, being all of the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years (Mr. Thng Bock Cheng John's appointment taking effect from 7 July 2014, Mr. Chan So Kuen's and Mr. Lai Yang Chau, Eugene's appointment taking effect from 16 October 2014, Mr. Lu Nim Joel's appointment taking effect from 30 November 2015) at a Director's fee of HK$180,000 per annum until terminated by not less than three months' notice in writing served by either party on the other and subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 5. DIRECTORS' INTEREST IN ASSETS CONTRACTS OR ARRANGEMENTS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor has any Director or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

During the two years immediately preceding the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business of the Company) have been entered into by the Group and are or may be material:

(a) the deed of indemnity dated 20 June 2014 and executed by the Controlling Shareholders as indemnifiers in favour of the Company (for itself and as trustee for the Group's then existing subsidiaries) in respect of, among others, certain indemnities regarding taxation and non-compliance matters, in connection with the placing of the Shares and their initial listing on GEM, particulars of which are set out in the prospectus of the Company dated 30 June 2014;

(b) the deed of non-competition dated 20 June 2014 and executed by the Controlling Shareholders as convenantors in favour of the Company (for itself and as trustee for the subsidiaries of the Company from time to time), in connection with the placing of the Shares and their initial listing on GEM, particulars of which are set out in the prospectus of the Company dated 30 June 2014;

(c) the share purchase agreement dated 20 June 2014, in connection with the placing of the Shares and their initial listing on GEM, and entered into among the Company, as purchaser, Taurine Group Holdings Ltd. ("**Taurine**"), as vendor, and Vertic pursuant to which the Company agreed to acquire (i) 1 share in Silverine Pacific Ltd., representing its entire issued share capital; and (ii) 1 share in Duchess Global Ltd., representing its entire issued share capital, from Taurine in the consideration of (a) the allotment and issue of 99 Shares, all credited as fully paid, to Vertic at the direction of Taurine and the crediting as fully paid at par of the one Share of the Company (allotted and issued in nil-paid form to Codan Trust Company (Cayman)

Limited as the initial subscriber) registered in the name of Vertic; and (b) the payment of US$1 by Vertic to Taurine in consideration of its receipt of 99 Shares from the Company at the direction of Taurine, particulars of which are set out in the prospectus of the Company dated 30 June 2014;

(d) the underwriting agreement dated 27 June 2014 in connection with the placing of the Shares by the underwriters entered into between the Company, the executive Directors (being Datuk Siew Pek Tho, Mr. Chen Changzheng) and our former executive Director Mr. Wong Ip, the Controlling Shareholders, Guotai Junan Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Great Roc Capital Securities Limited, Ever-Long Securities Company Limited and SBI China Capital Financial Services Limited, at the commission rate of 5% of the aggregate placing price, particulars of which are summarised in the prospectus of the Company dated 30 June 2014;

(e) the agreement dated 14 May 2015 entered into between Mandale Globe Ltd (a wholly owned subsidiary of the Company) and Tjiagus Thamrin, pursuant to which the parties proposed to form the JV Company in Indonesia to be held as to 90% by Mandale Globe Ltd. at the subscription price of US$225,000 and 10% by Tjiagus Thamrin at the subscription price of US$25,000, which was proposed to be principally engaged in providing accommodation service and for purchasing land and buildings in Indonesia, details of which are set out in the announcement of the Company dated 14 May 2015;

(f) the subscription agreement dated 8 October 2015 entered into between the Company and CMI Hong Kong, pursuant to which CMI Hong Kong conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 690,000,000 new Shares at HK$0.33 per Share and the convertible bonds in the principal amount of HK$25,278,000, which would entitle the holder(s) thereof to subscribe for 76,600,000 Shares, details of which are set out in the announcements of the Company dated 17 September 2015, 8 October 2015, 13 October 2015 and 30 November 2015 and the circular of the Company dated 6 November 2015; completion of the said subscription agreement took place on 30 November 2015;

(g) the land acquisition agreement dated 30 December 2015 entered into among the JV Company (being the proposed purchaser), and Tjiagus Thamrin, Siti Maryam Mucti, Verdy Veriady Thamrin, Ira Karmila Tharmin, Yeo Bing Hong, Pretty Ariestawati, Novita, Tri Noviardi Thamrin and Agus Setiawan (being the proposed vendors), pursuant to which the JV Company conditionally agreed to purchase from the proposed vendors 10 parcels of land at the consideration of S$2,000,000 (approximately HK$10,987,400 as at the agreement date), details of which are set out in the announcement of the Company dated 30 December 2015;

(h) the sale and purchase agreement dated 11 March 2016 entered into between Duchess Global Ltd. (as proposed purchaser) and Mr. Tjiagus Thamrin (as proposed vendor) for the conditional sale and purchase of 360,000 shares each having a nominal value of IDR9,867 (or US$1) in the paid-up capital of PT. Hang Huo Investment (an indirect non wholly-owned subsidiary of the Company) and the shareholder's loan in the sum of S$2,358,000 (approximately HK$12,969,000 as at the agreement date) owed by PT. Hang Huo Investment to the Vendor for a cash consideration of S$2,820,000 (approximately HK$15,510,000 as at the agreement date), details of which are set out in the announcement of the Company dated 11 March 2016; and

(i) the Equity Transfer Agreement.

## 8. EXPERT AND CONSENT

The following is the qualification of each of the experts who has given opinions or advice which are contained in this circular:

| Name | Qualification |
|---|---|
| GFE Law Office ("**GFE**") | PRC legal advisors in relation to PRC law |
| BDO Limited | Certified Public Accountants |
| AVISTA Valuation Advisory Limited ("**AVISTA**") | Registered Professional Surveyor (GP) |

Each of GFE, BDO Limited and AVISTA has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its opinion, letter and report and reference to its name, as the case may be, in the form and context in which it appears.

As at the Latest Practicable Date, each of GFE, BDO Limited and AVISTA did not have any direct or indirect shareholding interest in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, each of GFE, BDO Limited and AVISTA did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group, respectively, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. CORPORATE INFORMATION OF THE COMPANY

| | |
|---|---|
| **Registered office** | Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands |
| **Head office and principal place of business** | Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong |
| **Principal share registrar and transfer office** | Codan Trust Company (Cayman) Limited<br>Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands |
| **Hong Kong branch share registrar and transfer office** | Tricor Investor Services Limited<br>Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong |
| **Company secretary** | Mr. Lau Tak Shing, *HKICPA* |
| **Compliance officer** | Datuk Siew Pek Tho, *CPA (Aust.)* |

## 10. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising the three independent non-executive Directors, namely Mr. Chan So Kuen (also being the chairman of the Audit Committee), Mr. Thng Bock Cheng John and Mr. Lai Yang Chau, Eugene.

The primary duties of the audit committee are mainly to review and monitor external auditors' independence, their audit process and their relationship with the Group, review financial information of the Group, oversee the Company's financial reporting system, risk management and internal control systems, and to report to the Board on the other matters as required under Appendix 15 of the GEM Listing Rules and other matters of the Company.

Biographical information of each member of the Audit Committee is set out below:

Mr. Thng Bock Cheng John, aged 64, was appointed as our independent non-executive Director on 7 July 2014. Mr. Thng worked for Hotel New Otani in Singapore from March 1984 to September 2004. His last position with Hotel New Otani was a general manager where he was responsible for (i) formulating, communicating and administering effective standards of internal control procedures to ensure best practices within the hotel; (ii) implementing policies for an effective operational overview of the hotel; and (iii) implementing divisional performance measurements as an effective management tool in the allocation of the resources of the hotel. From October 2004 to November 2010, he was employed by Rendezvous Hospitality Group Pte. Ltd., a subsidiary of Straits Trading Company in Singapore as the director development Southeast Asia. From August 2011 to present, Mr. Thng was employed by Singa Hospitality Pte. Ltd. as a hotel opening consultant.

Mr. Chan So Kuen, aged 36, was appointed as our independent non-executive Director on 16 October 2014. Mr. Chan obtained his Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 2001. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 12 years of experience in accounting, auditing, corporate governance and capital market in Hong Kong and the People's Republic of China. Since February 2014, Mr. Chan has been the chief financial officer and company secretary of Huazhang Technology Holding Limited (Stock Code: 1673), a company listed on the main board of the Stock Exchange.

Mr. Lai Yang Chau, Eugene, aged 46, was appointed as our independent non-executive Director on 16 October 2014. Mr. Lai obtained his bachelor of laws degree from The University of Hong Kong in 1992, a master of laws degree on Chinese laws from Renmin University of China in 1998, and an EMBA Global Asia degree conferred jointly by Columbia Business School, London Business School and The University of Hong Kong in 2012. He has also completed class 2011 of the Senior Executive Program for China, jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School. Mr. Lai is currently a practicing solicitor in Hong Kong and a partner of the Hong Kong office of an international law firm. He has experience in international corporate finance, cross border merger and acquisition, and securities laws in Hong Kong.

## 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any business day at the principal place of business of the Company in Hong Kong at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the prospectus of the Company dated 30 June 2014, the annual report of the Company for the year ended 31 December 2014 and the third quarterly report of the Company for the nine months ended 30 September 2015;

(c) the accountant's report on the Target Group as set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(e) the property valuation report in respect of the property interests of the Target Group issued by AVISTA as set out in Appendix IV to this circular;

(f) the written consent from each of GFE, BDO Limited and AVISTA referred to in the section headed "Expert and consent" of this Appendix V;

(g) the material contracts referred to in the paragraph headed "Material contracts" of this Appendix V; and

(h) this circular.

# Link Holdings Limited
# 華星控股有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 8237)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**Meeting**") of Link Holdings Limited ("**Company**") will be held at 11:00 a.m. on Wednesday, 13 April 2016 at Unit No. 3503, 35/F, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Sheung Wan, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

## ORDINARY RESOLUTION

"**THAT**:

(a) the acquisition ("**Acquisition**") of 42.3% of the equity interest of Zhuhai Kang Ming De Investment Limited* as contemplated under the equity transfer agreement dated 1 February 2016 and entered into between Star Adventure Investment Limited (a wholly-owned subsidiary of the Company) as the purchaser and Mr. Bi Jingjun as the vendor (as discussed in the circular of the Company dated 24 March 2016 and varied and supplemented by a supplemental agreement dated 22 March 2016 made by the same parties, a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) (collectively, "**Equity Transfer Agreement**", a copy of the Equity Transfer Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the Acquisition and all other transactions contemplated under the Equity Transfer Agreement be and are hereby approved;

(b) the board of directors of the Company ("**Board**") or a duly authorised committee of the Board be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the Equity Transfer Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of the Board or a duly authorised committee, in the interest of the Company and its shareholders as a whole."

For and on behalf of the board
**Link Holdings Limited**
**Ngan Iek**
*Chairman and executive Director*

Hong Kong, 24 March 2016

* *For identification purpose only*

*Registered office*
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head Office and Principal Place of business*
Unit No. 3503
35/F, West Tower
Shun Tak Centre
Nos. 168-200 Connaught Road Central
Sheung Wan
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the Meeting is enclosed. Whether or not you intend to attend the Meeting in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the Meeting or any adjournment thereof, should he/she/it so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. In the case of joint holders of shares, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

5. Pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the voting on the resolution at the Meeting or any adjournment thereof will be conducted by way of poll.