THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular together with the accompanying form of proxy to the purchaser, transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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

MERDEKA

MERDEKA MOBILE GROUP LIMITED
(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND THE SHAREHOLDER'S LOAN DUE BY BLOSSOM HEIGHT VENTURES LIMITED INVOLVING ISSUE OF PROMISSORY NOTE AND CONVERTIBLE BONDS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

富域 Donvex 富域資本

Donvex Capital Limited
富域資本有限公司

A letter from the Board is set out on pages 6 to 44 of this circular.

A notice convening the EGM to be held on Wednesday, 1 April 2015 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 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 appointed time for holding the meeting 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 and any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at http://www.merdeka.com.hk.

* *For identification purpose only*

17 March 2015

CHARACTERISTICS OF GEM

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 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.

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the terms and subject to the conditions of the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 31 October 2014 and entered into among the Purchaser, the Vendor and the Guarantors in relation to the Acquisition
"acting in concert"	has the meaning ascribed thereto under the Takeovers Code
"associate(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds
"Business Day"	a day (other than a Saturday, Sunday and public holiday) on which banks are open for business in Hong Kong
"BVI"	the British Virgin Islands
"Company"	Merdeka Mobile Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Completion Date"	the date falling on the third Business Day after all the conditions precedent to the Acquisition Agreement have been fulfilled and satisfied (or waived, as the case may be) or such other date as the parties to the Acquisition Agreement may agree
"Conditions Precedent"	conditions precedent to the Completion under the Acquisition Agreement

"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the consideration of HK$72 million which was determined in the manners as described in the paragraph headed "Consideration" of this circular and shall be payable by the Purchaser to the Vendor for the Acquisition pursuant to the payment terms as set out in the Acquisition Agreement
"Conversion Period"	the period commencing from the issue date of the Convertible Bonds and ending at 4:00 p.m. on the Maturity Date (both dates inclusive)
"Conversion Price"	initially HK$0.32 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Convertible Bonds
"Conversion Rights"	the rights attaching to the Convertible Bonds entitling the holder(s) thereof to convert the same or a part thereof into Conversion Shares pursuant to the terms and conditions of the Convertible Bonds
"Conversion Share(s)"	new Share(s) which may fall to be allotted and issued by the Company upon the exercise of the Conversion Rights by the Bondholder(s)
"Convertible Bonds"	the zero coupon convertible bonds due 2018 in the principal amount of HK$40 million to be issued by the Company in favour of the Vendor to satisfy part of the Consideration pursuant to the Acquisition Agreement with the benefit of and subject to the conditions of the Convertible Bonds or, as the context may require, any part of the principal amount thereof
"Director(s)"	the director(s) of the Company

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition and the transactions contemplated thereunder including the issue of the Convertible Bonds and the granting of the Specific Mandate for the issue of the Conversion Shares upon exercise of the Conversion Rights
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of the Securities on GEM
"Group"	the Company and its subsidiaries
"Guarantors"	Mr. Cheng Jun and Mr. Gao Yun Feng, being the guarantors of the Acquisition Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Company"	Ideal Magic International Limited (裕驊國際有限公司), a company incorporated in Hong Kong with limited liability
"Last Trading Day"	31 October 2014, being the last trading day of the Shares on the Stock Exchange immediately before signing of the Acquisition Agreement
"Latest Practicable Date"	12 March 2015, being the latest practicable date for the purpose of ascertaining certain information included in this circular
"Listing Committee"	has the meaning ascribed thereto under the GEM Listing Rules
"Long Stop Date"	30 June 2015 or such later date as the Purchaser may agree in writing

"Maturity Date"	the day falling on the third anniversary from the date of issue of the Convertible Bonds
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, Taiwan and the Macau Special Administrative Region
"PRC Company"	恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited*), a sino-foreign joint venture company established in the PRC with limited liability
"Promissory Note"	the promissory note in the principal sum of HK$32 million to be executed by the Company in favour of the Vendor on Completion for the purpose of settling part of the Consideration under the Acquisition Agreement
"Purchaser"	End User Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	the amounts due by the Target Company to the Vendor as at the Completion Date
"Sale Shares"	2 ordinary shares in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Xunli"	上海市巽離股權投資管理有限公司 (Shanghai Xunli Equity Investment Management Limited*), a company established in the PRC which is principally engaged in investment holding and currently owns 60% equity interest in the PRC Company

* *For identification purpose only*

"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	a specific mandate to be granted by the Shareholders to the Directors at the EGM for the allotment and issue of the Conversion Shares upon exercise of the Conversion Rights
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Target Company"	Blossom Height Ventures Limited, a company incorporated in BVI with limited liability
"Target Group"	the Target Company, the Hong Kong Company and the PRC Company
"trading day"	a day on which the Stock Exchange is open throughout its usual trading hours for the business of dealing in securities that are listed thereon
"US$"	United States dollar(s), the lawful currency of the United States of America
"Vendor"	Yihua Enterprises Limited, a company incorporated in BVI with limited liability which is wholly-owned by the Guarantors
"%"	per cent.

* *The English names of the Chinese entities, laws and regulations are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names prevail.*

MERDEKA MOBILE GROUP LIMITED
(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

Directors
Executive Directors:
Mr. Cheung Wai Yin, Wilson
(Chairman and Chief Executive Officer)
Mr. Lau Chi Yan, Pierre *(Managing Director)*

Non-executive Director:
Mr. Wong Chi Man

Independent Non-executive Directors:
Ms. Yeung Mo Sheung, Ann
Mr. Ng Kay Kwok
Mr. Yip Kat Kong, Kenneth

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

17 March 2015

To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND THE SHAREHOLDER'S LOAN DUE BY BLOSSOM HEIGHT VENTURES LIMITED INVOLVING ISSUE OF PROMISSORY NOTE AND CONVERTIBLE BONDS

INTRODUCTION

Reference is made to the announcement of the Company dated 9 December 2014 in relation to the Acquisition.

* *For identification purpose only*

On 31 October 2014, the Purchaser entered into the Acquisition Agreement with the Vendor and the Guarantors, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Sale Loan at a total consideration of HK$72 million.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) accountant's reports of the Target Group and the PRC Company; (iii) pro forma financial information of the Enlarged Group upon Completion; (iv) valuation report of the Target Group; (v) the general information of the Company; and (vi) a notice convening the EGM.

THE ACQUISITION AGREEMENT

Major terms of the Acquisition Agreement are set out below.

Date:

31 October 2014

Parties:

Purchaser:	End User Investments Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company
Vendor:	Yihua Enterprises Limited, a company incorporated in BVI with limited liability
Guarantors:	Mr. Cheng Jun and Mr. Gao Yun Feng, being the owners of 50% and 50% equity interest of the Vendor as at the date of Acquisition Agreement, respectively. The Guarantors were joined as a parties to the Acquisition Agreement to guarantee the performance and observance by the Vendor of all of its obligations and undertakings under the Acquisition Agreement

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, being the Guarantors, are independent of and not connected with the Company and its connected persons.

Assets to be acquired

(i) The Sale Shares, representing the entire issued share capital of the Target Company.

(ii) The Sale Loan, representing the aggregate amount owing by the Target Company to the Vendor as at the Completion Date. The amount of the Sale Loan as at the date of the Acquisition Agreement was approximately HK$49.8 million.

Further particulars of the Target Group are set out in the section headed "Information on the Target Group" below.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of HK$72 million shall be settled in the following manner:

(i) HK$32 million shall be settled by way of Promissory Note to be issued by the Company to the Vendor on Completion; and

(ii) HK$40 million shall be settled by way of Convertible Bonds to be issued by the Company to the Vendor on Completion.

Basis of the Consideration

The Consideration was determined with reference to (i) the benefits of the Acquisition as set out in the section headed "Reasons for the Acquisition" below; (ii) the face value of the Sale Loan of approximately HK$49.8 million as at the date of the Acquisition Agreement; (iii) the historical performance of the Target Group for the two financial years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014; and (iv) the preliminary valuation of the Target Group of not less than HK$194 million as determined by Roma Appraisals Limited (the "**Valuer**"), an independent valuer, whereby the income approach has been adopted for preparation of such preliminary valuation.

Based on the final valuation report (the "**Valuation Report**") provided by the Valuer as set out in Appendix IV to this circular, taken into account the Sale Loan and upon the capital commitment as stated in the paragraph headed "Capital commitment" being completed, the market value of the entire equity interest in the Target Group was HK$203 million as at 30 September 2014.

The discounted cash flow method was applied in the aforesaid valuation prepared by the Valuer. The valuation was based on the projections of the future cash flows provided by the management of the Target Group.

The Valuation Report, including details of the assumption and methodology of the valuation, is contained in Appendix IV to this circular. The Directors have reviewed the principal assumptions upon which the valuation is based and are of the view that the valuation has been made after due and careful enquiry.

Having considered the above factors, the Board considers that the Consideration, which was arrived after arm's length negotiations between the Purchaser and the Vendor, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Profit Guarantee

Pursuant to the Acquisition Agreement, the Vendor has given to and for the benefit of the Purchaser a profit guarantee that the consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than HK$10 million.

The consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group for each of the three years ending 31 December 2015, 2016 and 2017 can only be derived from the financial leasing business of the Target Group, of which extraordinary and exceptional items represent non-recurring items from the unusual courses of business such as any changes in fair value on available-for-sale investments through other comprehensive income and changes in the revaluation surplus, etc.

The Purchaser shall prepare a statement of the audited consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group in accordance with Hong Kong Financial Reporting Standards and deliver to the Vendor within 90 Business Days after the end of each of the three years ending 31 December 2015, 2016 and 2017.

In the event that the audited consolidated net profit after taxation and any extraordinary and exceptional items of the Target Group is less than HK$10 million for any of the three years ending 31 December 2015, 2016 and/or 2017, the amount payable by the Purchaser on redemption of the Promissory Note shall be reduced on a dollar to dollar basis by the amount of shortfall for the relevant year.

The Promissory Note, immediately after its issuance, will be escrowed by the Company as a pledge against the aforementioned profit guarantee. Any shortfall of profit guarantee must be settled each year by deduction of the amount of shortfall from the principal amount of the Promissory Note and cannot be carried forward to the subsequent year. In other words, the HK$10 million profit guarantee each year cannot be accumulated to HK$20 million for two years ending 31 December 2016 or HK$30 million for three years ending 31 December 2017 for assessment of compensation. Based on the above, the Board considers that the settlement method is fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be subject to the fulfilment or waiver (as the case may be) of the following Conditions Precedent on or before the Long Stop Date:

(a) the results of legal and financial due diligence on the Target Group, including but not limited to the assets, liabilities, operations and affairs of each member of the Target Group being satisfactory to the Purchaser;

(b) the obtaining by the Purchaser of all necessary authorizations, licences, consents and approvals required to be obtained from banks, third parties and relevant governmental authorities in respect of the transactions contemplated under the Acquisition Agreement;

(c) the passing by the Shareholders at the EGM the necessary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder, including without limitation, the issue of the Promissory Note and Convertible Bonds and the Specific Mandate to issue the Conversion Shares, as required by the GEM Listing Rules;

(d) the obtaining of legal opinion issued by a firm of PRC lawyers acceptable to the Purchaser covering such matters of the PRC laws relevant to the transactions contemplated under the Acquisition Agreement in such form and substance to the absolute satisfaction of the Purchaser;

(e) the Listing Committee granting the listing of, and permission to deal in the Conversion Shares;

(f) there being no matter adversely affecting the legal standing or continued existence of any member of the Target Group to continue to carry on their business;

(g) the transaction contemplated under the Acquisition Agreement not being treated as a reverse takeover by the Stock Exchange pursuant to Rule 19.06(6) of the GEM Listing Rules; and

(h) all the representations and warranties provided by the Vendor under the Acquisition Agreement remaining true, accurate and not misleading in all respects.

The Purchaser may at any time by notice in writing to the Vendor waive any Conditions Precedent above (except for (c) and (e) which are not waivable). If the above Conditions Precedent have not been fulfilled in full (or waived, as the case may be) on or before the Long Stop Date or such later date as the Purchaser may agree, the Acquisition Agreement shall cease and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As at the Latest Practicable Date, save for condition (g) above, none of the other Conditions Precedent have been fulfilled.

Completion

Upon fulfilment and satisfaction of the above Conditions Precedent, Completion shall take place on the Completion Date or such other date as agreed by relevant parties to the Acquisition Agreement in writing. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser and the financial results of the Target Group will be consolidated into the accounts of the Group (in which the PRC Company is accounted for using equity method).

PROMISSORY NOTE

Upon Completion, HK$32 million of the Consideration will be settled by way of Promissory Note to be issued by the Company to the Vendor. The terms of the Promissory Note have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Principal amount:	HK$32 million (subject to adjustment, if any, if there is a shortfall in respect of the profit guarantee given by the Vendor)
Interest:	The Promissory Note shall carry no interest.
Date of issue:	The Completion Date
Repayment Date:	The date falling on the last day of the 42th month from the date of issue of the Promissory Note.
Early repayment:	The Purchaser could, at its discretion, repay the Promissory Note in whole or in part prior to the repayment date. There will not be any premium over or discount to the payment obligations under the Promissory Note for any early repayment.

CONVERTIBLE BONDS

Upon Completion, HK$40 million of the Consideration will be settled by way of Convertible Bonds to be issued by the Company to the Vendor. The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are as follows:

Issuer:	The Company
Bondholder:	The Vendor
Principal amount:	HK$40 million
Coupon:	The Convertible Bonds shall bear no interest.
Date of issue:	The Completion Date
Maturity Date:	Subject to the terms and conditions of the Convertible Bonds, the Maturity Date shall fall on the third anniversary from the date of issue of the Convertible Bonds.

Conversion Rights:	Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder who exercises the Conversion Rights, whether or not such mandatory offer obligation is triggered by the fact that the number of Conversion Shares to be allotted and issued following the exercise of the Conversion Rights attaching to Convertible Bonds and, if applicable, together with any Shares already owned or agreed to be acquired by the Bondholder or parties acting in concert with it, represents 30% or more (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code; and (ii) will not cause the public float of the Shares being unable to meet the requirement under the GEM Listing Rules, the Bondholder shall have the right on any Business Day during the Conversion Period to convert the whole or part of such principal amount of the Convertible Bonds set out therein into Conversion Shares at the Conversion Price, other than the part of the Convertible Bonds which has been called for redemption before the Maturity Date of the Convertible Bonds.
Conversion Price:	The Conversion Price will initially be HK$0.32 per Conversion Share subject to adjustment provisions customary for convertible securities of a similar type. The adjustment events will arise as a result of certain changes in the share capital of the Company including consolidation or sub-division of shares, capitalisation of profits or reserves, capital distributions in cash or specie or subsequent issue of securities in the Company at substantial discount to market value. The Company shall issue an announcement in the event that there are any changes in the Conversion Price (and any subsequent changes in the Conversion Price of the Convertible Bonds) in the future to comply with the relevant requirements under the GEM Listing Rules.

The Conversion Price represents (i) a premium of approximately 33.89% over the closing price of HK$0.2390 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (ii) a premium of approximately 30.61% over the closing price of HK$0.2450 per Share as quoted on the Stock Exchange on the Last Trading Day; (iii) a premium of approximately 30.72% over the closing price of HK$0.2448 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iv) a premium of approximately 27.54% over the closing price of HK$0.2509 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and (v) a premium of approximately 60.24% over the unaudited net asset value of approximately HK$0.1997 per Share as at 30 June 2014 (based on the unaudited consolidated net assets of the Group of approximately HK$76.5 million as at 30 June 2014 as shown in the Company's interim report for the six months ended 30 June 2014 (the "**Interim Report**") and 383,031,384 Shares in issue as at the Latest Practicable Date).

The Board considers that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to the then recent performance of the Shares and the then prevailing market conditions.

Conversion Shares: 125,000,000 new Shares to be issued upon full conversion of the Convertible Bonds on the basis of the principal amount of HK$40 million and Conversion Price of HK$0.32 per Conversion Share (subject to adjustments).

The Conversion Shares following the exercise of the Conversion Rights pursuant to the Convertible Bonds represent approximately 32.63% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 24.60% of the then issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds.

Redemption: The Company shall have the right to redeem any portion of the Convertible Bonds outstanding at any time and from time to time prior to the Maturity Date by notifying the Bondholder at the Company's own discretion.

Compulsory conversion:	At the Maturity Date, any outstanding principal amount of the Convertible Bonds will be automatically converted into ordinary shares of the Company at the Conversion Price. For the avoidance of doubt, the compulsory conversion will only be applicable to the portion of the Convertible Bonds such that immediately after conversion, no mandatory offer obligation under Rule 26 of the Takeovers Code or violation to the minimum public float requirement of the Company under GEM Listing Rules would be triggered off.
Transferability:	The Convertible Bonds may be assignable or transferable subject to the prior consent of the Company. Any transfer of the Convertible Bonds to a connected person of the Company shall be subject to any requirements of the Stock Exchange, GEM Listing Rules and all applicable laws and regulations.
Ranking:	The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all existing Shares in issue on the date of allotment and issue of such Conversion Shares. There shall be no restriction for subsequent sale of the Conversion Shares.
Voting rights:	The Bondholder will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the Bondholder.
Application for listing:	No application will be made by the Company for the listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON THE TARGET GROUP

Background of the Target Group

To the best information, belief and knowledge of the Directors, the Vendor is principally engaged in investment holding and as at the date of the Acquisition Agreement, other than the holding of the entire equity interest in the Target Company, the Vendor does not have any other material asset. The Target Company holds the entire issued share capital of the Hong Kong Company. The Target Company and the Hong Kong Company are both investment holding companies. Hong Kong Company is the registered owner of 64.71% of the enlarged (but not fully paid up) registered capital of the PRC Company, the remaining 35.29% registered capital of which is owned by Shanghai Xunli. The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, each of Shanghai Xunli and its beneficial owner are independent of and not connected with the Company and its connected persons.

The PRC Company

The PRC Company is a sino-foreign joint venture company with limited liability, which is established by the Hong Kong Company and Shanghai Xunli in the PRC on 14 December 2012. The original total registered capital of RMB100 million of the PRC Company was fully paid up on or before 15 May 2013, among which RMB40 million was paid up by the Hong Kong Company and RMB60 million was paid up by Shanghai Xunli, representing 40% and 60% equity interest in the PRC Company respectively. On 15 December 2013, the PRC Company intended to increase its total registered capital up to RMB170 million. In respect of its increased capital of RMB70 million, it is required under the written approval issued by 上海市商務委員會 (Shanghai Municipal Commission of Commerce*) that the intended increase of registered capital of PRC Company is to be paid up by the Hong Kong Company within 2 years from the date of issue of its revised business licence (i.e. on or before 14 December 2015). After Completion, the Group will make payment for the unpaid RMB70 million of the registered capital of PRC Company for its use in the financial leasing business, such payment will be funded through equity financing, including but not limited to placing of new Shares under specific mandate, and internal resources of the Group. Other than the payment of RMB70 million, there are no other conditions or requirements that need to be satisfied for the said unpaid capital of the PRC Company. For details, please refer to the section headed "Capital commitment" of this circular. Given the above situation, as the Target Company currently holds 40% equity interest in the PRC Company indirectly, thus as at the Latest Practicable Date, the PRC Company should be accounted for as an associate of the Target Company. After the payment of RMB70 million, the PRC Company will become an indirect non-wholly-owned subsidiary of the Target Company and its financial results will be consolidated into the accounts of the Target Company.

The Hong Kong Company and Shanghai Xunli had obtained approval for establishing a foreign-invested financial leasing company, being the PRC Company, in which its business licence states that it is authorised to engage in, among others, (i) financial leasing business; (ii) leasing business; (iii) purchase of leased properties from local and overseas regions; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; and (v) lease transaction consultancy and security services, for an operating term of 30 years until 13 December 2042, subject to the conditions that the PRC Company has a registered capital not less than US$10 million and is staffed by appropriate professionals with relevant knowledge and industry experience. The Directors confirm that the PRC Company had fulfilled the above criteria and is able to conduct the aforesaid business in the PRC. The Directors have been advised of the legality of the PRC Company, apart from its business licence, neither other permits nor licences are required for that PRC Company to carry on the aforesaid business in the PRC. The success for obtaining of the business licence was attributable to the composition and mix of management team of the PRC Company with relevant experience and network. The Company will retain the existing management team of the Target Group and the key members will continue to engage in the financial leasing business.

* *For identification purpose only*

Business model of the Target Group

The PRC Company is principally engaged in the financial leasing business, which specialises in organising and providing direct financial leasing services and sale-and-leaseback services to customers in the PRC. The customers of the PRC Company (also known as the lessees) are mainly manufacturing companies and governmental authorities. The PRC Company obtained the business licence with an operating term of 30 years from 14 December 2012 to 13 December 2042 and commenced its financial leasing business in June 2013. The basic requirements for obtaining a business licence to engage in the financial leasing business in the PRC include having a minimum level of registered capital of US$10 million and having staff with relevant knowledge and industry experience, which the PRC Company has been satisfied with its management team as described in the paragraph headed "Management team of the Target Group". The PRC Company possesses a management team with solid experience gained from various positions they were taken up in financial institutions, and their extensive commercial bank network have allowed the PRC Company to develop its reputation and customer relationship in the growing financial leasing market. Nonetheless, the relevant governmental authorities have the absolute discretion to approve or reject an application for the business licence. At present, the business of the PRC Company remains relatively concentrated in Shanghai and gradually explores to other regions such as Jiangsu and Zhejiang provinces in the PRC.

The typical financial leasing business model provides the customers with a commercial arrangement where: (i) the customer, as the lessee, will select an asset (such as production machinery and infrastructure equipment); (ii) the PRC Company, as the lessor, will then purchase that asset; (iii) the lessee will have the use of that asset for the duration of the lease; (iv) the lessee will make a series of rental payments for the use of that asset; (v) the PRC Company will recover a majority or the entire cost of the asset and earn interest from the rental payments made by the lessee; and (vi) the lessee has the option to acquire ownership of the asset from the PRC Company upon expiry of the lease term.

The Target Group primarily provides two types of asset-based leasing services, including direct financial leasing and sale-and-leaseback. The asset of the customers under a financial lease arrangement can be newly purchased or used by the customer. It is on case-by-case basis for the PRC Company to assess the cost of asset owned by the customer before it decides to enter into the financial lease arrangement with the customer. Financial lease arrangements in both services are generally priced at a fixed interest rate with reference to the People's Bank of China benchmark interest rates. However, it is the practice of the PRC Company to adjust the interest rates on commercial terms and on a case-by-case basis with the individual lessee.

Direct financial leasing

One of the principal business activities of the Target Group is to provide direct financial leasing services to enterprise, which the PRC Company acts as a lessor to grant fund support by acquiring selected assets and equipment on behalf of the enterprise (i.e. the lessee) from its designated supplier. However, such arrangements are generally referred from the commercial banks in the PRC. Due to the tightened fiscal policy on commercial banks in the PRC, they have been reluctant to provide direct financial leasing to the enterprises. In light of their stricter lending conditions, they would rather focus on their traditional money lending businesses such as property mortgage loans and trade financing, but refer some of their long-term customers, who may be creditworthy with collaterals, to those companies with extensive experience in financial leasing business. Such referral arrangement enables both commercial banks and financial leasing companies to effectively manage their respective credit risks and compete in the money lending industry. Adequate risk measures in assessing the recoverability of loan have been duly implemented by the banks, including document vertification and review of credit history, before they refer the loan applications to the PRC Company. The PRC Company will also perform an individual risk assessment on each customer.

Based on the risk assessment as stated in the paragraph headed "Risk management" below, which has been sufficiently performed by the professional team of the PRC Company, the PRC Company generally accepts and provides funding amounts between RMB30 million and RMB100 million as purchase cost of asset to the lessee. Upon the acceptance of bank's referral, the PRC Company funds its direct financial leasing transaction primarily through bank loan and such funding amount is specifically for the particular customer, an interest margin ranged from 0.5% to 1% is then imposed by the PRC Company to the lessee under the financial lease arrangements. Upon the entering into the financial lease arrangement, the lessee transfers its ownership of asset to the PRC Company and the PRC Company retains all the rights and ownership of the leased asset during the lease term. Upon the maturity of financial lease arrangement, the ownership of the leased asset will be transferred back to the lessee at a nominal price, which is a pre-determined residual value of the leased asset. Such financial lease arrangements allow the PRC Company to maintain a stable source of interest income as well as to effectively manage its interest rate risk.

The PRC Company possesses professional team with relevant experience in banking and financial services to foster and develop close business relationships with commercial banks in the PRC. The established track record and extensive network have gained the PRC Company confidence from various commercial banks in the PRC, which allowed it to extend in aggregate over RMB300 million credit lines to the enterprises. The following table sets forth the information of major direct financial lease arrangements of the PRC Company on hand:

	Principal amount *(RMB'000)*	**Date of commencement**	**Tenor**	**Interest rate per annum**
Customer A *(Note 1)*	100,000	29 August 2014	1 year	8%
Customer B *(Note 2)*	77,300	14 October 2014	1 year	7.02%
	67,670	7 January 2015	1 year	7.02%
Customer C *(Note 3)*	64,500	24 December 2014	1 year	8%

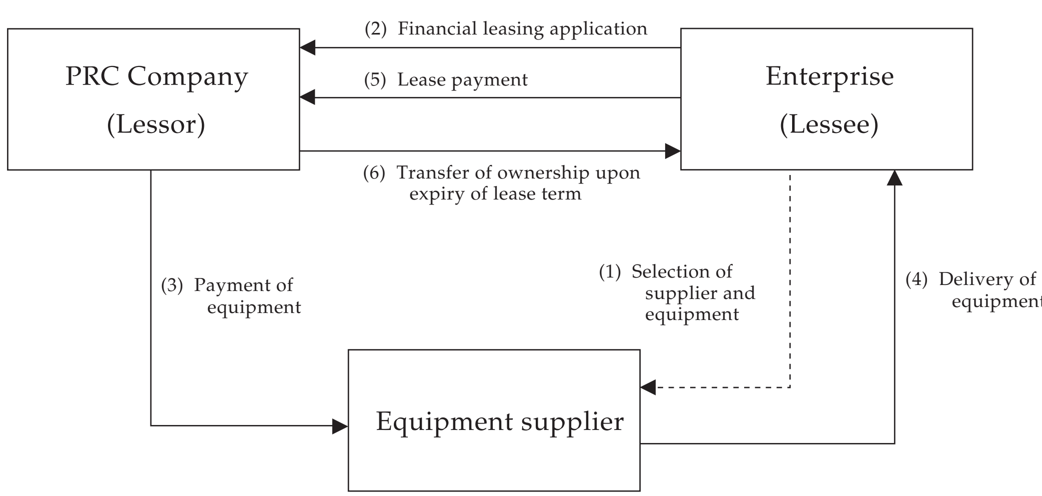
Notes:

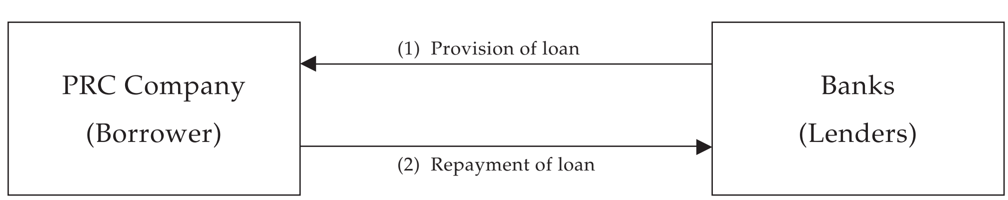
1. A company located in Jiangsu province which is principally engaged in transport infrastructure in the PRC.

2. A company located in Guangxi province which is principally engaged in manufacturing of aluminium products in the PRC.

3. A company located in Jiangsu province which is principally engaged in gas pipeline construction in the PRC.

A direct financial leasing transaction usually involves three parties, namely lessor, lessee and equipment supplier. The relationship among the three parties is illustrated in the following diagram.





Sale-and-leaseback

The PRC Company also provides sale-and-leaseback services to enterprise, which allows the enterprise to have the immediate cash available for investment in other business opportunities by selling an asset to the PRC Company and leasing back at an agreed rate. The enterprise will then have an option to buy back the asset at the end of the lease. The PRC Company focuses on providing systematic and effective financing to the enterprises which have working capital needs for their business operations. The provision of sale-and-leaseback services normally have a higher gross profit margin than direct financial leasing services due to the fact that a longer term of funding is required for the lessees. The sources of funding in the provision of sale-and-leaseback services are generally from the working capital of the PRC Company, whereby the professional team of the PRC Company performs extensive customer due diligence and credit assessment before the funding is being approved by the risk management committee. The following table sets forth the information of major sale-and-leaseback arrangements of the PRC Company on hand:

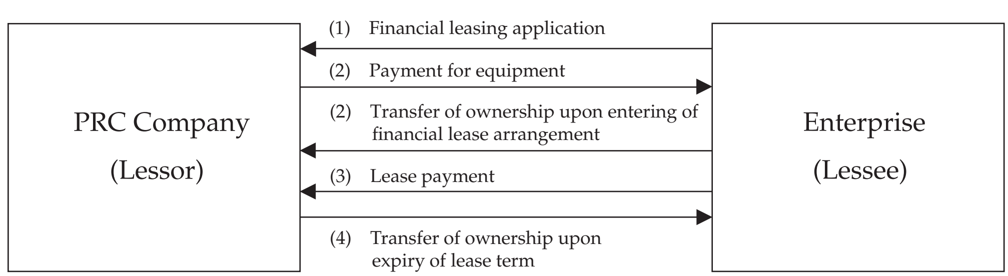
	Principal amount (RMB'000)	**Date of commencement**	**Tenor**	**Interest rate per annum**
Customer D *(Note 1)*	35,000	3 January 2014	3 years	11%
Customer E *(Note 2)*	45,000	3 January 2014	3 years	11%

Notes:

1. A company located in Shanghai which is principally engaged in manufacturing of metallic mechanical and electrical products in the PRC.

2. A company located in Shanghai which is principally engaged in embroidery processing in the PRC.

A sale-and-leaseback transaction usually involves two parties, namely lessor and lessee. The relationship between the two parties is illustrated in the following diagram.



Risk management

The customers of the PRC Company mainly comprise small-to-medium sized enterprises, which were selected under stringent risk evaluation procedures based on factors such as the stability of their cash flows, asset values, industry reputation and track record performance. The risk evaluation procedures mainly consist of (i) the stringent selection of suitable target customers; (ii) financial due diligence and credit assessment of customers; (iii) customer approval procedures; and (iv) leasing portfolio monitoring and management.

The PRC Company has developed a comprehensive risk management system, with a primary focus on customer due diligence that enables the management to make financing decisions based on the feasibility study on each enterprise instead of merely relying on the collateral provided. Such customer selection process differentiates the PRC Company from the traditional commercial banks in the PRC. Along with the growing customer base of the PRC Company, the systematic risk evaluation procedures shall be undergone by an experienced and qualified team in order to (i) ensure the collected customer information is duly verified; (ii) optimise the implementation of credit assessment measures; and (iii) maintain the quality of the financial leasing portfolio.

The PRC Company has established a risk management committee to oversee risk evaluation procedures. There are a total of 5 members including Mr. Cheng Jun, the two directors of the PRC Company, namely Mr. Su Zhong Hua and Mr. Gao Yun Feng, and two representatives who are legal and accounting experts and are independent third parties. Mr. Cheng Hao is the current accounting representative of the committee. He has been the senior partner of Shanghai Well C.P.A. Partnership since 2002 and has over 13 years of practising experience in financial reporting and forensic analysis. He is a member of the Chinese Institute of Certified Public Accountants and the holder of Forensic Accountants Certificate. He is also the associate director of the Shanghai Institute of Certified Public Accountants and the committee member of the Huangpu Shanghai Committee of Chinese Political Consultative Conference. Ms. Ceng Jian Qing is the current legal representative of the committee. She has been the managing partner of Shanghai Cengjianqing & Solicitors since 2004 and has over 30 years of experience in handling commercial litigation and corporate matters. She is the legal adviser of the People's Government of Shanghai Huangpu District and the vice-president of the Law Society of Shanghai Huangpu District. The appointment of such representative is on an annual rotation basis and he/she must be a senior management member in either accounting or legal firm, who has over 10 years of experience in financial reporting and analysis and/or legal advisory. The primary duties and responsibilities of the committee are to design risk management systems, to review, approve and supervise overall risk prevention measures and implementation.

In light of the possibility of default of the customer, the PRC Company regularly monitors its financial leasing portfolios, by periodically reviewing the status of all financial lease receivables in order to minimise its exposure to credit risk. In case the customer defaults in payment of the outstanding principal and/or interest, the PRC Company has the right to charge default interest on the outstanding principal and overdue interest. However, the PRC Company will first send written demand to the customer. Depending on the reasons given by the customer, the project manager of the PRC Company, after negotiation with the customer and consultation with the management team, may grant a grace period, usually not exceeding a period of two instalments or three months. Where settlement proposals cannot be agreed, or where the customer fails to honour the commitments under the settlement proposals, the PRC Company will institute legal proceedings against the customer, seeking to foreclose the assets to recover the outstanding principal and interest. The PRC Company is contractually entitled to enforce its security rights over the leased assets, and dispose of such assets to realise its residual value to recover the losses. As at the Latest Practicable Date, all financial lease receivables of the PRC Company were secured against leased assets and not past due. Moreover, as at the Latest Practicable Date, none of the lenders have claimed default against the PRC Company under any of the loan provisions in the financing agreements and the PRC Company has not breached any of the provisions in such a way that could result in any event of default since its incorporation.

Management team of the Target Group

Set out below are the brief biographies of the key management members of the Target Group:

Mr. Gao Yun Feng ("Mr. Guo"), aged 52, is the founder and chairman of the PRC Company. He is responsible for the day-to-day operation and management of the PRC Company. Mr. Gao received a bachelor degree in management from the Shanghai Economic Management College in 1983. He possesses extensive experience gained in the positions of (i) Assistant General Manager, being responsible for managing fund raising exercises in Shanghai PetroChina Haisheng Petrochemical Co., Ltd. (上海中油海盛石化有限公司) from 1983 to 1997; (ii) Branch Operating Manager, being responsible for monitoring business operation in CITIC Securities Company Limited (中信證券股份有限公司) from 1997 to 2004; and (iii) Corporate Finance Manager, being responsible for supervising corporate finance activities in Sino-Australian International Trust (華澳國際信託有限公司) from 2004 to 2012.

Mr. Young Charles ("Mr. Young"), aged 48, is the executive director of the PRC Company. He joined the PRC Company in 2012 and has involved in designing the overall framework of risk management system of the PRC Company. Mr. Young received a bachelor degree in finance from Shanghai Finance University in 1985. He worked as a credit officer of the Bank of Communications for 3 years before entering into a fund house in Australia. He is familiar with the financial related regulations and policies in the PRC. He has more than 10 years of experience in the design of financial and structural products, marketing and risk control through his work as a fund manager.

Mr. Su Zhong Hua ("Mr. Su"), aged 38, is the executive director and general manager of the PRC Company. He joined the PRC Company in 2012 and has involved in strategic planning and business development related to the financial leasing business in the PRC. He is responsible for overseeing the business operation of the PRC Company. Mr. Su graduated from the Shanghai Lixin University of Commerce in 1997 and obtained the Certificate of Accounting Profession in 1998. He worked as the vice-manager of the investment department in Huahao financial management (Shanghai) Co., Ltd. for about 8 years. He has been the vice-manager of Yinhua Investment (Shanghai) Co., Ltd. since 2007 and responsible for managing the financing business operation and communicating with various banks and trust companies in relation to fund raising activities. He has solid experience in financial advisory and risk management and established business relationships with various commercial banks in the PRC.

Financial information of the Target Group

In accordance with the Hong Kong Accounting Standard 28 "Investments in Associates", the investment in the PRC Company of the Target Group should be classified as investment in an associate and accounted for using equity method. Therefore, the investment in the PRC Company was initially recognised at cost and the carrying amount was increased or decreased to recognise the Target Group's share of results of the PRC Company.

Set out below is the audited consolidated financial information of the Target Group and the audited financial information of the PRC Company for each of the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014 prepared in accordance with the Hong Kong Financial Reporting Standards, as extracted from Appendix IIA to this circular:

The Target Group

	Nine months ended 30 September		**Year ended 31 December**	**From 14 May 2012 to 31 December**
	2014	**2013**	**2013**	**2012**
	HK$'000	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*
Turnover	–	–	–	–
Profit/(loss) before taxation for the period/year	2,289	(281)	(509)	(6)
Profit/(loss) for the period/year	2,289	(281)	(509)	(6)

As at 30 September 2014, the audited consolidated net assets of the Target Group amounted to approximately HK$2.53 million.

The PRC Company

	Nine months ended 30 September 2014 HK$'000	2013 HK$'000 (Unaudited)	Year ended 31 December 2013 HK$'000	Since establishment on 14 December 2012 up to 31 December 2012 (Note) HK$'000
Turnover	7,994	–	–	–
Profit/(loss) before taxation for the period/year	7,657	(699)	(1,658)	–
Profit/(loss) for the period/year	5,743	(699)	(1,243)	–

Note: The PRC Company has not carried out any business since its incorporation on 14 December 2012. Up to 31 December 2012, no capital was injected to the PRC Company.

Management discussion and analysis of the Target Group

Set out below is a discussion and analysis of the Target Group's results of operation for the years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014.

The Target Group

The Target Company is an investment holding company incorporated in BVI on 11 June 2014 with limited liability. It holds the entire issued share capital of the Hong Kong Company. The Hong Kong Company was incorporated in Hong Kong on 18 January 2011 with limited liability which is also an investment holding company and is currently interested in 40% of equity interests in the PRC Company, which was established in the PRC on 14 December 2012. Other than the holding of such equity interest in the PRC Company, the Hong Kong Company does not have any other material asset. In consideration of the shareholding structure of the Target Group, the PRC Company should be accounted for as an associate of the Target Company until the outstanding registered capital are fully paid up as stated in the paragraph headed "Capital commitment" below, and thus the Target Group's share of net assets and financial results of the PRC Company are included in the consolidated financial statements of the Target Group using equity method.

(a) Financial review

Other than the investment in the PRC Company, the Hong Kong Company has not carried any business activities since its incorporation up to 30 September 2014 and thus no turnover was recorded for the years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014. Since the incorporation of the PRC Company, the net loss of the Target Group amounted to approximately

HK$6,000 for the year ended 31 December 2012, representing the administrative expenses incurred. The net loss of the Target Group increased to approximately HK$509,000 for the year ended 31 December 2013, due to the increase in share of loss of the PRC Company. Followed by the establishment of financial leasing business of the Target Group, the PRC Company started its operation by obtaining several financial lease arrangements. For the nine months ended 30 September 2014, the Hong Kong Company's share of profit of the PRC Company amounted to HK$2.30 million, resulted in a turnaround of financial results of the Target Group with a net profit of approximately HK$2.29 million.

(b) Liquidity and financial resources

The Target Group generally finances its operations from initial investment from its beneficial owners. The Target Group had cash and cash equivalents of approximately HK$10,000, nil and HK$4,000 as at 31 December 2012 and 2013 and 30 September 2014, respectively. The major asset held by the Target Group is the investment in the PRC Company. During the period from the date of establishment of the PRC Company up to 30 September 2014, the change in investment in the PRC Company was mainly attributable to the increase in exchange reserve related to the foreign currency translation and the increase in share of profit of the PRC Company in 2014.

The Target Group had net liabilities of approximately HK$6,000 as at 31 December 2012. The Target Group had net assets of approximately HK$890,000 and HK$2.53 million as at 31 December 2013 and 30 September 2014, respectively. The gearing ratio of the Target Group, calculated as net debt divided by equity attributable to owners of the Target Group plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was 1.00, 0.98 and 0.95 as at 31 December 2012 and 2013 and 30 September 2014, respectively. The current ratio of the Target Group, determined as a ratio of current assets over current liabilities, was 0.63, nil and 0.01 as at 31 December 2012 and 2013 and 30 September 2014, respectively.

(c) Capital structure

There has been no material change in the capital structure of the Target Group during the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the years ended 31 December 2012 and 2013 and for the nine months ended 30 September 2014, the business activities of the Target Group were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 31 December 2012 and 2013 and 30 September 2014 respectively, none of the Target Group's assets was pledged.

(f) Capital commitment

As at 31 December 2012 and 2013 and 30 September 2014 respectively, the Target Group did not have any capital commitment.

(g) Contingent liabilities

As at 31 December 2012 and 2013 and 30 September 2014 respectively, the Target Group did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

The Target Group had a significant investment in the PRC Company on 14 December 2012, representing 40% equity interest in the PRC Company. Save for disclosed above, there was no other significant investment held, material acquisition or disposal during the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014.

(i) Future plans for significant investments or capital assets

The Target Group has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

The Target Group had no employee as at 31 December 2012 and 2013 and 30 September 2014 respectively.

The PRC Company

The PRC Company is a sino-foreign joint venture company established in the PRC on 14 December 2012 and principally engaged in the financial leasing business since June 2013. The results of operation rely on a great extent on the net interest income from its financial leasing business, which is the interest income minus the interest expense. The interest rate charged to the customer (i.e. lessee) is mainly dependent upon its risk profile and the value of assets underlying the lease. Handling fee related to the provision of credit assessment under sale-and-leaseback arrangements is also applied to the customers, which is generally charged annually at about 1% of the outstanding principal loans.

Since establishment on 14 December 2012 to 31 December 2013

(a) Financial review

During the period from 14 December 2012 (date of incorporation of the PRC Company) to 31 December 2012, the PRC Company did not commence any business operation and therefore no turnover was recorded for the period. The PRC Company commenced its financial leasing business upon the full capital injection of

RMB1,000 million by Hong Kong Company and Shanghai Xunli in May 2013. According to《浦東新區促進金融業發展財政扶持辦法》(Pudong New District Measure on Advancement of Financial Industry Development Fiscal Facilitation*), enterprise that has a paid-up capital of RMB1,000 million would be granted a one-off government subsidy of RMB5 million by stages. The other income amounted to approximately HK$2.52 million for the year ended 31 December 2013, representing the government subsidy of RMB2 million granted to the PRC Company. The administrative expenses was approximately HK$4.18 million for the year ended 31 December 2013, representing the operating costs and the consulting fees. As a result of the foregoing, the PRC Company recorded a net loss of approximately HK$1.24 million for the year ended 31 December 2013.

(b) Liquidity and financial resources

The PRC Company generally finances its operations from initial investment from its beneficial owners. The PRC Company had cash and cash equivalents of approximately nil and HK$1.37 million as at 31 December 2012 and 2013 respectively. The PRC Company had net assets of approximately nil and HK$126.86 million as at 31 December 2012 and 2013 respectively. Out of the current assets of approximately HK$58.74 million as at 31 December 2013, there were other receivables of approximately HK$18.51 million, representing loan to an independent third party that is unsecured, interest-free and receivable on demand. The gearing ratio of the PRC Company, calculated as net debt divided by equity attributable to owners of the PRC Company plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was nil and 0.02 as at 31 December 2012 and 2013 respectively. The current ratio of the PRC Company, determined as a ratio of current assets over current liabilities, was nil and 13.70 as at 31 December 2012 and 2013 respectively.

(c) Capital structure

Save for the increase in registered capital as detailed in the section headed "Information of the Target Group – PRC Company" above, there has been no material change in the capital structure of the Target Group during the years ended 31 December 2012 and 2013.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the years ended 31 December 2012 and 2013, the business activities of the PRC Company were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 31 December 2012 and 2013 respectively, none of the PRC Company's assets was pledged.

* *For identification purpose only*

(f) Capital commitment

As at 31 December 2012 and 2013 respectively, the PRC Company did not have any capital commitment.

(g) Contingent liabilities

As at 31 December 2012 and 2013 respectively, the PRC Company did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

No significant investment, material acquisition or disposal was entered during the years ended 31 December 2012 and 2013.

(i) Future plans for significant investments or capital assets

The PRC Company has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

The PRC Company had no employee as at 31 December 2012 and 2013 respectively.

For the nine months ended 30 September 2014

(a) Financial review

The turnover of the PRC Company amounted to approximately HK$7.99 million for the nine months ended 30 September 2014, relating to several financial lease arrangements on hand, of which the funding principal granted to the customer was from approximately RMB35 million to RMB100 million for a term of one to three years and lending rate from approximately 7% to 11% per annum. The turnover of the PRC Company comprises interest income of approximately HK$7.13 million and handling charge income of approximately HK$860,000, of which the handling charge income represents 1% of the outstanding principal loans under sale-and-leaseback arrangements. The first financial lease arrangement was come into effect in January 2014 and thus the PRC Company did not generate any turnover for the nine months ended 30 September 2013. The other income amounted to approximately HK$1.89 million for the nine months ended 30 September 2014, which was mainly attributable to the government subsidy of RMB1.5 million granted to the PRC Company. According to《浦東新區促進金融業發展財政扶持辦法》(Pudong New District Measure on Advancement of Financial Industry Development Fiscal Facilitation*), enterprise that has a paid-up capital of RMB1,000 million would be granted a one-off government subsidy of RMB5 million by stages in order to facilitate the financial related business in Shanghai. RMB2 million has been granted in 2013 and the remaining of RMB1.5 million will be granted to the PRC Company in 2015. The administrative expenses increased from approximately HK$699,000 for the nine months ended 30 September 2013 to approximately HK$1.91 million for the nine months ended 30 September 2014, which was attributable to the increase in operating costs and staff costs. As a result of the foregoing, the PRC Company recorded a net loss of approximately HK$699,000 for the nine months ended 30 September 2013 and a net profit of approximately HK$5.74 million for the nine months ended 30 September 2014.

(b) Liquidity and financial resources

The PRC Company generally finances its operations from initial investment from its beneficial owners. The PRC Company had cash and cash equivalents of approximately HK$905,000 as at 30 September 2014. The PRC Company had net assets of approximately HK$130.99 million as at 30 September 2014. Out of the current assets of approximately HK$217.83 million as at 30 September 2014, there were other receivables of approximately HK$49.57 million, representing (i) loan of approximately HK$49.00 million to an independent third party that is unsecured, interest-free and receivable on demand; and (ii) rental deposit of approximately HK$565,000. As at the Latest Practicable Date, approximately HK$45.52 million of the loan had been subsequently settled. The gearing ratio of the PRC Company, calculated as net debt divided by equity attributable to owners of the PRC Company plus net debt, in which net debt is defined to include all bank borrowings and financial liabilities less cash and cash equivalents, was 0.5 as at 30 September 2014. The current ratio of the PRC Company, determined as a ratio of current assets over current liabilities, was 1.63 as at 30 September 2014.

(c) Capital structure

There has been no material change in the capital structure of the PRC Company during the nine months ended 30 September 2014.

(d) Exposure to fluctuations in foreign exchange rates and related hedges

For the nine months ended 30 September 2014, the business activities of the PRC Company were not exposed to material fluctuations in foreign exchange rate.

(e) Charge on assets

As at 30 September 2014, none of the PRC Company's assets was pledged.

(f) Capital commitment

As at 30 September 2014, the PRC Company did not have any capital commitment.

(g) Contingent liabilities

As at 30 September 2014, the PRC Company did not have any contingent liabilities.

(h) Significant investment, material acquisitions and disposals

No significant investment, material acquisition or disposal was entered during the nine months ended 30 September 2014.

(i) Future plans for significant investments or capital assets

The PRC Company has no future plans for material investment or capital asset in the coming year.

(j) Employee benefits and expenses

The PRC Company had a total of 9 employees as at 30 September 2014, which consists of (i) an assistant general manager, who obtained a master degree in East China Normal University and has more than 9 years of experience in strategic planning and business development in one of the major commercial bank in the PRC. She is responsible for managing the daily operation of the financial leasing business; (ii) a financial controller, who graduated from Shanghai Institute of Light Industry and has over 22 years of solid experience in financial reporting and management. He is responsible for all financial reporting matters as well as the annual budgeting, forecasting and analysis of the business; (iii) a human resources manager, who obtained a bachelor degree in Shanghai Institute of Business and Technology and has 6 years of experience in human resources management. She is responsible for recruiting, manpower planning and developing the project teams to meet the credit assessment needs in business; (iv) a total of four project managers, who have experiences in credit control and risk management. They function as the risk assessment team of the PRC Company and are responsible for the implementation of risk evaluation on individual financial leasing application, preparing report and recommendation to the risk management committee; and (v) a total of two financial analysts, who have working experiences in capital investment and analysis. They are responsible for closely monitoring the funding sources as well as the analyses of financial leasing portfolio of the PRC Company. The remuneration policies of the PRC Company are in line with the prevailing market standards and are determined on the basis of performance and experience of individual employee.

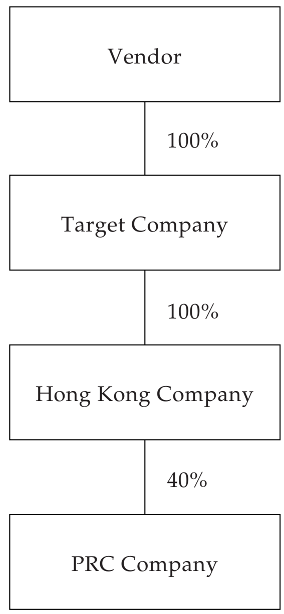
Capital commitment

With regard to the balance of RMB70 million registered and unpaid capital of the PRC Company for which the Hong Kong Company has to contribute, the Company shall, subject to and upon Completion, inject the sum of RMB70 million in cash into the PRC Company (the "**Capital Contribution**"), as its general working capital to facilitate the expansion of the financial leasing business after the Completion. The Hong Kong Company will be obligated to make the Capital Contribution according to the Acquisition Agreement. If the Acquisition proceeds, both the Hong Kong Company and Shanghai Xunli agreed that (i) two additional directors will be appointed by the Company in order to monitor the PRC Company's business operation; (ii) during the period from the Completion Date up to the date of completion of the Capital Contribution, Shanghai Xunli will not increase the registered capital of the PRC Company in order to ensure the Hong Kong Company will obtain control on the PRC Company immediately after the Capital Contribution; and (iii) the Capital Contribution will be funded through equity financing, including but not limited to placing of new Shares under specific mandate, and internal resources of the Group on or before 14 December 2015. Upon completion of the Capital Contribution, the PRC Company will become an 64.71% owned subsidiary of the Hong Kong Company. It is planned that the Company will primarily utilize the increased capital of the PRC Company as operating funds for its business expansion, by increasing the budget of funding amounts to the lessees and exploring other regions in the PRC.

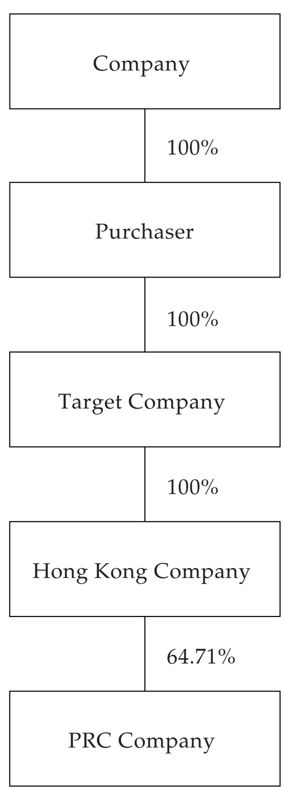
In accordance with the 《外商投資租賃業務管理辦法》 (Measures on the Administration of Foreign Investment in the Leasing Industry*) promulgated by MOFCOM, it requires that the foreign-invested financial leasing company's assets at risk shall not exceed 10 times its equity. In other words, one of the major factors in determining the success of the PRC Company's efforts to expand its operations is whether it can sustain and expand the access to funding from banks. As such, the Company considers that the Acquisition could be a profitable business opportunity, via the Capital Contribution, the PRC Company can make use of the capital leverage and increase its access to funding, thus to enhance its financial lease portfolio.

* *For identification purpose only*

Shareholding structure of the Target Group as at the Latest Practicable Date



Shareholding structure of the Target Group after Completion and Capital Contribution



INDUSTRY OVERVIEW

Overview of the financial leasing industry in the PRC

Over the past few years, the economy in the PRC continued to grow significantly as a result of the extensive economic reforms. The PRC has become one of the largest economy in the world in terms of GDP, and according to the official statistics between 2009 and 2013, the nominal GDP of the PRC grew at a compound annual growth rate ("**CAGR**") of 13.7% from approximately RMB34.1 trillion to approximately RMB56.9 trillion. The following table sets out certain economic indicators for the PRC from 2009 to 2013.

	For the year ended 31 December					
	2009	**2010**	**2011**	**2012**	**2013**	**CAGR**
Nominal GDP *(RMB billion)*	34,090	40,151	47,310	51,947	56,885	13.7%
Fixed asset investment *(RMB billion)*	22,460	25,168	31,149	37,469	44,629	18.7%
Urban fixed asset investment *(RMB billion)*	19,392	24,380	30,240	36,485	43,575	22.4%
Urban equipment and tools spending *(RMB billion)*	4,233	5,169	6,358	7,594	8,930	20.5%
As a percentage of urban fixed asset investment	*21.8%*	*21.2%*	*21.0%*	*20.8%*	*20.5%*	–
Leasing and commercial services *(RMB billion)*	204	269	338	470	589	30.4%
As a percentage of urban equipment and tools spending	*4.8%*	*5.2%*	*5.3%*	*6.2%*	*6.6%*	–

Source: National Bureau of Statistics of China

The strong economic growth of the PRC is mainly attributable to a significant expansion in fixed asset investment, which grew at a CAGR of 18.7% between 2009 and 2013. Such expansion in fixed asset investment has been largely driven by the acceleration in urbanisation in the PRC, as reflected in the corresponding growth in urban fixed asset investment. The urban fixed asset investment expanded rapidly from approximately RMB19,392 billion in 2009 to approximately RMB43,575 billion in 2013, at a CAGR of 22.4%. During the same period, a substantial proportion of urban fixed asset investment comprised equipment and tools spending, which surged from approximately RMB4,233 billion to RMB8,930 billion, at a CAGR of 20.5%.

Steady growth in total fixed asset investment, urban fixed asset investment and urban equipment and tools spending between 2009 and 2013 has provided favourable market opportunities for the further development of financial leasing industry in the PRC. The proportion of urban equipment and tools spending which has been funded through leasing and commercial services increased from 4.8% in 2009 to 6.6% in 2013, and the volume of leasing and commercial services increased at a CAGR of 30.4% over the same period. However, the statistical data relating to leasing and commercial services only takes into account leasing of mechanical equipment, cultural goods and commodities, but not data relating to financial leasing conducted by affiliates of banks or financial institutions, aircraft leasing and automobile leasing. As such, the actual financial leasing transaction value in the PRC is larger than that shown in the leasing and commercial services statistics in the above table.

There are four main sources of financing in financial industry in the PRC, including bank loans, government bonds, corporate bonds and equity financing. Bank loans are currently the predominant source of financing due to the large capital base and extensive network of banking institutions in the PRC and accounted for approximately 84.5% of all financing in 2013. Non-bank financing currently accounts for a much smaller proportion of all financing primarily due to the debt and equity markets in the PRC are still at an early stage of development and are not presently able to meet the growing demand for financing in the PRC, particularly from privately owned enterprises.

Chinese banks have traditionally focused on providing financing to large state-owned enterprises, among other things, due to the transaction size, cost effectiveness and their lending practices which require a rigid assessment of financial track record and the provision of guarantees, the requirements of which small-and-medium enterprises ("**SMEs**") in the PRC may not be able to satisfy. As a result, the PRC has seen a significant development in alternative financing markets that are complementary to traditional bank lending. This has led to the development of a more diversified financing market platform in the PRC, which has resulted in considerable market potential for financial leasing services in the PRC.

Financial leasing companies consider leasing to be a relatively more secure financing product as compared to bank loans, because they have ownership of the asset underlying the lease until the lessee discharges all outstanding lease payments, and the installment repayment mechanism gradually reduces the repayment default risk. Financial leasing also enables SMEs with limited collateral to secure medium to long-term financing and make fixed investments with limited initial capital. Therefore, financial leasing has become one of the preferred medium to long-term financing instrument for SMEs.

Similar to its economy, the financing leasing industry in the PRC developed late but has experienced fast growth. Although the market penetration rate is still relatively low in the PRC, the aggregate amount of working capital invested into the financial leasing industry in the PRC increased significantly from approximately RMB136 billion in 2011 to approximately RMB306 billion in 2013, which reflects the attractive growth potential of financial leasing industry.

According to international practice, financial leasing companies can generally be classified into three categories based on their respective backgrounds, including bank-affiliated financial leasing companies, captive financial leasing companies and independent financial leasing companies. In 2009, there were a total of 164 financial leasing organizations and by the end of 2013, the number of financial leasing organizations surged to 1,026, among which over 80% of them were independent financial leasing companies in the PRC.

Development of the financial leasing industry in the PRC

At the beginning of the 1980s, financial leasing was introduced to the PRC to provide funding for the import of advanced equipment and technologies. The leasing sector experienced a period of stagnation in the 1990s due to industrial and regulatory restructuring, but it has experienced rapid growth in the last decade with the support of strong economic growth and favorable regulatory policies in the PRC. Following its entry into the World Trade Organization in 2001, the financial leasing industry in the PRC expanded significantly with an influx of both foreign and domestic investors into the market. In order to fulfill its commitment to open its financial leasing industry to the world, the government of the PRC implemented several policies which were supported by newly promulgated laws and regulations to stimulate the leasing industry and encourage further investment:

In 2001, the Ministry of Foreign Trade and Economic Cooperation promulgated the "Provisional Measures on the Administration of Examination and Approval of Foreign-invested Leasing Companies", which permitted the incorporation of foreign-invested leasing companies either in the form of sino-foreign equity joint ventures or sino-foreign cooperative joint ventures. In 2005, MOFCOM promulgated the《外商投資租賃業務管理辦法》(Measures on the Administration of Foreign Investment in the Leasing Industry*), which permitted the establishment of foreign-invested enterprises in the form of sino-foreign equity joint ventures, sino-foreign cooperative joint ventures and wholly foreign-owned enterprises in the PRC to engage in leasing business or financial leasing business. This has effectively stimulated further development of alternative financing in the PRC.

RISK FACTORS

Shareholders and investors shall beware that the Acquisition will increase the level of risk exposure of the Enlarged Group and should consider carefully the risk factors set out below:

Risks relating to the Target Group

Any inability to effectively mitigate credit risk and maintain the asset quality may have a material adverse impact on business, financial condition and results of operations of the Target Group

The sustainability of business and future growth depends largely on the Target Group's ability to effectively manage its credit risk and maintain the quality of the receivables portfolio. As such, any deterioration in the asset quality or impairment in the collectability of other receivables could materially and adversely affect the results of operations. The quality of lease receivables portfolio may deteriorate for a variety of reasons, including factors beyond the control of the Target Group, such as a slowdown in the economic growth of the PRC or global economies, a recurrence of a global credit crisis or other adverse macroeconomic trends which may cause operational, financial and liquidity problems for customers thereby affecting their ability to make timely lease payments. If the level of the Target Group's impaired lease receivables increases, its business, financial condition and results of operations may be materially and adversely affected.

The risk management systems and internal control policies may not be effective in mitigating the Target Group's risk exposure

The risk management systems and internal control policies may not be effective in mitigating the Target Group's exposure to all types of risk, including unidentified or unanticipated risks. Some risk management and control methods are based upon historical market behavior and past events. As such, the Target Group may not be able to adequately identify or estimate future risk exposures such as business risk and interest rate risk, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated.

The Target Group relies on its key personnel and ability to attract and retain qualified personnel

The Directors believe the composition and continued commitment of the management team of the Target Group will help to maintain stability and to promote the business continuously. If the Target Group experiences any significant, material changes to the composition of the management team, it may not be able to recruit suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could disrupt the business of the Target Group and limit its ability to grow. Further, if the Target Group loses its senior management or key personnel to the competitors, the Target Group's competitiveness, operations and ability to grow may be adversely affected. In view of their important roles in formulating and implementing appropriate strategies for achieving business success for the Target Group, the directors of the PRC Company will enter into service contracts with the PRC Company for initial terms of three years ending in 2018 upon Completion. However, the Directors cannot assure that any of the said directors will not voluntarily terminate his or her employment with the PRC Company.

Interest rate changes may adversely affect interest expense related to the Target Group's borrowings, reduce net interest income and reduce demand for its leasing services

The financial lease arrangements between the PRC Company and its financial leasing customers in the provision of both direct financial leasing and sale-and-leaseback services are generally priced at a fixed interest rate which is not freely adjustable during the financial lease term, therefore the Target Group's business is affected by interest rates, including both the interest rates charged to its customers and the rate of interest the Target Group pays on its loans and financing obligations. In order to remain responsive to the changing interest rates and to manage interest rate exposure of the Target Group, the Target Group has implemented measures to adjust the structure of the assets and liabilities based on an assessment of the sensitivity of projected net interest income under various interest rate scenarios. However, an increase in interest rates, or the perception that such an increase may occur, could adversely affect the Target Group's ability to obtain bank loans at favorable interest rates, the ability to maximize its interest income, the ability to originate new leases and the ability to grow. In addition, net interest income of the Target Group is impacted by whether the Target Group can adjust the interest rates to be charged to its customers in response to fluctuations in interest rates for the Target Group's interest-bearing bank borrowings to maintain the net interest spread and the net interest margin of the Target Group. If the Target Group fails to appropriately price the interest rates of its financial lease arrangements in line with the prevailing interest rates for financial leasing in a timely manner, the net interest spread and the net interest margins of the Target Group may decrease, and as a result, its profitability and results of operations would be adversely impacted. Any increase in the interest expense or decrease in the net interest income of the Target Group could have a material adverse effect on its business, results of operations and financial condition.

Risk relating to the financial leasing industry in the PRC

Changes in the economic, political and social conditions in the PRC may have a material adverse effect on the business, results of operations and financial condition of Target Group

The Chinese economy differs from the economies in developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. The Directors believe the government of the PRC has indicated its commitment to the continued reform of the economic system as well as the structure of the government. The reformed policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in the PRC may have a material adverse effect on the Target Group's present and future business operations.

The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on operations of the Target Group

The core business of the Target Group is conducted in the PRC and substantially all of its operations are located in the PRC, hence its business operations are regulated primarily by PRC laws and regulations.

The Target Group intends to continue exploring growth opportunities within other target industries in the PRC with growth potential and thus may be subject to further laws and regulations applicable to these new industries. MOFCOM promulgated the《外商投資租賃業務管理辦法》(Measures on the Administration of Foreign Investment in the Leasing Industry*) on February 3, 2005 to regulate the operation of foreign-invested leasing and financial leasing businesses generally. Under these measures, the risky assets of a foreign-invested financial leasing company shall not in general exceed ten times the company's net assets. The Directors cannot assure that the Target Group will not be subject to any further regulatory measures imposing stricter requirements such as further restrictions on the proportion of risky assets or the introduction of minimum capital adequacy requirements. If the Target Group fails to meet any such additional regulatory requirements, MOFCOM or other relevant regulators may take corrective actions, thereby materially and adversely affecting its business, results of operations and financial condition.

REASONS FOR THE ACQUISITION

The Group is principally engaged in forestry business, plantation business, trading business including the trading of various brands of milk powder products to customers based in Hong Kong, information technology business and it has also diverged into the money lending business.

* *For identification purpose only*

Regarding the forestry project of the Group, in view of the news and travel alerts appearing in recent months related to the continuing threat of terrorist attacks and communal clash occurred in Timika, the Board considers that the resumption of operation will remain suspended due to the recent escalation of violence at where the Group's office is located. Therefore the staff members in Timika have to evacuate and the process of obtaining the land use permit is still hindered. The Group had kept its operation scale to preserve its financial resources and engaged a local resident to help overseeing the development of the political unrest in Timika. As the forestry and plantation businesses did not progress as scheduled due to the uncertain prospects and political environment in Timika, the Group strived to grow the trading business which could provide a stable source of revenue. The Group sources the milk powder products directly from the milk powder product importers in Hong Kong and sells to (i) the bulk purchasers in Hong Kong; (ii) the pharmacies in Hong Kong; and (iii) the individual customers through e-commerce platform. On the other hand, the Group has actively pursued suitable business opportunities to further broaden the sources of revenue and cash inflows of the Group, taking into account the funding requirement and associated business risk. As indicated in the Interim Report, the Group suffered loss from its existing business for an extended period of time mainly due to the suspension of its forestry project in Timika. However, the gross profit margin was improving as a result of the revenue growth in the trading and information technology business of the Group.

While focusing on its existing business, it is part of the business strategy of the Group to seek for new investments when opportunities arise. As disclosed in the Interim Report, the Company commenced its money lending activities apart from its principal business in the second quarter of 2014. The Group has previously advanced several loans to third parties on an isolated basis. Although the money lenders licence was yet to be obtained at the relevant time, the Company after taking legal advice considers that the previous loans advanced by the Group to the borrowers were legal given their isolated and not regular in nature, and therefore was not required to obtain such licence. To accommodate and to facilitate this business development, the Group had applied for, and was granted, a money lenders licence in Hong Kong to carry on business as a money lender for a period of twelve (12) months from 2 December 2014. The Group is able to develop the money lending business as one of its principal lines of business by providing loans in a systematic and repetitive nature in its ordinary course of business, subject to compliance with the requirements in the Money Lenders Ordinance. In view of the business of the Target Group, the Directors consider that the Acquisition is in line with the Group's business strategy and the Group is currently at an advantageous position to further tap into financing related business in the PRC with its growth potential. As at the Latest Practicable Date, except the Target Company, the Company has no agreement/contract/arrangement and present intention to acquire any business or company.

Following the completion of the rights issue on the basis of four rights shares for every one share held on 25 June 2014, the Company has sufficient financial resources and intends to apply the remaining net proceeds of about HK$33 million raised from it to finance its business development in financial and related services as the Group discovers that barriers to entry into these are relatively low and the incomes derived are comparatively steady and lower in costs. In consideration of the overall financial results of the Group, the Group has no intention to dispose of or scale down any of its existing business and will closely monitor the performance of its principal businesses to achieve continuing growth.

Through the Acquisition, the Group could save time from setting up a new financing company but instead deploy working capital directly to further develop its financing related business in the PRC. The Directors consider that the settlement of the Consideration by way of issue of Promissory Note and Convertible Bonds is favourable to the Group at the juncture of its development given that it enables the Group to (i) adjust the repayment amount of Promissory Note against the profit guarantee as stated in the paragraph headed "Profit Guarantee", that is tied up to the financial performance of the Target Group; (ii) implement the Acquisition without enduring a significant outlay of cash, and (iii) preserve its available cash for future development of its businesses.

Having considered (i) the financial position of the Target Group, as well as its profitability, as detailed in the paragraph headed "Financial information of the Target Group"; (ii) the development potential of financial leasing business in the PRC; (iii) the professional management and strong clientele network to be obtained from the Target Group; and (iv) the fact that the Consideration and the capital commitment of RMB70 million to be injected into the PRC Company by the Purchaser for business development as stated in the paragraph headed "Capital commitment", in aggregate represent a discount to the market value of the Target Group as at 30 September 2014 with reference to the Valuation Report prepared by the Valuer, which is based on the projections of the future cash flow of the Target Group assuming the PRC Company will become an 64.71% owned subsidiary of the Hong Kong Company as a result of the Capital Contribution to be taken place as planned, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Financial effects of the Acquisition

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group's accounts (in which the PRC Company is accounted for using equity method).

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2014, as extracted from the Interim Report, were approximately HK$295.52 million and HK$218.98 million respectively. As set out in Appendix III to this circular, assuming Completion had taken place on 30 September 2014, the unaudited pro forma consolidated total assets and total liabilities of the Enlarged Group would have been increased to approximately HK$347.92 million and HK$239.53 million respectively.

Earnings

As extracted from the Company's annual report for the year ended 31 December 2013, the Group recorded an unaudited consolidated net loss of approximately HK$115.15 million for the year ended 31 December 2013. According to the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the unaudited consolidated net loss of the Enlarged Group for the year ended 31 December 2013 would have been increased by HK$2.67 million as a result of the Acquisition.

Financial and trading prospects of the Enlarged Group

The Group is principally engaged in forestry business, plantation business, trading business including the trading of various brands of milk powder products to customers based in Hong Kong, information technology business and it has also diverged into the money lending business.

During the year of 2014, due to the suspension of forestry projects in Indonesia, there was no revenue generated from the Group's forestry and plantation business. However, the trading of milk powder products continues to provide a stable source of revenue to the Group and as the business is growing healthily, the Group expanded its trading business into beauty products, which are mainly Korean brands of personal care and skin care products. For the information technology business, the surge of revenue was mainly driven by the additional contribution from the newly acquired business of Ever Hero Group. Moreover, as a result of the Group commenced its money lending activities in the second quarter of 2014, there was an overall increase in revenue as well as the operating profit of the Group as compared to year of 2013.

The Target Group has been generating profits in the year of 2014 and it is expected that the Acquisition will contribute profit to the Group after Completion. As stated in the paragraph headed "Capital commitment" in this circular, the Directors believe that the Acquisition will allow the Group, without setting up a new financing company, to further develop its financing related business in the PRC through a direct working capital injection, and subsequently to enjoy the benefits of the capital leverage in the PRC Company. Given that the remaining RMB70 million of the registered capital will be paid by the Group after Completion, the Target Group will continue to expand its financial lease portfolio in the coming years. Looking forward, in view of the growth potential of the financial leasing industry in the PRC, the Directors consider that the Acquisition will enhance the performance of the Enlarged Group and the return to the Shareholders as a whole.

PRESENT INTENTION

The Company and, to the knowledge of the Directors, the Vendor (and its ultimate beneficial owners), have no intention to change the composition of the Board immediately upon Completion. No nominee from the Vendor will be appointed to the Board. The Company also has no intention to change the composition of its senior management immediately upon Completion.

The Company considers that it will have sufficient expertise to manage the Target Group upon Completion taking into account the fact that (i) Mr. Cheung Wai Yin, Wilson, the chairman and chief executive officer of the Company, is responsible for monitoring the current money lending operation of the Group. He possesses a master degree in financial engineering and has over 17 years of experience in the field of audit, business development, corporate financial and financial management; and (ii) Mr. Wong Chi Man, the non-executive Director of the Company, is responsible for assisting in the periodical review of the risk management systems in the money lending business of the Group. He holds a master degree in applied finance and has over 5 years of experience in the field of investment, finance and securities advisory.

FUND RAISING ACTIVITIES IN PAST TWELVE MONTHS

Apart from the fund raising activity mentioned below, the Company had not conducted any other equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
11 April 2014	Rights issue on the basis of four rights shares for every one share held on the record date	HK$93.56 million	(i) at least half of the net proceeds from the rights issue will be applied for the partial redemption of the convertible bonds; (ii) the remaining net proceeds from the rights issue will be applied for strengthening the general working capital base of the Company to finance its business development and/or to finance any future investment opportunities	Approximately HK$53.81 million has been used for the partial redemption of the convertible bonds; approximately HK$6.75 million has been used for the expansion of money lending business; and the remaining is deposited in bank

CHANGES IN SHAREHOLDING STRUCTURE

For illustration purpose only and without taking into account any other possible changes in the shareholding structure of the Company, the following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion and assuming full conversion of the Convertible Bonds; and (iii) immediately upon Completion and assuming full conversion of the Convertible Bonds and the convertible bonds issued by the Company on 12 August 2008;

	As at the Latest Practicable Date		Immediately upon Completion and assuming full conversion of the Convertible Bonds *(Note 2)*		Immediately upon Completion and assuming full conversion of the Convertible Bonds and the convertible bonds issued by the Company on 12 August 2008	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*	*No. of Shares*	*Approx. %*
Shareholders						
Cheung Wai Yin, Wilson (“**Mr. Cheung**”)	185,938	0.05	185,938	0.04	185,938	0.02
Lau Chi Yan, Pierre	1,328,125	0.35	1,328,125	0.26	1,328,125	0.16
Ivana Investments Limited (“**Ivana**”) *(Note 1)*	32,812,500	8.57	32,812,500	6.46	330,431,548	39.16
Vendor	0	0.00	125,000,000	24.60	125,000,000	14.82
Total non-public Shareholders	34,326,563	8.97	159,326,563	31.36	456,945,611	54.16
Existing bondholders (other than Ivana)	0	0.00	0	0.00	38,062,771	4.51
Other public Shareholders	348,704,821	91.03	348,704,821	68.64	348,704,821	41.33
Total	383,031,384	100.00	508,031,384	100.00	843,713,202	100.00

Notes:

1. As at the Latest Practicable Date, 32,812,500 Shares were owned by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Pursuant to the terms and conditions of the convertible bonds issued by the Company on 12 August 2008, given the fact that the conversion restriction has been removed previously, there is a possibility in which Ivana will hold more than 30% of the entire issued share capital of the Company upon full conversion of the outstanding convertible bonds. In such event Ivana will be required to make a mandatory general offer for all the issued Shares pursuant to Rule 26 of the Takeovers Code, while at the moment it has no intention to, during any period before the outstanding convertible bonds held by Ivana were fully redeemed by the Company, convert such convertible bonds to the extent that it will be subject to the mandatory general offer obligations under the Takeovers Code.

2. This scenario is for illustrative purpose only and shall not occur. Under the terms and conditions of the Convertible Bonds, the Vendor and/or the parties acting in concert with it shall not exercise the Conversion Rights attaching thereto if immediately after such conversion, either (i) a mandatory general offer under Rule 26 of the Takeovers Code will be triggered on the part of the Bondholder(s) or (ii) the Company will not be able to comply with the minimum public float requirement as stipulated under Rule 11.23 of the GEM Listing Rules.

PROPOSED GRANT OF SPECIFIC MANDATE

Under the Acquisition Agreement, the Purchaser will procure the Company to issue the Convertible Bonds to the Vendor to satisfy part of the Consideration on Completion. The Conversion Shares to be issued following the exercise of the Conversion Rights pursuant to the Convertible Bonds shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment and issue thereof. The Company will seek the grant of a Specific Mandate from the Shareholders at the EGM for the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights pursuant to the Convertible Bonds. Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

IMPLICATIONS UNDER THE GEM LISTING RULES

As certain applicable percentage ratios in respect of the Acquisition exceed 100%, the entering into of the Acquisition Agreement constitutes a very substantial acquisition of the Company and is therefore subject to reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

In this connection, an EGM will be convened and held for the Shareholders to consider and, if through fit, to approve the Acquisition Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder, including the granting of the Specific Mandate, at the EGM.

EGM

A notice convening the EGM to be held on Wednesday, 1 April 2015 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the appointed time for holding the meeting 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 and any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution(s) as set out in the notice of EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds and the granting of the Specific Mandate for the issue of the Conversion Shares.

ADDITIONAL INFORMATION

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

By order of the Board of
Merdeka Mobile Group Limited
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

1. PRINCIPAL BUSINESS OF THE GROUP

The Group is principally engaged in forestry business, plantation business, trading business including the trading of various brands of milk powder products to customers based in Hong Kong, information technology business and it has also diverged into the money lending business.

2. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for (i) each of the three years ended 31 December 2013, 2012 and 2011 and (ii) for the six months ended 30 June 2014 is disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.merdeka.com.hk).

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2014 has been set out in pages 8 to 25 of the interim report 2014 of the Company which was posted on 14 August 2014 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the interim report 2014:

http://www.hkexnews.hk/listedco/listconews/GEM/2014/0814/GLN20140814197.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2013 has been set out in pages 33 to 90 of the annual report 2013 of the Company which was posted on 24 March 2014 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2013:

http://www.hkexnews.hk/listedco/listconews/GEM/2014/0324/GLN20140324051.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2012 has been set out in pages 36 to 92 of the annual report 2012 of the Company which was posted on 28 March 2013 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2012:

http://www.hkexnews.hk/listedco/listconews/GEM/2013/0328/GLN20130328079.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2011 has been set out in pages 33 to 90 of the annual report 2011 of the Company which was posted on 27 March 2012 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2011:

http://www.hkexnews.hk/listedco/listconews/GEM/2012/0327/GLN20120327186.pdf

3. INDEBTEDNESS STATEMENT

At the close of business on 31 January 2015, being Latest Practicable Date prior to this circular for ascertaining certain information relating to the indebtedness statement, the indebtedness of the Enlarged Group was as follows:

(a) Obligation under finance lease

The Enlarged Group had outstanding obligation under finance leases of approximately HK$2,308,000, which was secured by the charges over the leased asset with a carrying amount of approximately HK$3,950,000.

(b) Convertible bonds

The Enlarged Group had an outstanding principal of convertible bonds of approximately HK$124,068,000, which is non-interest bearing and repayable on 12 August 2017.

(c) Promissory note

The Enlarged Group had an outstanding principal of promissory note of approximately HK$48,600,000. The interest rate charged is 2% per annum and the settlement date is 4 April 2017.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any 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 as at 31 January 2015.

Save as aforementioned in this indebtedness statement, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2015, up to and including the Latest Practicable Date.

4. WORKING CAPITAL

The Directors are of the opinion that the Enlarged Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular after taking into account the financial resources available to the Enlarged Group, including its internally generated funds and the expected net proceeds of not less than HK$86.8 million from the equity financing to be obtained subsequent to 31 January 2015. The Board is of the view that after taking into consideration of the Group's business plan and all necessary estimated expenses for its operation, the Company has sufficient funds for settling the Capital Contribution and for the general working capital in the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the third quarterly results announcement for the nine months ended 30 September 2014, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the six months ended 30 June 2014 and the three years ended 31 December 2013, 2012 and 2011 as extracted from the annual reports and interim report of the Group.

For the six months ended 30 June 2014

FINANCIAL REVIEW

Revenue of the Group for the six months ended 30 June 2014 was generated from the trading of diary product, beauty product, distributorship of information technology products with technical support services and money lending which was introduced in the second quarter whereas for the same period in 2013 was generated from trading of agricultural-related products and dairy products. The revenue increased by approximately HK$18,635,000 to approximately HK$30,803,000, in which trading business of dairy products and beauty products amounted approximately to HK$24,537,000 and information technology business amounted approximately to HK$6,241,000, in this period as compared to the same period in 2013. Gross profit margin for this period increased to approximately 6% from approximately 3% of the same period in 2013. The increase was mainly contributed by relatively higher gross profit margin derived from the trading business and information technology business.

The loss attributable to the owners of the company recorded approximately HK$13,844,000 for this period. The loss was reduced by approximately HK$7,971,000 compared to that of 2013. Higher gross profit approximately HK$1,448,000 generated from sources of revenue being one of the reason, and also was contributed by gain of approximately HK$2,752,000 on early partial redemption of convertible bonds of HK$20,000,000, recorded in other income and other net gains, and the incidental finance costs of convertible bonds reduced by approximately HK$969,000; and did not recognize any share option expense in this period, whereas 595,000,000 share options were granted under the share option scheme of the Company and therefore charged to share option expense of approximately HK$3,322,000 in the same period in 2013. The reduced loss was partly set off by increase of approximately HK$225,000 of operating and administrative expenses.

CAPITAL STRUCTURE AND GEARING RATIO

	As at 30 June 2014		As at 31 December 2013	
	HK$'000 (Unaudited)	**Proportion**	*HK$'000* (Audited)	**Proportion**
Total borrowings				
– Bank borrowings	262	–	366	–
– Convertible bonds (liability component)	178,508	–	187,471	–
	178,770	70.02%	187,837	76.81%
Equity attributable to owners of the Company	76,537	29.98%	56,713	23.19%
Total capital employed	255,307	100.0%	244,550	100.0%

The Group's gearing ratio was approximately 70.02% as at 30 June 2014 (31 December 2013: 76.81%). The decrease was mainly contributed by decrease in total borrowings which were partially repaid during the six months ended 30 June 2014.

The outstanding principal amount of the convertible bonds remained at approximately HK$177,880,000 as at 30 June 2014 (31 December 2013: HK$197,880,000). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%.

LIQUIDITY AND FINANCIAL RESOURCES

(HK$'000)	**As at 30 June 2014** (Unaudited)	**As at 31 December 2013** (Audited)
Current assets	44,160	39,363
Current liabilities	182,476	190,047
Current ratio	24.20%	20.71%

Current ratio as at 30 June 2014 was 24.20% (31 December 2013: 20.71%), reflecting the improving inclination of the Group's liquidity.

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately HK$9,246,000 (31 December 2013: HK$7,895,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 30 June 2014 and 31 December 2013. As at 30 June 2014, about 88% (31 December 2013: 93%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 87% (31 December 2013: 91%) were denominated in Hong Kong dollars.

FOREIGN CURRENCY EXPOSURE

The Group's reporting currency is Hong Kong dollar. During the six months ended 30 June 2014 and year ended 31 December 2013, most of the Group's transactions were denominated in Hong Kong dollars ("**HK$**"), Indonesian Rupiah ("**Rp**") and United States dollars ("**US$**"), to which HK$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

CONTINGENT LIABILITIES

As at 30 June 2014 and 31 December 2013, the Group did not have any significant contingent liabilities.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Details of acquisition and disposal of subsidiaries during the period under review are disclosed in Note 9 of the notes to the financial statements. The Group did not dispose of any material subsidiaries and associates during the period ended 30 June 2014.

SIGNIFICANT INVESTMENTS

The Group did not acquire or hold any significant investment during the period under review.

PLEDGE OF ASSETS

As at 30 June 2014 and 31 December 2013, the Group did not have any pledged deposits and assets.

CAPITAL COMMITMENTS

As at 30 June 2014 and 31 December 2013, the Group did not have any significant capital commitments.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Group employed 20 staff (31 December 2013: 30). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Apart from salary payments, other staff benefits included provident fund contributions and medical insurance coverage. Share options may also be granted to eligible employees and persons. As at 30 June 2014, there were 1,697,948 share options outstanding (31 December 2013: 1,697,948, having adjusted for the share consolidation of 40 into 1 effected in March 2013 and rights issue of 2 shares for 5 shares effected in July 2013).

For the year ended 31 December 2013

FINANCIAL REVIEW

Highlights on financial results

	Year ended 31 December	
(HK$'000, except percentage figures)	**2013**	**2012**
Revenue	40,762	7,909
Gross profit	2,085	167
Gross profit margin	5.1%	2.1%
Operating expenses	(5,923)	(19,282)
Administrative expenses	(10,730)	(11,973)
Non-cash items:		
Depreciation*	(5,098)	(7,201)
Written off of inventories	–	(1,914)
Written off of biological assets	–	(9,579)
Written off of property, plant and equipment	(2,347)	–
Written off of construction in progress	(5,000)	–
Impairment of prepayments, deposits and other receivables	–	(1,701)
Impairment of forest concessions	(70,000)	(560,000)
Impairment of property, plant and equipment	–	(16,000)
Equity-settled share option expenses	(3,275)	(974)
Finance costs	(22,279)	(26,872)
Loss for the year	(115,153)	(644,073)
Loss excluding non-cash items**	(7,154)	(19,832)

* In 2013 and 2012, all of the depreciation were included in the operating and administrative expenses.

** Loss for the year less non-cash items stated

Discussion on financial results

The revenue of the Group in 2013, which was generated from trading business and information technology business, increased by 415.39% to approximately HK$40,762,000 from approximately HK$7,909,000 in 2012, which was solely generated from the trading business. The gross profit margin of the Group increased to approximately 5.1% or HK$2,085,000 in 2013 from approximately 2.1% or HK$167,000 in 2012 was contributed by the increase in sales of trading business and the information technology business.

The operating expenses of the Group in 2013 was approximately HK$5,923,000 which was decreased from approximately HK$19,282,000 in 2012, mainly contributed by the downsizing operation in Indonesia.

During the year ended 31 December 2013, depreciation decreased to approximately HK$5,098,000 in 2013 from approximately HK$7,201,000 in 2012 as some property, plant and equipment were written off in 2013.

The postponement of the Group's forestry project and lower market prices for timber products led to the impairment of approximately HK$70,000,000 to the forest concessions in 2013, whereas in 2012 impairment of approximately HK$560,000,000 and HK$16,000,000 to the forest concessions and property, plant and equipment respectively.

Share option expenses, non-cash in nature of approximately HK$3,275,000 were recorded in 2013 due to 595,000,000 share options approximately HK$3,322,000 were granted and 4,000,000 share options approximately HK$47,000 were lapsed, whereas 83,500,000 share options approximately HK$974,000 were granted in 2012.

Finance costs of the Group represented the non-cash imputed interest charged in the liability component of the Group's zero coupon convertible bonds and the interest charged on bank borrowings. The cost decreased by 17.09% to approximately HK$22,279,000 in 2013 from approximately HK$26,872,000 in 2012, which was mainly due to the decrease in average balance of the liability component when certain convertible bonds were redeemed during 2013.

Loss for the year decreased by 82.12% to approximately HK$115,153,000 in 2013 from approximately HK$644,073,000 in 2012. The significant decrease in loss was mainly due to the increase in the gross profit and its margin and the decrease in the aforesaid impairments in relation to the forest concessions and property, plant and equipment.

Excluding the effects of non-cash items like share option expenses, finance costs, depreciation, impairment of forest concessions and the written off of property, plant and equipment and construction in progress, the Group recorded a lower loss before tax at HK$7,154,000 in 2013 compared to HK$19,832,000 in 2012.

Analysis by business segment

	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
(HK$'000)	**2013**	**2012**	**2013**	**2012**
Trading business	38,038	7,909	982	167
Information technology business	2,724	–	(925)	–
Forestry business	–	–	(100,967)	(627,662)
Plantation business	–	–	–	(10,129)
Total	40,762	7,909	(100,910)	(637,624)

Revenue from our trading business increased by 380.95% from approximately HK$7,909,000 in 2012 to approximately HK$38,038,000 in 2013, as the Group strived to grow the trading business which provided a stable source of revenue.

After the successful acquisition of Quasicom Systems Limited in the second half of 2013, revenue relating to information technology business was derived therefrom. The Group recorded a revenue of approximately HK$2,724,000 from this segment of business.

Same as 2012, no revenue was recorded from the Group's forestry business and plantation business in 2013.

Compared to 2012, loss before tax from the forestry business in 2013 decreased significantly, which was mainly due to the lesser impairments related to the forest concessions and property, plant and equipment related to the forestry business.

Analysis by geographical segment

	Year ended 31 December			
	2013		**2012**	
(HK$'000, except percentage figures)	**Revenue**	**Proportion**	**Revenue**	**Proportion**
Hong Kong	40,762	100%	7,909	100%

All the Group's revenue was derived from Hong Kong in 2013 and 2012.

Highlights on financial position

(HK$'000, except percentage figures)	As at 31 December 2013	2012
Property, plant and equipment	1,245	13,106
Forest concessions	199,811	269,811
Trade receivables	2,300	2,365
Cash and cash equivalents	7,895	2,620
Convertible bonds – liability component	187,471	189,705
Non-controlling interests	(1,650)	4,336
Shareholders' funds	58,363	115,802

Discussion on financial position

Property, plant and equipment decreased to approximately HK$1,245,000 as at 31 December 2013 from approximately HK$13,106,000 as at 31 December 2012. The decrease was mainly due to disposals of items with net book value of approximately HK$8,200,000, the addition of HK$1,437,000 and the depreciation of approximately HK$5,098,000 in 2013.

Forest concessions decreased to approximately HK$199,811,000 as at 31 December 2013 from approximately HK$269,811,000 as at 31 December 2012. The decrease was due to the impairment made in 2013.

Trade receivables remained almost at the same level of 2012 to approximately HK$2,300,000 (2012: HK$2,365,000) as at 31 December 2013.

Cash and cash equivalents increased significantly by 201.34% to approximately HK$7,895,000 as at 31 December 2013 from approximately HK$2,620,000 as at 31 December 2012. The increase was partly caused by the fund raising activities of the Group and partly caused by the net cash inflow from operation.

The liability component of the convertible bonds slightly decreased by 1.18% to approximately HK$187,471,000 as at 31 December 2013 from approximately HK$189,705,000 as at 31 December 2012 which was contributed by partial redemption during 2013.

Non-controlling interests decreased to approximately HK$(1,650,000) as at 31 December 2013 from approximately HK$4,336,000 as at 31 December 2012. The decrease was mainly due to the sharing of loss, including the impairment related to the forest concessions in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2013.

The Group's shareholders' funds decreased to approximately HK$58,363,000 as at 31 December 2013 from approximately HK$115,802,000 as at 31 December 2012. The decrease was mainly due to the loss attributable to the owners of the Company of approximately HK$109,243,000, partially offset by the increase of approximately HK$51,804,000 which were contributed by the Group's fund raising activities.

Capital structure and gearing ratio

	As at 31 December			
	2013		2012	
	HK$'000	**Proportion**	*HK$'000*	**Proportion**
Total borrowings				
– Bank borrowings	366	–	–	–
– Convertible bonds (liability component)	187,471	–	189,705	–
	187,837	76.29%	189,705	62.1%
Equity	58,363	23.71%	115,802	37.9%
Total capital employed	246,200	100%	305,507	100.0%

The Group's gearing ratio was approximately 76.29% as at 31 December 2013 (2012: 62.1%). The increase was mainly due to the decrease in shareholders' funds largely contributed by the loss attributable to the owners of the Company.

The outstanding principal of the convertible bonds amounted to approximately HK$197,880,000 as at 31 December 2013 (2012: HK$224,880,000). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%.

As at 31 December 2013, the Group's bank borrowing amount was approximately HK$366,000 (2012: Nil) because of the expansion into the information technology business.

Liquidity and financial resources

	As at 31 December	
(HK$'000)	**2013**	**2012**
Current assets	39,363	31,483
Current liabilities	190,047	4,557
Current ratio	20.71%	690.9%

The current ratio of the Group as at 31 December 2013 was 20.71% (2012: 690.9%), reflecting the classification of the convertible bonds under current liabilities in this year from non-current liabilities in 2012.

The decrease in current ratio was due to the maturity of the convertible bonds on 12 August 2014. Majority of the bondholders have agreed to continue their financial supports to the Company by not call for repayment of such outstanding principal amounts from the Company within 12 months.

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately HK$7,895,000 (2012: HK$2,620,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2013 and 2012. As at 31 December 2013, about 93% (2012: 22.0%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 91% (2012: 100%) were denominated in Hong Kong dollars.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2013 and 2012, most of the Group's transactions were denominated in Hong Kong dollars ("**HK$**"), Indonesian Rupiah ("**Rp**") and United States dollars ("**US$**"), to which HK$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

Acquisition and disposal of subsidiaries and affiliated companies

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2013 are disclosed in the notes to the financial statements of the annual report of the Company. Except the acquisition of the 100% shareholdings in Quasicom Systems Limited, the Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2013.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2013 and 2012.

Pledge of assets

As at 31 December 2013 and 2012, the Group did not have any pledged deposits and assets.

Capital commitments

As at 31 December 2013 and 2012, the Group did not have any significant capital commitments.

Employees and remuneration policy

As at 31 December 2013, the Group employed 30 staff (2012: 27). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2013, after adjustment made because of share consolidation effective 26 March 2013 and the rights issue on 17 July 2013, there were outstanding share options of 1,697,948 (2012: 83,500,000).

Events after the reporting period

On 29 January 2014, an aggregate of 150,000,000 shares of the Company, representing approximately 28.00% of the issued share capital of the Company as at that date taking into account the issue of such shares, were successfully placed, under specific mandate granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$22.55 million from such placing.

On 10 February 2014, the Company agreed with the bondholders to exercise its redemption right to early redeem the convertible bonds and served a redemption notice pursuant to the supplemental deed dated 30 May 2011 for redeeming an outstanding principal amount of HK$20,000,000 of the convertible bonds, which were settled in cash of HK$19,000,000, representing a discount of approximately 5% of the principal sum of the early redeemed convertible bonds, by the Company. Following and as a result of the redemption in the aforesaid amount of HK$20,000,000 convertible bonds, the outstanding amount due by the Company to the convertible bondholders under the convertible bonds is HK$177,880,000.

On 17 February 2014, the Company through its indirect wholly-owned subsidiary entered into a non-binding memorandum of understanding with Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司), a company incorporated in the PRC, pursuant to which the Company intended to subscript for the 60% of the enlarged share capital of Mian Yang Heng Da Information Technology Limited (綿陽恒達信息科技有限公司). As at the date of this report, no legally binding agreement or contract relating to the possible investment has been agreed or entered into by the Company. The Company will keep the shareholders and public investors informed of any material development in connection with the possible investment by way of further announcement(s) as and when appropriate.

Pursuant to the announcement dated 17 February 2014, the directors proposed to change the English name of the Company from "Merdeka Resources Holdings Limited" to "Merdeka Mobile Group Limited" and upon the name becoming effective, to adopt the Chinese name "萬德移動集團有限公司" to replace "萬德資源集團有限公司" for identification purposes only.

On 27 February 2014, an aggregate of 77,000,000 shares of the Company, 12.56% of the issued share capital of the Company as at that date were successfully placed, under general mandate refreshed and granted during an extraordinary general meeting of the Company held 29 January 2014, to not less than six placees who and whose ultimate beneficial owners are independent third parties (as defined in the GEM Listing Rules). The Company received net proceeds of approximately HK$12.56 million from such placing.

Pursuant to the announcement dated 7 March 2014, the address of the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

An extraordinary general meeting of the Company to be held on 28 March 2014 to approve, confirm and rectify the continuing connected transactions derived from the acquisition of Ever Hero Group.

For the year ended 31 December 2012

FINANCIAL REVIEW

Highlights on financial results

	Year ended 31 December		
(HK$'000, except percentage figures)	**2012**	**2011**	**Change**
Revenue	7,909	8,891	-11.0%
Gross profit	167	795	-79.0%
Gross profit margin	2.1%	8.9%	-6.8 percentage points
Operating expenses	(19,282)	(19,135)	+0.8%
Administrative expenses	(11,973)	(15,862)	-24.5%
Non-cash items:			
Depreciation*	(7,201)	(6,363)	+13.2%
Amortization**	–	(3,724)	-100.0%
Inventories written off**	(1,914)	–	Not applicable
Biological assets written off	(9,579)	–	Not applicable
Impairment of prepayments, deposits and other receivables**	(1,701)	–	Not applicable

(HK$'000, except percentage figures)	Year ended 31 December 2012	2011	Change
Impairment of forest concessions	(560,000)	–	Not applicable
Impairment of property, plant and equipment	(16,000)	–	Not applicable
Change in fair value of biological assets less cost to sell	–	2,944	-100.0%
Equity-settled share option expenses	(974)	(2,880)	-66.2%
Finance costs	(26,872)	(35,431)	-24.2%
Loss for the year	(644,073)	(69,526)	+826.4%
Loss excluding non-cash items***	(19,832)	(24,072)	-17.6%

* In 2012, all of the depreciation was included in the operating and administrative expenses. In 2011, approximately HK$1,638,000 of the depreciation was included in cost of sales while the rest was included in the operating and administrative expenses.

** These items were included in operating expenses

*** Loss for the year less non-cash items stated

Discussion on financial results

The revenue of the Group in 2012, which was solely generated from the trading business, dropped by 11.0% to approximately HK$7,909,000 from approximately HK$8,891,000 in 2011, which was generated from both the trading business and the logging activities of forestry business. As the trading business has a lower profit margin than the forestry business, the gross profit margin of the Group notably decreased to approximately 2.1% or HK$167,000 in 2012 from approximately 8.9% or HK$795,000 in 2011.

The operating expenses of the Group in 2012 was approximately HK$19,282,000, which remained at a similar level compared to that of 2011, as the savings in downsizing its operation in Indonesia were offset by the restructuring related expenses there. The administrative expenses of the Group decreased by 24.5% to approximately HK$11,973,000 in 2012 from approximately HK$15,862,000 in 2011, mainly due to the reduction in staff costs and director emoluments.

During the year ended 31 December 2012, depreciation increased by 13.2% to approximately HK$7,201,000 in 2012 from approximately HK$6,363,000 in 2011, as no depreciation was capitalized in inventories in 2012 when the production came to a halt. In 2011, depreciation of approximately HK$822,000 was capitalized in inventories.

Amortization represented the amortization of the Group's forest concessions in Indonesia covering an area of 313,500 hectares. It is charged on a unit of production basis. In 2012, logging activities stopped and therefore no amortization was charged. In 2011, the Group was granted wood utilization permit to perform logging covering an area of 1,500 hectares and amortization of approximately HK$3,724,000 was charged accordingly.

In 2012, the Group wrote off obsolete log and wood inventories and palm oil planting biological assets of approximately HK$1,914,000 and HK$9,579,000 respectively. Impairment of approximately HK$1,701,000 was made in respect of the other receivables related to the operation in Indonesia. The postponement of the Group's forestry project and lower market prices for timber products had also led to the impairment of approximately HK$560,000,000 and HK$16,000,000 to the forest concessions and property, plant and equipment respectively. In 2011, the Group recorded a gain of approximately HK$2,944,000 as change in fair value of the biological assets, with reference to the growth status of the palm oil seedlings at that time.

During the year ended 31 December 2012, the old share option scheme of the Company, which was adopted in 2002, expired. All the outstanding share options thereunder, a total of 307,000,000 share options, were lapsed because of the expiry of the option period and the corresponding share option reserve of approximately HK$14,491,000 was released directly to the accumulated losses. A total of 83,500,000 share options were granted in 2012 whereas 107,000,000 share options were granted in 2011. The associated equity-settled share option expense, which was non-cash in nature and represented the fair value of the share options granted, was approximately HK$974,000 and HK$2,880,000 in 2012 and 2011 respectively.

Finance cost of the Group represented solely the non-cash imputed interest charge in the liability component of the Group's zero coupon convertible bonds. The cost decreased by 24.2% to approximately HK$26,872,000 in 2012 from approximately HK$35,431,000 in 2011, which was mainly due to the decrease in average balance of the liability component when certain convertible bonds were converted into the shares of the Company during 2012.

Loss for the year increased by 826.4% to approximately HK$644,073,000 in 2012 from approximately HK$69,526,000 in 2011. The significant increase in loss was mainly due to the aforesaid impairments in relation to the forest concessions and property, plant and equipment.

Excluding the effects of non-cash items like share option expenses, finance costs, depreciation, amortisation, impairments of prepayments, deposits and other receivables, forest concessions and property, plant and equipment and the written off of inventories and biological assets, the Group recorded a lower loss before tax at HK$19,832,000 in 2012 compared to HK$24,072,000 in 2011. The reduction was mainly because the Group had downsized its work forces.

Analysis by business segment

	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
(HK$'000)	**2012**	**2011**	**2012**	**2011**
Trading business	7,909	4,072	167	85
Forestry business	–	4,819	(627,662)	(61,196)
Plantation business	–	–	(10,129)	1,951
Total	7,909	8,891	(637,624)	(59,160)

Revenue from our trading business increased by 94.2% from approximately HK$4,072,000 in 2011 to approximately HK$7,909,000 in 2012, as the Group strived to grow the business of trading of agricultural-related commodities, which provided a stable source of revenue.

Same as 2011, no revenue was recorded for the Group's plantation business in 2012. Considering that economies of scale could not be achieved at this stage when the logging activities were stopped in 2012, the in-house team taking care of the plantings was dissolved and the palm oil plantings of approximately HK$9,579,000 were written off.

Compared to 2011, loss before tax from the forestry business in 2012 increased significantly, which was mainly due to the impairments related to the forest concessions and property, plant and equipment related to the forestry business. Plantation business incurred a loss before tax of approximately HK$10,129,000 in 2012 whereas it incurred a profit before tax of approximately HK$1,951,000 in 2011. It was because gain in change of fair value of biological assets of approximately HK$2,944,000 was recorded in 2011 but the biological assets of approximately HK$9,579,000 were written off in 2012.

Analysis by geographical segment

	Year ended 31 December			
	2012		2011	
(HK$'000, except percentage figures)	**Revenue**	**Proportion**	**Revenue**	**Proportion**
Hong Kong	7,909	100%	8,891	100%

All the Group's revenue was derived from Hong Kong in 2012 and 2011.

Highlights on financial position

(HK$'000, except percentage figures)	As at 31 December 2012	2011	Change
Property, plant and equipment	13,106	39,424	-66.8%
Forest concessions	269,811	829,811	–67.5%
Biological assets	–	9,579	–100.0%
Trade receivables	2,365	2,878	–17.8%
Inventories	–	1,914	–100.0%
Prepayments, deposits and other receivables	26,498	2,314	+1,045.1%
Cash and cash equivalents	2,620	35,681	–92.7%
Other payables and accruals	4,557	1,524	+199.0%
Convertible bonds – liability component	189,705	304,111	–37.6%
Non-controlling interests	4,336	35,372	–87.7%
Shareholders' funds	115,802	580,594	–80.1%

Discussion on financial position

Property, plant and equipment decreased to approximately HK$13,106,000 as at 31 December 2012 from approximately HK$39,424,000 as at 31 December 2011. The decrease was mainly due to disposals of items with net book value of approximately HK$3,117,000, the depreciation of approximately HK$7,201,000 and impairment of approximately HK$16,000,000 in 2012.

Forest concessions decreased to approximately HK$269,811,000 as at 31 December 2012 from approximately HK$829,811,000 as at 31 December 2011. The decrease was due to the impairment made in 2012.

Biological assets in 2011 represented the fair value of palm oil plantings with reference to the growth status. All of the seedlings were written off as the in-house team taking care of the plantings was dissolved in 2012.

Trade receivables decreased to approximately HK$2,365,000 as at 31 December 2012 from approximately HK$2,878,000 as at 31 December 2011, as the Group put more effort in credit control and collection.

Inventories in 2011 represented the value of logs. All of the obsolete logs and woods were written off as they became bad and rotten due to delay in moving from forest to factory.

Prepayments, deposits and other receivables increased to approximately HK$26,498,000 as at 31 December 2012 from approximately HK$2,314,000 as at 31

December 2011. The significant increase in 2012 was mainly due to the payment of HK$20,000,000 as a deposit for the proposed very substantial acquisition of Ever Hero Group and the prepayment of HK$6,000,000 for the acquisition of 0.8 million metric tonnes of tailings in relation to the share-based transaction during the year.

Cash and cash equivalents decreased significantly by 92.7% to approximately HK$2,620,000 as at 31 December 2012 from approximately HK$35,681,000 as at 31 December 2011. The decrease was mainly caused by the payment of the deposit of HK$20,000,000 for the aforesaid proposed acquisition of Ever Hero Group and the net cash outflow to finance operational expenses.

Other payables and accruals increased to approximately HK$4,557,000 as at 31 December 2012 from approximately HK$1,524,000 as at 31 December 2011. The increase was mainly due to the legal and professional fees incurred in late 2012 for the proposed very substantial acquisition of Ever Hero Group.

The liability component of the convertible bonds decreased by 37.6% to approximately HK$189,705,000 as at 31 December 2012 from approximately HK$304,111,000 as at 31 December 2011. The decrease was mainly due to the conversion of certain convertible bonds during 2012. The outstanding principal amounted to approximately HK$224,880,000 and HK$404,880,000 respectively as at 31 December 2012 and 2011.

Non-controlling interests decreased to approximately HK$4,336,000 as at 31 December 2012 from approximately HK$35,372,000 as at 31 December 2011. The decrease was mainly due to the sharing of loss, including the impairments related to the forest concessions and property, plant and equipment, in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2012.

The Group's shareholders' funds decreased to approximately HK$115,802,000 as at 31 December 2012 from approximately HK$580,594,000 as at 31 December 2011. The decrease was mainly due to the loss attributable to the owners of the Company of approximately HK$613,037,000, partially offset by the increase in share premium of approximately HK$146,276,000 mainly related to the conversion of convertible bonds.

Capital structure and gearing ratio

	As at 31 December			
	2012		**2011**	
	HK$'000	**Proportion**	*HK$'000*	**Proportion**
Total borrowings				
– Convertible bonds (liability component)	189,705	62.1%	304,111	34.4%
Equity	115,802	37.9%	580,594	65.6%
Total capital employed	305,507	100.0%	884,705	100.0%

The Group's gearing ratio was approximately 62.1% as at 31 December 2012 (2011: 34.4%). The increase was mainly due to the aforesaid decrease in shareholders' funds largely contributed by the loss attributable to the owners of the Company.

During the year ended 31 December 2012, convertible bonds with an aggregate principal amount of HK$180 million were converted into 1.8 billion shares of the Company with par value of HK$0.01 each. The outstanding principal amounted to approximately HK$224,880,000 as at 31 December 2012 (2011: HK$404,880,000). Its maturity date is 12 August 2014 and the effective interest rate of the liability component is approximately 11.66%. Other than the convertible bonds, the Group had no other borrowings as at 31 December 2012 and 2011.

Liquidity and financial resources

	As at 31 December	
(HK$'000)	**2012**	**2011**
Current assets	31,483	4,557
Current liabilities	42,787	1,524
Current ratio	690.9%	2,807.5%

The current ratio of the Group as at 31 December 2012 was 690.9% (2011: 2,807.5%), reflecting the fact that the liquidity of the Group remained healthy in 2012.

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately HK$2,620,000 (2011: HK$35,681,000). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2012 and 2011. As at 31 December 2012, about 22.0% (2011: 87.1%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 100.0% (2011: 92.6%) were denominated in Hong Kong dollars.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2012 and 2011, most of the Group's transactions were denominated in Hong Kong dollars ("**HK$**"), Indonesian Rupiah ("**Rp**") and United States dollars ("**US$**"), to which HK$ is pegged. The Group had exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group did not formally employ any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

As at 31 December 2012, the Group did not have any significant contingent liabilities.

Acquisition and disposal of subsidiaries and affiliated companies

Details of acquisition and disposal of subsidiaries during the year ended 31 December 2012 are disclosed in Note 9 of the notes to the financial statements. The Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2011.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2012 and 2011.

Pledge of assets

As at 31 December 2012 and 2011, the Group did not have any pledged deposits and assets.

Capital commitments

As at 31 December 2012 and 2011, the Group did not have any significant capital commitments.

Employees and remuneration policy

As at 31 December 2012, the Group employed 27 staff (2011: 165). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2012, there were outstanding share options of 83,500,000 (2011: 307,000,000).

Event after the reporting period

On 17 January 2013, 595,000,000 share options were granted to the eligible participants under the share option scheme, among which 93,500,000 and 495,000,000 share options were exercised on 18 January 2013 and 1 February 2013 respectively. Besides, 4,000,000 share options were lapsed on 1 February 2013.

Pursuant to the announcement dated on 20 February 2013, the directors propose the share consolidation on the basis that every forty shares of HK$0.01 be consolidated into one consolidated share of HK$0.40 each. In addition, subject to the share consolidation becoming effective, the directors propose the capital reduction pursuant to which the par value of each of the issued consolidated shares will be reduced from HK$0.40 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.39 per issued consolidated shares.

For the year ended 31 December 2011

FINANCIAL REVIEW

Highlights on financial results

	Year ended 31 December		
(HK$'000, except percentage figures)	**2011**	**2010**	**Change**
Revenue	8,891	6,715	+32.4%
Gross profit	795	101	+687.1%
Gross profit margin	8.9%	1.5%	+7.4 percentage points
Operating expenses	19,135	28,888	-33.8%
Administrative expenses	15,862	10,268	+54.5%
EBITDA, excluding share option expenses*	(21,128)	(28,090)	-24.8%
Equity-settled share option expenses	2,880	–	Not applicable
Finance costs	35,431	33,758	+5.0%
Depreciation#	6,363	5,340	+19.2%
Amortisation	3,724	266	+1,300.0%
Loss for the year	(69,526)	(67,454)	+3.1%

* *EBITDA represents loss before tax, finance cost, depreciation and amortisation*

\# *Approximately HK$1.6 million was included in cost of sales in 2011 (2010: nil)*

Discussion on financial results

The revenue of the Group increased by 32.4% to approximately HK$8.9 million in 2011 from approximately HK$6.7 million in 2010. The increase in revenue was mainly attributable to revenue from our forestry business that amounted to HK$4.8 million. This amount has more than offset the decrease in revenue from our trading business. The increase in revenue in our forestry business also helped to improve our overall gross profit margin to 8.9% in 2011 from 1.5% in 2010.

The operating expenses of the Group decreased by 33.8% to approximately HK$19.1 million in 2011 from approximately HK$28.9 million in 2010. The decrease was mainly due to the cost savings in plantation-related operations. The administrative expenses of the Group increased by 54.5% to approximately HK$15.9 million in 2011 from approximately HK$10.3 million in 2010. The increase was mainly due to the increase in director emoluments by approximately HK$4.7 million.

Excluding the effects of share option expenses, finance costs, depreciation and amortisation, the Group recorded a lower loss before tax at HK$21.1 million in 2011 compared to HK$28.1 million in 2010. The Company continued to invest in the start up costs and necessary strategic investment in people to lay a better foundation for our forestry and plantation businesses. The management also tightened cost controls in 2011 and streamlined the operations for better efficiency in 2011.

During the year ended 31 December 2011, a total of 107 million share options were granted to eligible participants of the Company's share option scheme. The associated equity-settled share option expenses, which were non-cash in nature, represented the fair value of the share options granted, was approximately HK$2.9 million in 2011. No share option was granted in 2010.

In July 2011, the Company extended the maturity date of its convertible bonds, with outstanding principal of approximately HK$462.4 million, from August 2011 to August 2014. Gain on extinguishment of convertible bonds in respect of the liability component, amounted to approximately HK$132.7 million, was credited to equity in accordance with Hong Kong Financial Reporting Standards. These convertible bonds were zero coupon bonds. Finance costs in 2010 and 2011 solely represented the non-cash imputed interest charge on the liability component of such convertible bonds. Such finance cost increased by 5.0% from approximately HK$33.8 million in 2010 to approximately HK$35.4 million in 2011, as the effective imputed annual interest rate increased from about 7.25% to 11.66% upon extension.

During the year ended 31 December 2011, depreciation increased by 19.2% from approximately HK$5.3 million from 2010 to approximately HK$6.4 million in 2011, as all production equipment in the sawmill and veneer factories were subject to depreciation upon completion of installation in 2011.

Amortisation represented the amortisation of the Group's forest concessions in Indonesia covering an area of 313,500 hectares. It is charged on a unit of production basis. During the year ended 31 December 2011, the Group was granted wood utilization permit to perform logging covering an area of 1,500 hectares. Accordingly, the amortisation charge increased significantly from approximately HK$0.3 million in 2010 to approximately HK$3.7 million in 2011, reflecting higher level of logging activities during the year.

Loss for the year increased by 3.1% to approximately HK$69.5 million in 2011 from approximately HK$67.5 million in 2010. The increase was mainly due to the combined effect of increase in equity-settled share option expenses, finance costs, depreciation and amortisation, which were non-cash in nature, net of the decrease in aggregate of other administrative and operating expenses.

Analysis by business segment

	Revenue		Profit/(loss) before tax	
	Year ended 31 December			
(HK$'000)	**2011**	**2010**	**2011**	**2010**
Trading business	4,072	6,715	85	(73)
Forestry business	4,819	–	(61,196)	(60,274)
Plantation business	–	–	1,951	(5,648)
Total	8,891	6,715	(59,160)	(65,995)

Revenue from our trading business decreased by 39.4% from approximately HK$6.7 million in 2010 to approximately HK$4.1 million in 2011, as the Group shifted the trading products to more agricultural-related commodities, with higher margin.

Compared to 2010, loss before tax from the forestry business in 2011 remained at a similar level, as the Company continued to invest the start up costs and human resources to develop the business.

Same as 2010, no revenue was recorded for the Group's plantation business in 2011 as our palm tree seedlings were still in early stage. As the seedlings continue to grow, the Group recorded gain of approximately HK$2.9 million (2010: HK$4.8 million) as a change in fair value of biological assets less cost to sell. In 2011, in order to maintain better and closer control, the Group deployed its own team, instead of hiring a sub-contractor to take care of the seedlings. Accordingly, the Group recorded profit before tax from this business of approximately HK$2.0 million in 2011 compared to a loss before tax of approximately HK$5.6 million in 2010.

Analysis by geographical segment

	Year ended 31 December			
(HK$'000,	**2011**		**2010**	
except percentage figures)	*Revenue*	*Proportion*	*Revenue*	*Proportion*
Hong Kong	8,891	100%	–	–
Mainland China	–	–	6,715	100%
Total	8,891	100%	6,715	100%

All the Group's revenue was derived from Hong Kong in 2011 whereas all revenue was derived from mainland China in 2010.

Highlights on financial position

(HK$'000, except percentage figures)	As at 31 December 2011	2010	Change
Property, plant and equipment	39,424	37,101	+6.3%
Forest concessions	829,811	833,535	–0.4%
Biological assets	9,579	6,635	+44.4%
Trade receivables	2,878	–	n/a
Inventories	1,914	–	n/a
Prepayment, deposits and other receivable	2,314	5,951	–61.1%
Cash and cash equivalents	35,681	68,569	–48.0%
Other payables and accruals	1,524	2,398	–36.4%
Convertible bonds – liability component	304,111	485,652	–37.4%
Non-controlling interests	35,372	37,741	–6.3%
Shareholders' funds	580,594	426,000	+36.3%

Discussion on financial position

Property, plant and equipment increased to approximately HK$39.4 million as at 31 December 2011 from approximately HK$37.1 million as at 31 December 2010. The increase was mainly due to additions of approximately HK$9.5 million of buildings and factories, machineries and equipment, net of depreciation of approximately HK$7.2 million during 2011.

Forest concessions decreased to approximately HK$829.8 million as at 31 December 2011 from approximately HK$833.5 million as at 31 December 2010. The decrease was due to amortisation charged during 2011.

Biological assets increased to approximately HK$9.6 million as at 31 December 2011 from approximately HK$6.6 million as at 31 December 2010, mainly due to the change in fair value of palm seedlings with reference to the growth status.

Trade receivables amounted to HK$2.9 million as at 31 December 2011 (2010: nil), related to our trading business.

Inventories amounted to HK$1.9 million as at 31 December 2011 (2010: nil), related to the cost of logs resulting from our logging activities in 2011.

Prepayment, deposits and other receivable decreased to approximately HK$2.3 million as at 31 December 2011 from approximately HK$6.0 million as at 31 December 2010, mainly due to prepayments related to acquisition of machineries being transferred to property, plant and equipment during 2011.

Cash and cash equivalents decreased by 48.0% to approximately HK$35.7 million as at 31 December 2011 from approximately HK$68.6 million as at 31 December 2010. The decrease was mainly caused by the net cash outflow to finance operational expenses and acquisition of machineries.

Other payables and accruals decreased to approximately HK$1.5 million as at 31 December 2011 from approximately HK$2.4 million as at 31 December 2010. The decrease was mainly due to the settlement of other payables of approximately HK$1.0 million during 2011.

The liability component of the convertible bonds decreased by 37.4% from approximately HK$485.6 million as at 31 December 2010 to approximately HK$304.1 million as at 31 December 2011. The decrease was mainly due to the partial conversion during 2011 and gain on extinguishment of convertible bonds in respect of its liability component of approximately HK$132.7 million upon extension of the maturity date from August 2011 to August 2014 in the year. The outstanding principal amounted to approximately HK$404.9 million and HK$504.9 million respectively as at 31 December 2011 and 2010.

Non-controlling interests decreased to approximately HK$35.4 million as at 31 December 2011 from approximately HK$37.7 million as at 31 December 2010. The decrease was mainly due to the sharing of loss in our non-wholly owned Indonesian subsidiaries by their non-controlling shareholders for 2011.

The Group's shareholders' funds increased to approximately HK$580.6 million as at 31 December 2011 from approximately HK$426.0 million as at 31 December 2010. The increase was mainly due to credit to the equity for gain on extinguishment of convertible bonds in respect of its liability component upon extension of its maturity date, amounted to approximately HK$132.7 million, in accordance with Hong Kong Financial Reporting Standards.

Capital structure and gearing ratio

	As at 31 December			
	2011		**2010**	
	HK$'000	**Proportion**	*HK$'000*	**Proportion**
Total borrowings				
– Convertible bonds (liability component)	304,111	34.4%	485,652	53.3%
Equity	580,594	65.6%	426,000	46.7%
Total capital employed	884,705	100.0%	911,652	100.0%

During the year ended 31 December 2011, convertible bonds with an aggregate principal amount of HK$100 million were converted into 1 billion shares of the Company with par value of HK$0.01 each. In 2011, gain on extinguishment of convertible bonds in respect of its liability component of approximately HK$132.7 million upon extension of the maturity date from August 2011 to August 2014 was credited to the equity in accordance with Hong Kong Financial Reporting Standards. The outstanding principal amounted to approximately HK$404.9 million as at 31 December 2011 (2010: HK$504.9 million).

The Group's gearing ratio was approximately 34.4% as at 31 December 2011 (2010: 53.3%). The decrease was mainly due to the conversion of convertible bonds and gain on extinguishment of convertible bonds upon extension of its maturity date mentioned in the aforesaid paragraph.

Other than the convertible bonds, the Group had no other borrowings as at 31 December 2010 and 2011.

Liquidity and financial resources

	As at 31 December	
(HK$'000)	**2011**	**2010**
Current assets	42,787	74,520
Current liabilities	1,524	488,050
Current ratio	2,807.5%	15.3%

The current ratio of the Group as at 31 December 2011 was 2,807.5% (2010: 15.3%). The significant increase in current ratio was mainly due to the reclassification of the liability component of the convertible bonds from current liabilities to non-current liabilities, upon extension of its maturity date from August 2011 to August 2014 during 2011. The liability component of the convertible bonds as at 31 December 2010 and 2011 were approximately HK$485.6 million and approximately HK$304.1 million respectively.

As at 31 December 2011, the Group's cash and cash equivalents amounted to approximately HK$35.7 million (2010: HK$68.6 million). No cash and cash equivalents of the Group were pledged for general banking facilities as at 31 December 2010 and 2011. As at 31 December 2011, about 87.1% (2010: 91.5%) of the Group's cash and cash equivalents were deposits placed with licensed banks in Hong Kong, among which about 88.3% (2010: 100.0%) were denominated in Hong Kong dollars. The balance of cash and cash equivalents provides the funds to support the working capital and capital expenditure needs of the Group.

Foreign currency exposure

The Group's reporting currency is Hong Kong dollar. During the year ended 31 December 2010 and 2011, most of the Group's transactions were denominated in Hong Kong dollars ("**HK$**"), Indonesian Rupiah ("**Rp**") and United States dollars ("**US$**"), to which HK$ is pegged. The Group has exposure to the risk of exchange rate fluctuations for Rp on account of its cost of forestry and plantation operations in Indonesia. The Group has not formally employed any hedging instruments or derivative products considering the relevant costs and benefits. However, the Group will continue to monitor closely the exchange rate risk.

Contingent liabilities

As at 31 December 2010, the Group did not have any significant contingent liabilities. Details of contingent liabilities are disclose in Note 31 of the notes to the financial statements.

Acquisition and disposal of subsidiaries and affiliated companies

The Group did not acquire or dispose of any material subsidiaries and associates during the year ended 31 December 2011. Details of acquisition and disposal of subsidiaries during the year ended 31 December 2010 are disclosed in Note 9 of the notes to the financial statements.

Significant investments

The Group did not acquire or hold any significant investment during the year ended 31 December 2010 and 2011.

Pledge of assets

As at 31 December 2010 and 2011, the Group did not have any pledged deposits and assets.

Capital commitments

As at 31 December 2010 and 2011, the Group did not have any significant capital commitments.

Employees and remuneration policy

As at 31 December 2011, the Group employed 165 staff (2010: 157). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitiveness. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits included provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2011, there were outstanding share options of approximately 307.0 million (2010: 258.5 million).

Event after the reporting period

On 6 March 2012, the Company's existing share option scheme expired. All the outstanding share options thereunder were lapsed because of the expiry of the option period.

On 22 March 2012, the Company established the nomination committee to comply with the latest amended GEM Listing Rules.

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Suites 2B-4A, 20th Floor,
Tower 5, China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

17 March 2015

The Board of Director
Merdeka Mobile Group Limited
Room 1502, Floor 15th
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai
Hong Kong

Dear Sir,

We set out below on the financial information relating to Blossom Height Ventures Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") comprising the combined statement of financial position as at 31 December 2012, 2013 and 30 September 2014, the combined statement of profit or loss and other comprehensive income, the combined statement of cash flows and combined statement of change in equity for each of the years ended 31 December 2012, 2013 and the nine months ended 30 September 2014 (the "**Relevant Periods**"), together with the explanatory notes thereto (the "**Financial Information**"), for inclusion in the Circular dated 17 March 2015 issued by the Company (the "**Circular**") in with the proposed acquisition of the equity interest in the Target Company by the Company (the "**Acquisition**").

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") with limited liability on 11 June 2014. Pursuant to a group reorganisation completed on 28 October 2014 as detail in the section headed "General information and basis of preparation" in the Circular (the "**Reorganisation**"), the Target Company became the holding company of the companies now comprising the Target Group. The Target Company has not carried on any business since the date of its incorporation saves for aforementioned Reorganisation.

At the date of report, no audited financial statements have been prepared for the Target Company as it is not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

As at the date of this report, the Target Company has direct interest in a subsidiary as set out in note 1(c) below. The financial statement of the subsidiary for the period from 18 January 2011 (date of incorporation) to 19 July 2012 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and was audited by S.F. Kwok & Co.

For the purpose of this report, the directors of the Target Company have prepared the Financial Information in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereto, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Respective Responsibilities of Directors and Reporting Accountants

The directors of the Target Company are responsible for the preparation of the financial statements of the Target Group for the Relevant Periods, together with the notes thereto in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provision of the GEM Listing Rules, and for such internal control as the directors of the Target Company 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 Company are also responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Opinion

In our opinion, the Financial Information gives a true and fair view of the state of affairs of the Target Group as at 31 December 2012, 2013 and 30 September 2014 and of the results and cash flows for the Relevant Periods.

Comparative Financial Information

For the purpose of this report, we have reviewed the unaudited financial information of the Target Group including the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the nine months ended 30 September 2013, together with the notes thereto (the "**Corresponding Information**"), for which the directors are responsible, in accordance with Hong Kong Standards on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists principally of making enquiries of the Target

Company's management and applying analytical procedures to the Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Corresponding Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Information is not prepared, in all material respects, in accordance with the HKFRSs.

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Period ended 30 September		Year ended 31 December	14/5/2012 to
		2014	2013	2013	31/12/2012
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(unaudited)		
Turnover	*3(g)*	–	–	–	–
Administrative expenses		(8)	(1)	(12)	(6)
Loss from operations	*8*	(8)	(1)	(12)	(6)
Finance costs		–	–	–	–
Share of results of an associate		2,297	(280)	(497)	–
Profit/(loss) before taxation for the period/year		2,289	(281)	(509)	(6)
Income tax expense	*9*	–	–	–	–
Profit/(loss) for the period/year		2,289	(281)	(509)	(6)
Item that may be reclassified subsequently to profit or loss:					
Exchange differences of an associate		(645)	938	1,405	–
Total comprehensive income for the period/year		1,644	657	896	(6)

COMBINED STATEMENT OF FINANCIAL POSITION

		As at 30 September	As at 31 December	
		2014	2013	2012
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Investment in an associate	*12*	52,397	50,746	–
Current asset				
Cash and cash equivalents	*13*	4	–	10
Total assets		52,401	50,746	10
Current liabilities				
Other payables, accruals and deposits received		26	15	5
Amount due to a holding company	*14*	49,841	49,841	11
Total liabilities		49,867	49,856	16
Net current liabilities		(49,863)	(49,856)	(6)
Total assets less current liabilities		2,534	890	(6)
Net assets/(liabilities)		2,534	890	(6)
Capital and reserves				
Share capital	*15*	–	–	–
Reserves	*16*	2,534	890	(6)
Total equity		2,534	890	(6)

COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital	Exchange reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 14 May 2012	–	–	–	–
Loss for the period	–	–	(6)	(6)
As at 31 December 2012 and 1 January 2013	–	–	(6)	(6)
Loss for the year	–	–	(509)	(509)
Other comprehensive income				
Exchange differences	–	1,405	–	1,405
As at 31 December 2013 and 1 January 2014	–	1,405	(515)	890
Profit for the period	–	–	2,289	2,289
Other comprehensive income				
Exchange differences	–	(645)	–	(645)
As at 30 September 2014	–	760	1,774	2,534
As at 1 January 2013	–	–	(6)	(6)
Loss for the period	–	–	(281)	(281)
Other comprehensive income				
Exchange differences	–	938	–	938
As at 30 September 2013 (unaudited)	–	938	(287)	651

COMBINED STATEMENT OF CASH FLOWS

	Period ended 30 September 2014	Period ended 30 September 2013	Year ended 31 December 2013	14/5/2012 to 31/12/2012
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Operating activities				
Profit/(loss) before tax	2,289	(281)	(509)	(6)
Adjustments for:				
Share of results of an associate	(2,297)	280	497	–
Bank interest income	–	–	–	–
Operating loss before working capital changes	(8)	(1)	(12)	(6)
Increase in other payables, accruals and deposits received	12	10	10	5
Increase in amount due to a holding company	–	49,820	49,830	11
Net cash flows from operating activities	4	49,829	49,828	10
Investing activities				
Payment for acquisition of an associate	–	(49,838)	(49,838)	–
Net cash used in investing activities	–	(49,838)	(49,838)	–
Net increase/(decrease) in cash and cash equivalents	4	(9)	(10)	10
Cash and cash equivalents at the beginning of the period/year	–	10	10	–
Cash and cash equivalents at the end of the period/year	4	1	–	10

B. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION

(a) General information of the Target Group

The Target Company was incorporated on 11 June 2014 in the British Virgin Islands ("**BVI**") with limited liability. The registered office of the Company is located at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal activity of the Target Group is investment holding and the sole investment held by the Target Group is an associate company established in the PRC which engaged in the provision of financial leasing services.

The combined financial information is presented in Hong Kong Dollars ("**HKD**"), unless otherwise stated.

(b) Reorganisation

The Target Group was initially operated by Ideal Magic International Limited ("**Ideal Magic**") on 14 May 2012 as to 50% equity interests held by Cheng Jun ("**Mr. Cheng**") and 50% equity interests held by Gao Yun Feng ("**Mr. Gao**") (the "**Controlling Shareholders**") through the trust arrangement by appointing Ms. Yam Yuk Fong as the trustee of the Controlling Shareholders. Ideal Magic is a limited liability company incorporated in Hong Kong on 18 January 2011. Between the date of incorporation of Ideal Magic and the date of commencement of the operation of Ideal Magic carried out by the Controlling Shareholders, Ideal Magic was dormant and has no business activities.

On 15 May 2013, Ideal Magic completed the capital injection of 40% equity interests in 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited) (the "**PRC Company**") which was established in the PRC on 14 December 2012 and is principally engaged in the provision of financial leasing services in the PRC. The PRC Company has been accounted for as an associate company of Ideal Magic.

For the purpose of the preparation for the Acquisition, the Controlling Shareholders carried out a group reorganisation ("**Reorganisation**") by (i) incorporated the Target Company and transferred the entire equity interests of Ideal Magic held by the Controlling Shareholders to the Target Company; and (ii) incorporated Yihua Enterprises Limited, a BVI incorporated company and being the Vendor of the Acquisition, as a shareholder of the Target Company as to 50% equity interests held by Mr. Cheng and 50% equity interests held by Mr. Gao.

Pursuant to the Reorganisation, the Target Company became the holding company of Ideal Magic which holds 40% equity interests in the PRC Company, comprising the Target Group. The Reorganisation was completed on 28 October 2014.

(c) Basis of preparation and presentation

As the Controlling Shareholders ultimately owned and controlled the Target Company and Ideal Magic before the Reorganisation and continued to own and control these companies after the Reorganisation, the combined Financial Information of the Target Group has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guidance 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Accordingly, the Target Group's combined statement of financial position as at 31 December 2012, 2013 and 30 September 2014, and its combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined cash flows statements for the Relevant Periods have been prepared using the financial information of the companies now comprising the Target Group as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates when companies first came under the control of the Controlling Shareholders (i.e. 14 May 2012).

As at the date of this report, the Target Company has direct interest in the following subsidiary:

Name of Company	Place and date of incorporation	Issued and fully paid share capital	Effective interest held by the Target Company Direct	Indirect	Principal activities
Ideal Magic International Limited	Hong Kong 18 January 2011	Ordinary Shares HK$10,000	100%	–	Investment holding

As at the date of this report, the Target Company has indirect interest in the following associate:

Name of Company	Place and date of establishment	Registered capital/ paid-up capital	Effective interest held by the Target Company Direct	Indirect	Principal activities
Heng He Financial Lease (Shanghai) Company Limited	PRC 14 December 2012	Registered capital RMB170,000,000 and Paid-up capital RMB100,000,000	–	40%	Provision of financial leasing services

2. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted all new and revised HKFRSs, which are relevant to its operations and effective during the Relevant Periods.

Standards and Interpretations issued but not yet adopted

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

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Target Company anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the combined financial position of the Target Group in the reporting period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. These Financial Information also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The Financial Information have been prepared under the historical cost basis. The measurement basis is fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately 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 are disclosed in note 4 to the Financial Information.

(b) Merger accounting for business involving entities under common control

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

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

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

Control is achieved where the Target Company (i) has the power over the investee, (ii) is exposed, or rights to variable returns from its involvement with the investee, and (iii) has the ability to use its power to affect its return.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls.

Where necessary, adjustments are made to the financial information of subsidiary to bring their accounting policies in line with those used by other members of the Target Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

(c) Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the combined statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of profit or loss and other comprehensive income of the associates. When the Target Group's share of losses of an associate equals or exceeds its interest in that associate, the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of that associate.

(d) Cash and cash equivalents

In the combined statement of cash flows, cash and cash equivalents present short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the Target Group become a party to the contractual provisions of the instrument.

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

Financial assets

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

(i) Loans and receivables

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

(ii) Effective interest method

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

(iii) Impairment of financial assets

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

For certain categories of financial assets, such as assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

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

(iv) Derecognition

The Target Group derecognised a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Target Group classifies its financial liabilities into other financial liabilities.

(i) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(ii) Effective interest method

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

(iii) Derecognition

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

(f) Provisions

A provision is recognised when the Target Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

(g) Revenue recognition

The Target Group did not generate any revenue during the Relevant Periods.

(h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the Financial Information. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the Target Group. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Target Group and Target Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information are presented in HK dollars (HK$), which is the Target Group's functional and presentation currency.

Foreign operation

The results and financial positions of all the Target Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each combined statement of financial position presented shall be translated at the closing rate at the date of that combined statement of financial position;

(ii) income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

(k) Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Target Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(l) Related party

For the purpose of these combined financial statement, a party is considered to be related to the Target Group if:

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

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

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

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

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

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

(ii) either entity is an associate or joint venture of the other entity (or of a member of a Target Group of which the other entity is a member);

(iii) both entities are joint ventures of a third entity;

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

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

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

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

Close family members 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment of assets

The Target Group tests annually whether the asset has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(b) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the Relevant Periods were as follows:

	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loan and receivables (including cash and bank balance)			
Cash and cash equivalents	4	–	10
Financial liabilities			
Other financial liabilities measured at amortised cost			
Other payables, accruals and deposits received	26	15	5
Amount due to a holding company	49,841	49,841	11
	49,867	49,856	16

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments included other payables, accruals and deposits received and amount due to a holding company. Details of these financial instruments were disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Target Group to mitigate these risks were set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

Foreign exchange risk

The business transactions of the Target Group conducted during the year were mainly denominated and settled in HKD. The Target Group currently does not have hedging policy in respect of the foreign currency risk. However, management monitors the related foreign currency risk exposure closely and will consider hedging significant foreign currency risk exposure should the needs arises.

Interest rate risk

The Target Group does not have material exposures to interest rate risk, as the Target Group has no external borrowing and the cash flow rate risk in relation to variable bank balances are insignificant. A reasonable change in interest rate in next twelve months is assessed to result in no material change in the Target Group's results and retained profits. Thus, no sensitivity analysis on the interest rate risk has been presented.

(b) Credit risk

The Target Group does not have material exposure to credit risk as the Target Group has no material outstanding balances due from debtors at the end of each Relevant Periods.

(c) Liquidity risk

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Target Group operations and mitigate the effects of fluctuations in cash flows. The Target Group relies on internal generated cash flows from operations as a source of liquidity. The management monitors the liquidity positions of the Target Group on a yearly basis to ensure the availability of sufficient liquid funds to meet all obligations.

The following table details the Target Group contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total undiscounted cash flows**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2014				
Other payables, accruals and deposits received	26	–	26	26
Amount due to a holding company	49,841	–	49,841	49,841

	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total undiscounted cash flows**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Other payables, accruals and deposits received	15	–	15	15
Amount due to a holding company	49,841	–	49,841	49,841

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2012				
Other payables, accruals and deposits received	5	–	5	5
Amount due to a holding company	11	–	11	11

(d) Capital management

The primary objective of the Target Group's capital management is to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as amount due to a holding company, financial liabilities included in other payables, accruals and deposits received less cash and cash equivalents. Capital represents equity attributable to owners of the Target Group. The Target Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods are as follows:

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Other payables, accruals and deposits received	26	15	5
Amount due to a holding company	49,841	49,841	11
Less: Cash and cash equivalents	(4)	–	(10)
Net debt	49,863	49,856	6
Equity attributable to owners of the Target Group	2,534	890	6
Capital and net debt	52,397	50,746	12
Gearing ratio	95%	98%	50%

7. SEGMENT INFORMATION

No segment information has been presented as the Target Group did not generate any revenue for the Relevant Periods.

8. LOSS FROM OPERATIONS

Loss from operations was arrived at after charging:

	Period ended 30 September		Year ended 31 December	14/5/2012 to 31/12/2012
	2014	**2013**	**2013**	
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Auditor's remuneration	–	–	10	5

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits arising in Hong Kong during the Relevant Periods.

No provision for deferred tax liabilities has been made as the Company had no material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

10. EARNINGS PER SHARE

No earnings per share information has been presented as its inclusion, for the purpose of this report, was not considered meaningful.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of individual directors' emoluments for the Relevant Periods were as follow:

For the nine months ended 30 September 2014

	Fee	Salaries and allowance	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Cheng Jun	–	–	–
Mr. Gao Yun Feng	–	–	–
	–	–	–

For the year ended 31 December 2013

	Fee	Salaries and allowance	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Cheng Jun	–	–	–
Mr. Gao Yun Feng	–	–	–
	–	–	–

For the period ended 31 December 2012

	Fee	Salaries and allowance	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Cheng Jun	–	–	–
Mr. Gao Yun Feng	–	–	–
	–	–	–

For the nine months ended 30 September 2013 (unaudited)

	Fee	Salaries and allowance	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Cheng Jun	–	–	–
Mr. Gao Yun Feng	–	–	–
	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Employees' emoluments

Highest paid individuals

During the Relevant Periods, no employee was employed by the Target Group and no emoluments were paid to the director of the Target Company. Therefore, no emoluments were paid by the Target Group to any individual.

12. INVESTMENT IN AN ASSOCIATE

Details of the interest in an associate of the Target Group were as follows:

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	49,838	49,838	–
Share of post-acquisition of net assets of an associate	2,559	908	–
	52,397	50,746	–

As at the end of each Relevant Periods, the Target Group had an interest in the following associate:

Name of an associate:	Heng He Financial Lease (Shanghai) Company Limited
Place of establishment and operations:	People's Republic of China
Paid-up capital:	RMB 100 million
Proportion of ownership interest held by the Company:	40% (indirectly)
Principal activities:	Provision of financial leasing services

Summarised financial information in respect of the Target Group's interest in an associate was set out below:

	Period ended 30 September 2014	Year ended 31 December 2013	14/5/2012 to 31/12/2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	7,994	–	–
Total comprehensive income for the period/year	5,743	(1,243)	–
Total assets	264,243	131,152	–
Total liabilities	133,250	4,287	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the combined financial statements was set out below:

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Net assets of an associate	130,993	126,865	–
Proportion of the Target Group's ownership interest in an associate	40%	40%	–
	52,397	50,746	–

13. CASH AND CASH EQUIVALENTS

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances denominated in			
– Hong Kong Dollars ("**HK$**")	4	–	10

14. AMOUNT DUE TO A HOLDING COMPANY

The amount due to a holding company was unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	No. of shares	*HK$'000*
Authorised:		
50,000 ordinary shares of USD 1 each	50,000	390
Ordinary shares, issued and fully paid:		
2 ordinary shares of USD 1 each	2	–

16. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods were presented in the combined statement of changes in equity.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company and the Target Group have been prepared in respect of any period subsequent to 30 September 2014.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Suites 2B-4A, 20th Floor,
Tower 5, China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

17 March 2015

The Board of Director
Merdeka Mobile Group Limited
Room 1502, Floor 15th,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sir,

We report on the financial information of 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited) (the "**PRC Company**"), which comprises the statement of financial position of the PRC Company as at 31 December 2012, 2013 and 30 September 2014 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows of the PRC Company for the period from 14 December 2012 (date of establishment) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (the "**Financial Information**"). This Financial Information has been prepared by the directors of the PRC Company for inclusion in Appendix IIB to the circular of the Company dated 17 March 2015 (the "**Circular**") in connection with the proposed acquisition of equity interests in the Target Group by the Company.

The PRC Company was established in the People's Republic of China (the "**PRC**") with limited liability on 14 December 2012. The principal activity of the PRC Company is engaged in the provision of financial leasing services in the PRC.

The PRC Company has adopted 31 December as its financial year end date. The statutory financial statements of the PRC Company for the year ended 31 December 2013 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and was audited by 上海華皓會計師事務所 (Shanghai Well C.P.A. Partnership), certified public accountants registered in the PRC.

For the purpose of this report, the directors of the PRC Company have prepared the financial statements of the PRC Company for the Relevant Periods, together with the notes thereto (the "**Underlying Financial Statements**") in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The Financial Information for the Relevant Periods are prepared based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Respective Responsibilities of Directors and Reporting Accountants

The directors of the PRC Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the PRC Company 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 PRC Company are also responsible for the contents of the Circular in which this report is included.

It is our responsibility to form an independent opinion on the Financial Information for the Relevant Periods based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing and the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Opinion

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 PRC Company as at 31 December 2012, 2013 and 30 September 2014 and of the results and cash flows for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

Comparative Financial Information

For the purpose of this report, we have reviewed the unaudited financial information of the PRC Company including the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the nine months ended 30 September 2013, together with the notes thereto (the "**Corresponding Information**"), for which the directors are responsible, in accordance with Hong Kong Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the PRC Company's management and applying analytical procedures to the Corresponding Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the Corresponding Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Information is not prepared, in all material respects, in accordance with the HKFRSs.

A. FINANCIAL INFORMATION

Statement of profit or loss and other comprehensive income

	Notes	Period ended 30 September 2014 HK$'000	Period ended 30 September 2013 HK$'000 (unaudited)	Year ended 31 December 2013 HK$'000	14/12/2012 (date of establishment) to 31/12/2012 HK$'000
Revenue	7(a)	7,994	–	–	–
Other income	7(b)	1,892	–	2,525	–
Administrative expenses		(1,907)	(699)	(4,183)	–
Profit/(loss) from operations	8	7,979	(699)	(1,658)	–
Finance costs	9	(322)	–	–	–
Profit/(loss) before tax for the period/year		7,657	(699)	(1,658)	–
Income tax (expense)/credit	10	(1,914)	–	415	–
Profit/(loss) for the period/year		5,743	(699)	(1,243)	–
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of PRC operation		(1,615)	2,328	3,496	–
Total comprehensive income for the period/year		4,128	1,629	2,253	–

Statement of financial position

	Notes	As at 30 September 2014 HK$'000	As at 31 December 2013 HK$'000	2012 HK$'000
Non-current assets				
Property, plant and equipment	12	4	–	–
Financial lease receivables	13	46,180	71,958	–
Deferred tax assets	14	231	454	–
		46,415	72,412	–
Current assets				
Available-for-sale investment	15	8,219	8,327	–
Financial lease receivables	13	159,139	30,530	–
Other receivables	16	49,565	18,512	–
Cash and cash equivalents	17	905	1,371	–
		217,828	58,740	–
Total assets		264,243	131,152	–
Current liabilities				
Other payables, accruals and receipt in advance	18	4,769	4,254	–
Bank loan – secured	19	126,773	–	–
Tax payables		1,708	33	–
Total liabilities		133,250	4,287	–
Net current assets		84,578	54,453	–
Total assets less current liabilities		130,993	126,865	–
Net assets		130,993	126,865	–
Capital and reserves				
Paid-up capital	20	124,596	124,596	–
Reserves	21	6,397	2,269	–
Total equity		130,993	126,865	–

Statement of changes in equity

	Paid-up capital	Contribution reserve	Exchange reserve	(Accumulated losses)/ Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 14 December 2012 (date of establishment), 31 December 2012 and 1 January 2013	–	–	–	–	–
Paid-up capital	124,596	16	–	–	124,612
Loss for the year	–	–	–	(1,243)	(1,243)
Other comprehensive income					
Exchange differences on translation of PRC operation	–	–	3,496	–	3,496
As at 31 December 2013 and 1 January 2014	124,596	16	3,496	(1,243)	126,865
Profit for the period	–	–	–	5,743	5,743
Other comprehensive income					
Exchange differences on translation of PRC operation	–	–	(1,615)	–	(1,615)
As at 30 September 2014	124,596	16	1,881	4,500	130,993
As at 1 January 2013	–	–	–	–	–
Paid-up capital	124,596	16	–	–	124,612
Loss for the period	–	–	–	(699)	(699)
Other comprehensive income					
Exchange differences on translation of PRC operation	–	–	2,328	–	2,328
As at 30 September 2013 (unaudited)	124,596	16	2,328	(699)	126,241

Statement of cash flows

	Period ended 30 September 2014 HK$'000	2013 HK$'000 (unaudited)	Year ended 31 December 2013 HK$'000	14/12/2012 (date of establishment) to 31/12/2012 HK$'000
Operating activities				
Profit/(loss) before tax	7,657	(699)	(1,658)	–
Adjustments for:				
Bank interest income	(5)	–	–	–
Interest expenses	322	–	–	–
Operating profit/(loss) before working capital changes	7,974	(699)	(1,658)	–
Increase in financial lease receivables	(103,623)	–	(100,992)	–
Increase in available-for-sale investment	–	–	(8,206)	–
Increase in other receivables	(31,132)	(125,141)	(18,242)	–
Increase in other payables, accruals and receipt in advance	567	62	4,192	–
Cash used in operating activities	(126,214)	(125,778)	(124,906)	–
Tax paid	(32)	–	–	–
Net cash flows used in operating activities	(126,246)	(125,778)	(124,906)	–
Investing activities				
Bank interest received	5	–	–	–
Purchases of property, plant and equipment	(4)	–	–	–
Net cash flows from investing activities	1	–	–	–

	Period ended 30 September 2014 HK$'000	Period ended 30 September 2013 HK$'000 (unaudited)	Year ended 31 December 2013 HK$'000	14/12/2012 (date of establishment) to 31/12/2012 HK$'000
Financing activities				
Injection of paid-up capital	–	124,612	124,612	–
Interest paid on bank loan – secured	(322)	–	–	–
Proceed from bank loan – secured	126,121	–	–	–
Net cash flows from financing activities	125,799	124,612	124,612	–
Net decrease in cash and cash equivalents	(446)	(1,166)	(294)	–
Cash and cash equivalents at the beginning of the period/year	1,371	–	–	–
Effect of foreign exchange rate changes	(20)	1,174	1,665	–
Cash and cash equivalents at the end of the period/year	905	8	1,371	–

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The PRC Company is a limited liability Company established in the PRC on 14 December 2012. The registered office of the PRC Company is located at 上海市黃浦區南蘇州路381號407C07室 (Suzhou Road 381-407C07, Huangpu District, Shanghai*).

The principal activity of the PRC Company is provision of financial leasing services.

2. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the PRC Company has adopted all new and revised HKFRSs, which are relevant to its operations and effective during the Relevant Periods.

Standard and Interpretation issued but not yet adopted

The PRC Company has not early applied the following new standards and amendments to standards that have been issued but are not yet effective during the Relevant Periods.

HKFRS 9	Financial Instruments[1]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[6]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[5]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 July 2014
[5] Effective for annual periods beginning on or after 1 January 2016
[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

* *For identification purpose only*

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The Financial Information have been prepared under the historical cost basis. The measurement basis is fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately 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 are disclosed in note 4 to the Financial Information.

(b) Basis of measurement

Items included in the accounts are measured by using the currency of the primary economics in which the Target Company operates the functional currency. The financial statements are presented in Hong Kong Dollars (HK$) which is difference to the functional currency of the PRC Company.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset 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 the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is provided to write off the cost of property, plant and equipment, using the straight line method, over their estimated useful lives. The principal annual rates are as follows:

Office equipment	20% per annum

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit or loss.

(d) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Financial instruments

Financial assets and financial liabilities are recognised when the PRC Company becomes a party to the contractual provisions of the instrument.

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

Financial assets

The PRC Company classifies its financial assets into loans and receivables and available-for-sales ("**AFS**") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including financial lease receivables; other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Effective interest method

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

(iii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the PRC Company that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of the reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the PRC Company's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(iv) Impairment of financial assets

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. At the end of each reporting period, financial assets are reviewed to determine whether there is any objective evidence of impairment.

For certain categories of financial assets, such as assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the PRC Company's past experience of collecting payments.

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

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

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

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

(v) Derecognition

The PRC Company derecognised a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the PRC Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the PRC Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the PRC Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the PRC Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The PRC Company classifies its financial liabilities into other financial liabilities.

(i) Other financial liabilities

Other financial liabilities, including other payables, accruals and receipt in advance and secured bank loan, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the PRC Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(ii) Effective interest method

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

(iii) Derecognition

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

(f) Provisions

A provision is recognised when the PRC Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is the present value at the end of the Relevant Periods of the expenditures expected to be required to settle the obligation.

(g) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. The PRC Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the PRC Company's activities as described below.

(a) Finance lease interest income

The interest income under finance lease is recognised in the profit or loss using the effective interest rate implicit in the lease over the term of the lease.

(b) Handling charge income

Handling charge income is recognised in the accounting period in which the service is rendered.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the PRC Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(h) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(i) Leases

Finance lease as lessor

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the PRC Company recognises the minimum lease payments receivable by the PRC Company as a financial lease receivable and records the unguaranteed residual value as an asset at the same time. The difference between (a) the aggregate of the minimum lease payments and the unguaranteed residual value and (b) their present value (presented in the balance sheets as financial lease receivables, net) is recognised as unearned finance income. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on fixed interest rates are included in minimum lease payments based on the fixed interest rate existing at the commencement of the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the financial lease receivable and reduce the amount of income recognised over the lease term.

Operating leases charges as lessee

Where the PRC Company has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the PRC Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the PRC Company. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Impairment of assets

At the end of the reporting period, the PRC Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the PRC Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest PRC Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

(l) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the PRC Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the PRC Company is Renminbi ("**RMB**"). The Financial Information are presented in HK dollars (HK$) as presentation currency in preparing the Financial Information of the PRC Company.

The results and financial position of the PRC Company are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented shall be translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement presenting profit or loss and other comprehensive income shall be translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions; and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the equity under "Exchange reserve".

(o) Employment benefit

The PRC Company contributes on a monthly basis to various defined contribution plans organised by the relevant governmental authorities or trustees. The PRC Company's liability in respect of these plans is limited to the contributions payable in each period. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities or trustees and are separate from those of the PRC Company.

(p) Related party

For the purpose of these combined financial statements, a party is considered to be related to the PRC Company if:

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

  (i) has control or joint control over the PRC Company;

  (ii) has significant influence over the PRC Company; or

  (iii) is a member of the key management personnel of the PRC Company or of a parent of the PRC Company.

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

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

(ii) either entity is an associate or joint venture of the other entity (or of a member of a PRC Company of which the other entity is a member);

(iii) both entities are joint ventures of a third entity;

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

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

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

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

Close family members 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Income taxes and deferred taxation

Significant judgment is required in determining the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) Impairment of available-for-sale equity investments

The PRC Company follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the PRC Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(c) Impairment loss for financial lease receivables

The PRC Company reviews the financial lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The directors of the PRC Company are of the views that there is no need to make any allowance for impairment loss for financial lease receivables based on their assessment.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the Relevant Periods were as follows:

	Loans and receivables		
	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Cash and cash equivalents	905	1,371	–
Financial lease receivables	205,319	102,488	–
Other receivables	49,565	18,512	–
	255,789	122,371	–

	AFS financial assets		
	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
AFS financial assets	8,219	8,327	–

	Financial liabilities at amortised cost		
	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities			
Other payables, accruals and receipt in advance	4,769	4,254	–
Bank loan – secured	126,773	–	–
	131,542	4,254	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The PRC Company's major financial instruments comprise financial lease receivables, other receivables, other payables, accruals and receipt in advance and secured bank loan. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the PRC Company to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

Interest rate risk

The PRC Company has no significant interest-bearing assets except for cash and cash equivalents.

The PRC Company's bank borrowings are at fixed interest rate, therefore no interest rate risk.

Foreign currency risk

The main operations of the PRC Company were located in the PRC and most of the transactions were denominated in RMB. The PRC Company has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency as the functional currency of the PRC Company.

(b) Credit risk

The PRC Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the PRC Company by failing to discharge an obligation. Significant changes in economy could result in losses that are different from those provided for at the end of Relevant Periods. Management therefore carefully manages its exposure to credit risks. Credit exposures of the PRC Company arise principally in financial leasing service.

The PRC Company implements its industry risk management system according to its plan based on actual situation with focus on industry research, counterparty credit rating, and understanding of the lessee's operations, financial condition as well as shareholders' support. All these strengthen the control and management of credit risk.

(a) Late payment risk

In the event of late payment, the PRC Company is entitled to charge interest at the default rate on any part of lease rental not paid when due until the same shall be paid. Such interest will accrue on a day to day basis.

(b) Risk limit control and mitigation policies

The PRC Company manages limits and controls concentrations of credit risk wherever they are identified, in particular, to assess the lessees' repayment ability periodically.

(c) Impairment allowance policies

The PRC Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

The PRC Company's policy requires a review of the financial statements of the lessee or its parent company and a valuation of the residual value of the financial assets (effectively the collateral held) under the lease at least annually or more regularly when circumstances require.

Financial lease receivables and financial assets of the PRC Company are neither past due nor impaired. The PRC Company has not encountered any delay or default in the collection of lease receivable balances. No impairment allowance was made for financial lease receivables and financial assets of the PRC Company as at 31 December 2013 and 30 September 2014.

(c) Liquidity risk

In the management of the liquidity risk, the PRC Company monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the PRC Company's operations and mitigate the effects of fluctuations in cash flows. The PRC Company relies on internal generated cash flows from operations as a source of liquidity. The management monitors the liquidity position of the PRC Company on a yearly basis to ensure the availability of sufficient liquid funds to meet all obligations.

The following table details the PRC Company contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the PRC Company can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2014				
Other payables, accruals and receipt in advance	4,769	–	4,769	4,769
Bank loan – secured	126,773	–	126,773	126,773

	Within 1 year or on demand	More than 1 year but less than 5 years	Total undiscounted cash flows	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Other payables, accruals and receipt in advance	4,254	–	4,254	4,254

(d) Capital management

The primary objective of the PRC Company's capital management is to safeguard the PRC Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The PRC Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during Relevant Periods.

The PRC Company monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as secured bank loan, financial liabilities included in other payables, accruals and receipt in advance less cash and cash equivalents. Capital represents equity attributable to owners of the PRC Company. The PRC Company's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of each of the Relevant Periods were as follows:

	As at 30 September 2014 HK$'000	As at 31 December 2013 HK$'000	2012 HK$'000
Bank loan – secured	126,773	–	–
Other payables, accruals and receipt in advance	4,769	4,254	–
Less: Cash and cash equivalents	(905)	(1,371)	–
Net debt	130,637	2,883	–
Equity attributable to owners to the PRC Company	130,993	126,865	–
Capital and net debt	261,630	129,748	–
Gearing ratio	50%	2%	N/A

7. REVENUE AND OTHER INCOME

	Period ended 30 September 2014 HK$'000	2013 HK$'000 (unaudited)	Year ended 31 December 2013 HK$'000	14/12/2012 (date of establishment) to 31/12/2012 HK$'000
(a) Revenue				
Financial lease interest income	7,134	–	–	–
Handling charge income	860	–	–	–
	7,994	–	–	–
(b) Other income				
Bank interest income	5	–	–	–
Government grants *(note (i))*	1,887	–	2,525	–
	1,892	–	2,525	–

Note:

(i) Government grants represent the grants received from 上海市黃浦區金融服務辦公室 (Shanghai Huangpu District Financial Service Office*). The detail of which set out in Note 22.

* *For identification purpose only*

8. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations were arrived at after charging:

	Period ended 30 September		Year ended 31 December	14/12/2012 (date of establishment) to 31/12/2012
	2014	**2013**	**2013**	
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Auditor's remuneration	–	–	169	–
Employee benefit expenses				
– Wages and salaries	346	–	–	–
– Pension scheme contribution	52	–	–	–
Minimum lease payment under operating lease	491	–	–	–
Preliminary expenses	–	60	62	–
Exchange losses	321	639	641	–

9. FINANCE COSTS

	Period ended 30 September		Year ended 31 December	14/12/2012 (date of establishment) to 31/12/2012
	2014	**2013**	**2013**	
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Interest on secured bank loan wholly repayable within one year	322	–	–	–

10. INCOME TAX EXPENSE/(CREDIT)

The PRC enterprise income tax ("**EIT**") has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the PRC Company in the PRC. The statutory EIT tax rate in the PRC was 25% for the Relevant Periods.

	Period ended 30 September		Year ended 31 December	14/12/2012 (date of establishment) to 31/12/2012
	2014	**2013**	**2013**	
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Current tax: PRC enterprise income tax	1,699	–	32	–
Deferred tax charge/(credit) to profit or loss *(note 14)*	215	–	(447)	–
	1,914	–	(415)	–

Provision for deferred tax assets has been made as the PRC Company had material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Information.

A reconciliation of the tax expense applicable to profit/(loss) before tax for the period/year to the tax expense at the effective tax rates was shown as follows:

	Period ended 30 September 2014	2013	Year ended 31 December 2013	14/12/2012 (date of establishment) to 31/12/2012
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Profit/(loss) before tax for the period/year	7,657	(699)	(1,658)	–
Tax at the PRC enterprise income tax rate	1,914	(175)	(415)	–
Tax losses not recognised	–	175	–	–
	1,914	–	(415)	–

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of individual directors' emoluments for the Relevant Periods were as follow:

For the nine months ended 30 September 2014

	Fee	Salaries allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	57	–	57
Mr. Charles Young	57	–	57
Mr. Su Zhong Hua	57	–	57
	171	–	171

For the year ended 31 December 2013

	Fee	Salaries allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	–	–	–
Mr. Charles Young	–	–	–
Mr. Su Zhong Hua	–	–	–
	–	–	–

For the period from 14 December 2012 (date of establishment) to 31 December 2012

	Fee	Salaries allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	–	–	–
Mr. Charles Young	–	–	–
Mr. Su Zhong Hua	–	–	–
	–	–	–

For the nine months ended 30 September 2013 (unaudited)

	Fee	Salaries allowances and benefits in kind	Total
	HK$'000	*HK$'000*	*HK$'000*
Mr. Gao Yun Feng	–	–	–
Mr. Charles Young	–	–	–
Mr. Su Zhong Hua	–	–	–
	–	–	–

(b) Employees' emoluments

For the period from 14 December 2012 (date of establishment) to 31 December 2012 and the year ended 31 December 2013, no employee was employed and no emoluments were paid to the directors by the PRC Company whose emoluments is included in the disclosures in Note 11(a) above. Therefore, no emoluments were paid by the PRC Company to any individual.

The five highest paid employees during the nine months ended 30 September 2014 included three directors, details for whose remuneration are set out in Note 11(a) above. Details of the remuneration of the remaining two highest paid, non-director employees are as follows:

	Period ended 30 September		Year ended 31 December	14/12/2012 (date of establishment) to 31/12/2012
	2014	2013	2013	
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000*
Salaries and other benefits	114	–	–	–

12. PROPERTY, PLANT AND EQUIPMENT

	Office equipment *HK$'000*
Cost:	
As at 14 December 2012 (date of establishment), 31 December 2012, 1 January 2013, 31 December 2013 and 1 January 2014	–
Additions	4
As at 30 September 2014	4
Accumulated depreciation:	
As at 14 December 2012 (date of establishment), 31 December 2012, 1 January 2013, 31 December 2013, 1 January 2014 and 30 September 2014	–
Net carrying amount:	
As at 30 September 2014	4
As at 31 December 2013	–
As at 31 December 2012	–

13. FINANCIAL LEASE RECEIVABLES

	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Current financial lease receivables	159,139	30,530	–
Non-current financial lease receivables	46,180	71,958	–
	205,319	102,488	–

Amount receivable under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	As at 30 September 2014	As at 31 December 2013	As at 30 September 2014	As at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	175,685	40,573	159,139	30,530
Later than one year	50,059	81,144	46,180	71,958
	225,744	121,717	205,319	102,488
Unearned finance income	(20,425)	(19,229)	N/A	N/A
Present value of minimum lease payment	205,319	102,488	205,319	102,488

The interest rate inherent in the leases was fixed at the contract date for the entire lease term. The average effective interest rate was approximately 10% and 11% per annum as at 30 September 2014 and 31 December 2013 respectively.

Financial lease receivable balances are secured over the equipment leased. The PRC Company is not permitted to sell or repledge the collateral in the absence of default by the lessee.

The financial lease receivables at the end of the reporting period are neither past due nor impaired.

14. DEFERRED TAXATION

The following was the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	231	454	–

The following was the deferred tax assets recognised and movements thereon for the Relevant Periods:

	HK$'000
As at 14 December 2012 (date of establishment), 31 December 2012 and 1 January 2013	–
Credit to profit or loss	447
Exchange realignment	7
As at 31 December 2013 and 1 January 2014	454
Charge to profit or loss	(215)
Exchange realignment	(8)
As at 30 September 2014	231

15. AVAILABLE-FOR-SALE INVESTMENT

	As at 30 September	As at 31 December	
	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investment			
– equity securities at fair value	8,219	8,327	–

The available-for-sale investment represented the PRC Company's investment of unit trusts in the PRC, which was measured at fair value at the Relevant Periods for recurring measurement, grouped into Level 2 based on the degree to which the fair value was observable in accordance to the PRC Company's accounting policy. The valuation technique of available-for-sale investment was based on share of net assets.

16. OTHER RECEIVABLES

As at 30 September 2014, other receivables include (i) loan to an independent third party of approximately HK$49,000,000, which was unsecured, interest-free and receivable on demand; and (ii) rental deposit of approximately HK$565,000. The loan to an independent third party of approximately HK$45,522,000 has been settled on 22 December 2014.

As at 31 December 2013, other receivable include a loan to an independent third party, which was unsecured, interest-free and receivable on demand.

17. CASH AND CASH EQUIVALENTS

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	HK$'000	HK$'000
Cash and bank balances denominated in			
– RMB	905	1,371	–
– HK$	–	–	–
Cash and cash equivalents	905	1,371	–

18. OTHER PAYABLES, ACCRUALS AND RECEIPT IN ADVANCE

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	HK$'000	HK$'000
Other payables	3,716	2,311	–
Accruals	126	128	–
Receipt in advance *(note (i))*	927	1,815	–
	4,769	4,254	–

Notes:

(i) Receipt in advance represents the handling charge received from the lessee.

19. BANK LOAN – SECURED

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	HK$'000	HK$'000
Interest-bearing bank loan – secured within one year	126,773	–	–

The bank loan was secured by the finance lease assets held by the lessee with carring value of approximately RMB102,333,000 (equivalent to approximately HK$129,400,000) as at 30 September 2014. The effective interest rate of the bank loan was 4% per annum and repayable within one year.

20. PAID-UP CAPITAL

	RMB'000	HK$'000
Registered and fully paid:		
As at 14 December 2012 (date of establishment), 31 December 2012 and 1 January 2013	–	–
Paid-up capital	100,000	124,596
As at 31 December 2013 and 30 September 2014	100,000	124,596

21. RESERVES

The amounts of the PRC Company's reserves and the movements therein for each of the Relevant Periods are presented in the statement of changes in equity on page 7 of this report.

22. GOVERNMENT GRANTS

For the year ended 31 December 2013 and the nine months ended 30 September 2014, the PRC Company received the government grants of RMB2,000,000 (equivalent to HK$2,524,800) and RMB1,500,000 (equivalent to HK$1,887,000) respectively towards the assistance of the development of its operation, which set out in note 7 above.

According to "浦東新區促進金融業發展財政扶持辦法" (Pudong New District Measure on Advancement of Financial Industry Development Fiscal Facilitation*), an enterprise would receive the government grants of RMB5,000,000 by stages if the paid-up capital of the enterprise exceeds RMB100 million.

23. OPERATING LEASE ARRANGEMENTS

As lessee

The PRC Company leases certain of its office properties and equipment under operating lease arrangements.

As at 30 September 2014, the PRC Company had total future minimum lease payments under cancellable operating leases falling due as follows:

	As at 30 September 2014	As at 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Within one year	759	–	–
Later than one year	1,707	–	–
	2,466	–	–

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the PRC Company and have been prepared in respect of any period subsequent to 30 September 2014.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

* *For identification purpose only*

The following is the text of a report received from the reporting accountant, Elite Partners CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

A. Accountants' Report on Pro Forma Financial Information

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Suites 2B-4A, 20th Floor,
Tower 5, China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

17 March 2015

The Board of Director
Merdeka Mobile Group Limited
Room 1502, Floor 15th,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sir

We have completed our assurance engagement to report on the compilation of pro forma financial information (the ''**Unaudited Pro Forma Financial Information**'') of Merdeka Mobile Group Limited (the ''**Company**'') and its subsidiaries (hereinafter collectively referred to as the ''**Group**'') by the directors of the Company for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the pro forma consolidated statement of financial position as at 30 June 2014, the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows for the year ended 31 December 2013, and related notes as set out on pages 11 to 14 of the circular of the Company dated 17 March 2015 (the ''**Circular**''). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page 1 of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been complied by the directors of the Company to illustrate the impact of the Acquisition on the Group's consolidated statement of financial position as at 30 June 2014, and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2013.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 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 Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 owned to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

The purpose of Unaudited Pro Forma Financial Information included in the 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 2014 or 1 January 2013 would have been as presented.

For the 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.

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

– the related pro forma adjustments give appropriate effect to those criteria; and

– the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

(c) the pro forma adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Your faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong
Yip Kai Yin
Practising Certificate Number: P05131

B. Unaudited Pro Forma Financial Information on the Enlarged Group

Introduction

The following Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company to illustrate the financial effect of the proposed acquisition of the entire equity interests of the Target Group (the "**Acquisition**") on the Group, as if the Acquisition has been completed on 30 June 2014 or 1 January 2013, as appropriate.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Rule 7.31 of the GEM Listing Rules, for the purpose of illustrating the effect of the Acquisition pursuant to the terms of Acquisition Agreement entered into among the Company and the Vendor.

The unaudited pro forma consolidated statement of financial position is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014, which has been extracted from the Company's published interim financial report for the six months ended 30 June 2014 and the combined statement of financial position of the Target Group as at 30 September 2014 as extracted from the accountants' report of the Target Group thereon set out in Appendix IIA to this circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 30 June 2014.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group are prepared based on (i) the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2013 as extracted from the published annual report of the Company for the year ended 31 December 2013; and (ii) the audited combined statement of profit or loss and other comprehensive income and audited combined statement of cash flows of the Target Group for the year ended 31 December 2013 as extracted from the accountant's report of the Target Group as set out in Appendix IIA to this circular, after making pro forma adjustments relating to the Acquisition, as if the Acquisition had been completed on 1 January 2013. The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, because of its nature, it does not purport to predict what the results or cash flows of the Enlarged Group will be after the Acquisition or the financial position that will be attained upon completion of the Acquisition.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group set out in the interim financial report of the Company for the six months ended 30 June 2014 and the annual report of the Company for the year ended 31 December 2013 and other financial information included elsewhere in this circular.

I. Unaudited pro forma consolidated statement of financial position of the Enlarge Group as at 30 June 2014

	The Group as at 30 June 2014	The Target Group as at 30 September 2014	Sub-total	Pro forma adjustment	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)	*(Note 2)*				
Non-current assets						
Property, plant and equipment	2,244	–	2,244			2,244
Forest concessions	199,811	–	199,811			199,811
Other financial assets-profits guarantee at fair value	6,867	–	6,867			6,867
Goodwill	42,435	–	42,435			42,435
Investment in an associate	–	52,397	52,397			52,397
	251,357	52,397	303,754			303,754
Current assets						
Trade receivables	7,522	–	7,522			7,522
Prepayment, deposits and other receivables	25,751	–	25,751			25,751
Inventories	1,641	–	1,641			1,641
Cash and cash equivalents	9,246	4	9,250			9,250
	44,160	4	44,164			44,164
Total assets	295,517	52,401	347,918			347,918
Current liabilities						
Bank borrowings	262	–	262			262
Trade payables	1,985	–	1,985			1,985
Obligation under finance lease	57	–	57			57
Other payables, accruals and deposits received	1,664	26	1,690			1,690
Convertible bonds	178,508	–	178,508			178,508
Amount due to a holding company	–	49,841	49,841	(49,841)	3	–
	182,476	49,867	232,343			182,502
Net current liabilities	(138,316)	(49,863)	(188,179)			(138,338)

	The Group as at 30 June 2014 HK$'000 (Note 1)	The Target Group as at 30 September 2014 HK$'000 (Note 2)	Sub-total HK$'000	Pro forma adjustment HK$'000	Notes	The Enlarged Group HK$'000
Total assets less current liabilities	113,041	2,534	115,575			165,416
Non-current liabilities						
Obligation under finance lease	424	–	424			424
Promissory note	36,080	–	36,080	20,525	5	56,605
	36,504	–	36,504			57,029
Net assets	76,537	2,534	79,071			108,387
Capital and reserves attributable to the Owners of the Company						
Share capital	6,129	–	6,129			6,129
Reserves	71,366	2,534	73,900	(2,534)	3	103,216
				615	3	
				31,235	4	
	77,495	2,534	80,029			109,345
Non-controlling interests	(958)	–	(958)			(958)
Total equity	76,537	2,534	79,071			108,387

II. Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2013

	The Group for the year ended 31 December 2013 HK$'000 (Note 1)	The Target Group for the year ended 31 December 2013 HK$'000 (Note 2)	Sub-total HK$'000	Pro forma adjustment HK$'000	Notes	The Enlarged Group HK$'000
Revenue	40,762	–	40,762			40,762
Cost of sales	(38,677)	–	(38,677)			(38,677)
Gross profit	2,085	–	2,085			2,085
Other income	2,316	–	2,316	615	3	2,931
Operating and administrative expenses	(16,653)	(12)	(16,665)			(16,665)
Impairment of forest concessions	(70,000)	–	(70,000)			(70,000)
Written off of construction in progress	(5,000)	–	(5,000)			(5,000)
Written off of property, plant and equipment	(2,347)	–	(2,347)			(2,347)
Equity-settled share option expenses	(3,275)	–	(3,275)			(3,275)
Share of results of an associate	–	(497)	(497)			(497)
Loss from operation	(92,874)	(509)	(93,383)			(92,768)
Finance costs	(22,279)	–	(22,279)	(2,777)	6	(25,056)
Loss before tax	(115,153)	(509)	(115,662)			(117,824)
Income tax	–	–	–			–
Loss for the year	(115,153)	(509)	(115,662)			(117,824)
Loss for the year attributable to:						
Owners of the Company	(109,167)	(509)	(109,676)			(111,838)
Non-controlling interests	(5,986)	–	(5,986)			(5,986)
Loss for the year	(115,153)	(509)	(115,662)			(117,824)

	The Group for the year ended 31 December 2013	The Target Group for the year ended 31 December 2013	Sub-total	Pro forma adjustment	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)	*(Note 2)*				
Loss for the year	(115,153)	(509)	(115,662)			(117,824)
Other comprehensive income for the year, net of tax:						
Exchange differences arising on translation of foreign operations	(76)	1,405	1,329			1,329
Total comprehensive loss for the year	(115,229)	896	(114,333)			(116,495)
Total comprehensive loss attributable to:						
Owners of the Company	(109,243)	896	(108,347)			(110,509)
Non-controlling interests	(5,986)	–	(5,986)			(5,986)
	(115,229)	896	(114,333)			(116,495)

III. Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2013

	The Group for the year ended 31 December 2013	The Target Group for the year ended 31 December 2013	Sub-total	Pro forma adjustment	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Note 1)	*(Note 2)*				
Operating activities						
Loss before taxation	(115,153)	(509)	(115,662)	(2,162)	*3*	(117,824)
Adjustments for:						
Finance costs	22,279	–	22,279	2,777	*6*	25,056
Bargaining purchase arising from the acquisition	–	–	–	(615)	*3*	(615)
Bank interest income	(1)	–	(1)			(1)
Depreciation of property, plant and equipment	5,098	–	5,098			5,098
Loss on disposal of property, plant and equipment	87	–	87			87
Written off of construction in progress	5,000	–	5,000			5,000
Written off of property, plant and equipment	2,347	–	2,347			2,347
Impairment of forest concessions	70,000	–	70,000			70,000
Gain on early redemption of convertible bonds	(2,237)	–	(2,237)			(2,237)
Equity-settled share option expenses	3,275	–	3,275			3,275
Gain on exchange reserve	(76)	–	(76)			(76)
Share of results of an associate	–	497	497			497
Operating loss before working capital changes	(9,381)	(12)	(9,393)			(9,393)
Decrease in trade receivables	173	–	173			173
Increase in prepayment, deposits and other receivables	(2,433)	–	(2,433)			(2,433)
Decrease in trade payables	(161)	–	(161)			(161)
Decrease/(increase) in other payables, accruals and deposits received	(3,903)	10	(3,893)			(3,893)
Increase in amount due to a holding company	–	49,830	49,830			49,830
Net cash flows (used in)/from operating activities	(15,705)	49,828	34,123			34,123

	The Group for the year ended 31 December 2013 *HK$'000* *(Note 1)*	The Target Group for the year ended 31 December 2013 *HK$'000* *(Note 2)*	Sub-total *HK$'000*	Pro forma adjustment *HK$'000*	*Notes*	The Enlarged Group *HK$'000*
Investing activities						
Purchases of property, plant and equipment	(1,427)	–	(1,427)			(1,427)
Proceeds from disposal of property, plant and equipment	766	–	766			766
Net cash inflow from acquisition of a subsidiary	42	–	42			42
Payment for acquisition of an associate	–	(49,838)	(49,838)			(49,838)
Bank interest received	1	–	1			1
Net cash used in investing activities	(618)	(49,838)	(50,456)			(50,456)
Financing activities						
Interest paid on bank borrowings	(79)	–	(79)			(79)
Proceeds from issue of share upon exercise of share options	5,885	–	5,885			5,885
Proceeds from issue of share upon rights issue	34,690	–	34,690			34,690
Proceeds from placing of shares	6,804	–	6,804			6,804
Redemption of convertible bonds	(25,647)	–	(25,647)			(25,647)
Repayment of bank borrowings	(55)	–	(55)			(55)
Net cash flows from financing activities	21,598	–	21,598			21,598
Net increase/(decrease) in cash and cash equivalents	5,275	(10)	5,265			5,265
Cash and cash equivalents at the beginning of the year	2,620	10	2,630			2,630
Cash and cash equivalents at the end of the year	7,895	–	7,895			7,895

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2014, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2013 as set out in the Company's published annual report for the year ended 31 December 2013.

2. The audited combined statement of financial position of the Target Group as at 30 September 2014, the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Target Group for the year ended 31 December 2013 are extracted from the Accountants' Report on the Target Group as set out in Appendix IIA to this circular.

3. Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for the unaudited pro forma consolidated statement of financial position of the Enlarged Group at their fair values as required by the acquisition method in accordance with HKFRS 3 (Revised) "Business Combinations" ("**HKFRS 3 (Revised)**").

   For the purposed of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the directors of the Company has carried out an assessment of the fair values of identifiable assets and liabilities of the Target Group in accordance with the requirements of HKFRS 3 (Revised). In the opinion of directors of the Company, the fair value of identicable assets and liabilities of the Target Group were approximate to its carrying amount and summarised as follow:

	Carrying amount
	HK$'000
Investment in an associate	52,397
Cash and cash equivalents	4
Other payables, accruals and deposits received	(26)
Amount due to a holding company	(49,841)
Net identifiable assets	2,534

Since the fair values and the carrying amounts of the identifiable assets and liabilities of the Target Group at the Completion Date may be materially different from the values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets and liabilities to be recorded in the consolidated statements of financial position of the Enlarged Group upon Completion may be materially different from the estimated amounts shown in this Appendix.

The goodwill arising from the Acquisition were summarised as below:

	HK$'000
Considerations	
Convertible bonds *(note 4)*	31,235
Promissory note *(note 5)*	20,525
Total consideration	51,760
Less: Fair value of net identifiable assets	(2,534)
Sales Loan *(note 4)*	(49,841)
Bargaining purchase arising from the Acquisition	(615)

In preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company had performed an impairment assessment of the investment in an associate in accordance with HKAS 36 "Impairment of Assets" ("**HKAS 36**") issued by the Hong Kong Institute of Certified Public Accountants. Based on the impairment assessment, the recoverable amount of the cash-generating unit in which the Target Group was assigned exceeds its carrying amount and accordingly, no impairment should be recognised in investment in an associate in the Unaudited Pro Forma Financial Information for the Enlarged Group. The recoverable amount of cash-generating units ("**CGU**") of associate determined based on value in use calculations. That calculation used cash flows projections based on financial budgets as approved by management of associate covering five years period, and discount rate of 14.5% with reference to valuation performed by Roma Appraisals Limited as at 30 September 2014. It was further assumed that (i) there are no material adverse changes in the fair values of the assets and liabilities of the PRC company; and (ii) the identifiable assets and liabilities can be realised at their carrying amounts. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against investment in an associate in accordance with HKAS 36 and the Group's accounting policy.

The reporting accountants have conducted their engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" and considered that the impairment test of the investment in an associate performed by the directors of the Company is consistent with the Company's applicable financial reporting framework and its accounting policies under that framework. However, the reporting accountants did not perform an audit or review of the financial information used in the preparation of the impairment test of the associate prepared by the directors of the Company.

The directors of the Company confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the associate in subsequent reporting periods in accordance with the requirement of HKAS 36. The Company also confirmed with its auditors that they will audit and opine on the consolidated financial statements of the Company in accordance with Hong Kong Standards on Auditing.

Pursuant to the Acquisition Agreement, the Vendor undertakes and guarantees that the audited consolidated net profit after taxation of the Target Group shall not be less than HK$10 million for each of three years ending 31 December 2015, 2016 and 2017. In the event that the audited annual net profit after tax of The Target Group is less than HK$10 million, the amount payable by the Company on redemption of the Promissory Note shall be reduced on a dollar to dollar basis.

The fair value of the profit guarantee was approximately HK$Nil, which was determined by the directors of the Company by reference to the valuation performed by Roma Appraisals Limited, based on discounted cash flow method in which the cash flow for each year represents the difference between the guaranteed profit and the projected net profit after the Completion. The discount rate of 14.50% has been used to calculate the present value of cash flow, which was determined based on the weighted average cost of capital of the Target Group.

4. Pursuant to the Acquisition Agreement, the Company will acquire the Sale Loan, representing the aggregate amount owing by the Target Company to the Vendor as at the Completion Date. The amount of the Sale Loan as at the date of the Acquisition Agreement was approximately HK$49.8 million.

   The adjustment reflects the issuance of the Convertible Bonds in the principal amount of HK$40,000,000, assuming it had taken place on 30 June 2014; the Convertible Bonds bear no interest and are convertible into shares at HK$0.32 per share. At the maturity date, any outstanding principal amount of the Convertible Bonds will be compulsorily converted into ordinary shares at HK$0.32 per share. The compulsorily conversion feature of the Convertible Bonds is, in substance, a prepaid forward purchase of the fixed number of shares of the Company. Accordingly, at the date of initial recognition, the fair value of the Convertible Bonds was wholly recognised as equity and will not be remeasured subsequently.

   The pro forma fair value of the Convertible Bonds was performed by Roma Appraisals Limited and was determined based on market price.

   The Company has the right to redeem any portion of the Convertible Bonds outstanding at any time prior to the maturity date. The fair value of the redemption right embedded in the Convertible Bonds was HK$Nil.

5. This represented the Promissory Note amounted to HK$32,000,000 which will be issued for the Acquisition. The fair value of the Promissory Note of HK$20,525,000 was estimated by using the discounted cash flow approach at prevailing market rate of approximately 13.53% per annum. On Completion, the fair value of the Promissory Note will have to be reassessed as at the Completion Date.

6. The adjustment reflected the recognition of imputed interests on Promissory Note amounting to approximately HK$2,777,000 calculated at an effective interest rate of 13.53%, assuming the issuance of Convertible Bonds and Promissory Note had been issued on 1 January 2013.

7. Apart from the above, no other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 30 June 2014. Unless otherwise stated, the adjustments above were not expected to have a continuing effect on the Enlarged Group.

The following is the text of a letter received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 30 September 2014 on the Target Group, for the purpose of incorporation in this circular.

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17 March 2015

Merdeka Mobile Group Limited
Room 1502, Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

Case Ref: KYYU/BV2085/JUL14

Dear Sir/Madam,

RE: BUSINESS VALUATION OF 100% EQUITY INTEREST IN BLOSSOM HEIGHT VENTURES LIMITED AND ITS SUBSIDIARIES

In accordance with the instructions from Merdeka Mobile Group Limited (hereinafter referred to as the "**Company**"), we have conducted a business valuation of 100% equity interest in Blossom Height Ventures Limited (hereinafter referred to as the "**Target Company**") and its subsidiaries, namely Ideal Magic International Limited (hereinafter referred to as the "**Hong Kong Company**") and 恒河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited) (hereinafter referred to as the "**PRC Company**") (together referred to as the "**Target Group**"). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing our valuation as at 30 September 2014 (hereinafter referred to as the "**Date of Valuation**").

This report states the purpose of valuation, scope of work, economic and industry overviews, an overview of the Target Group, basis of valuation, investigation and analysis, valuation methodology, major assumptions, limiting conditions, remarks and presents our opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited ("**Roma Appraisals**") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and the information provided by the management of the Company, the management of the Target Group and/or their representative(s) (together referred to as the "**Management**").

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Target Group. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or a more extensive examination might disclose.

We do not express an opinion as to whether the actual results of the business operation of the Target Group will approximate those projected because assumptions regarding future events by their nature are not capable of independent substantiation.

In applying these projections to the valuation of the Target Group, we are making no representation that the business expansion will be successful, or that market growth and penetration will be realized.

3. ECONOMIC OVERVIEW

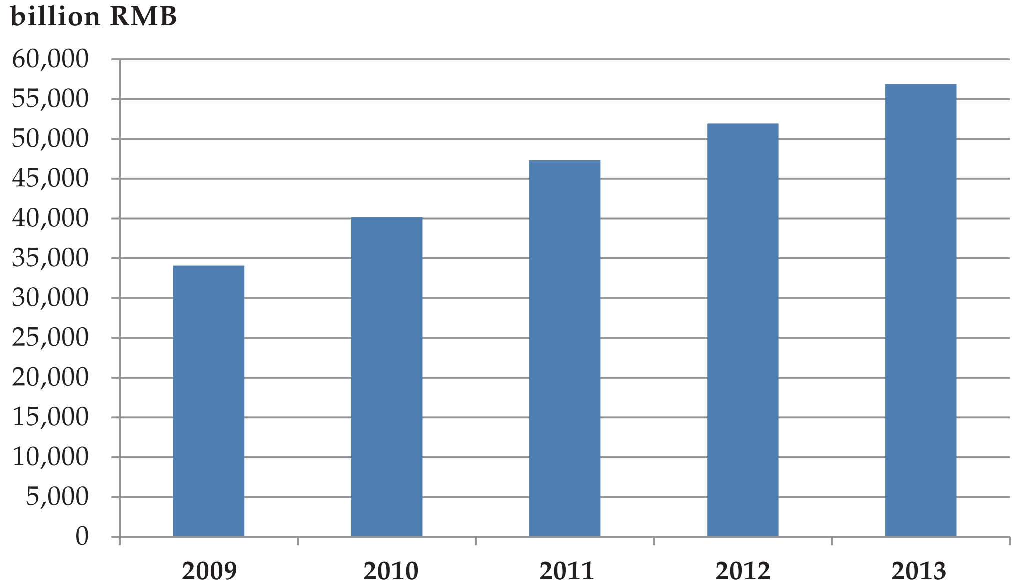
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product ("**GDP**") of China in the third quarter of 2014 was RMB15,086.4 billion, an increase of 8.5% over the same period last year. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund ("**IMF**") in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China's economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth in 2011, 2012 and 2013.

Over the past decade from 2003 to 2013, the Chinese government targeted to grow at 7% for the period from 2011 to 2015. Figure 1 further illustrates the nominal GDP of China from 2009 to 2013.

Figure 1 – China's Nominal Gross Domestic Product from 2009 to 2013

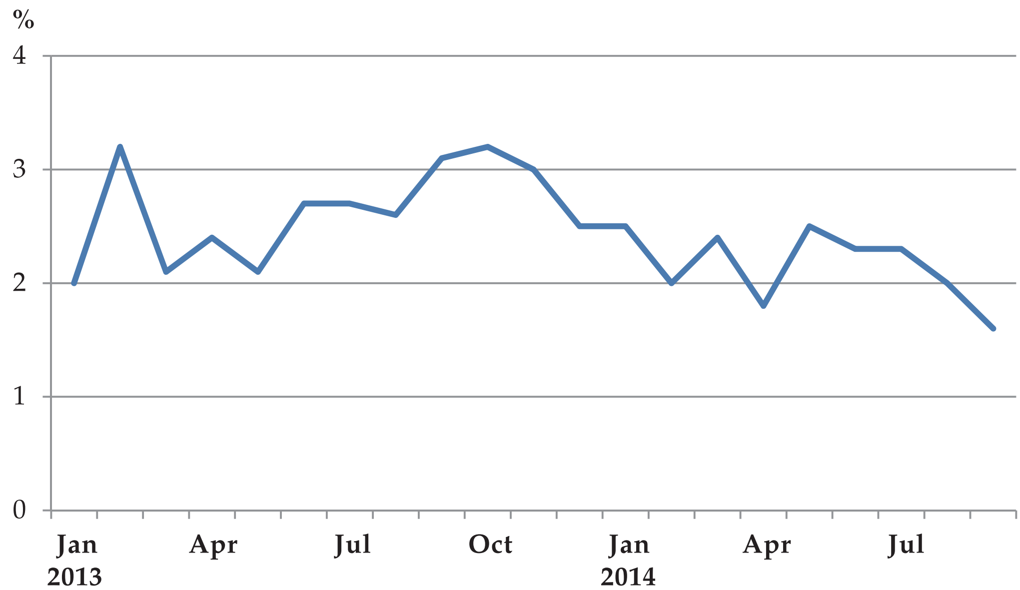


Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class' demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have been stayed high in 2011. According to the National Bureau of Statistics of China, the consumer price index demonstrated an uptrend in the first half of 2011. Thanks to the government's policies in suppressing commodity prices, the inflation slowed in the second half of 2011 and first half of 2012 and maintained at around 2% to 3% during 2013. During the first three quarters of 2014, the inflation slightly decreased and reached 1.6% in September 2014. Figure 2 shows the year-over-year change in consumer price index of China from January 2013 to September 2014.

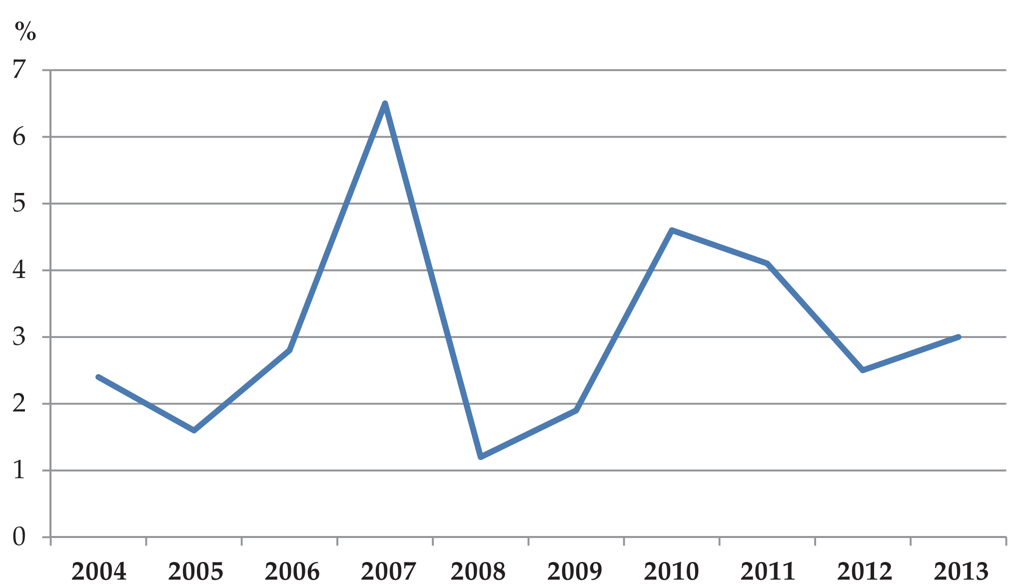
Figure 2 – Year-over-year Change in China's Consumer Price Index from January 2013 to September 2014



Source: National Bureau of Statistics of China

China's inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation dropped again in 2012 to 2.5% and rose to 3.0% in 2013. According to IMF's forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China's inflation rate from 2004 to 2013.

Figure 3 – China's Inflation Rate from 2004 to 2013



Source: International Monetary Fund

4. INDUSTRY OVERVIEW

4.1 Overview of the Finance and Leasing Industry

Financial leasing in its contemporary form originated in the United States. It allows the lease provider to provide lessee with equipment they need and allow the lessee to use the above equipment by simply paying fixed installments, while the lease provider still retain the rights and ownerships of the equipment before end of the leasing contract.

With less upfront cash outlay, the corporations can have better cash flow management and don't have to make any big cash payments. For the lease providers, they can shift their risks since the lease contracts are consented based on the request and choice of lease. Meanwhile, the manufacturers and suppliers benefit greatly by greater sales volumes and less credit risks exposed to creditors. Financial leasing has become the next-best and effective financing tool in the world.

According to the industry research of China Financial Leasing Group Limited, an investment company focusing on the financial leasing market of China listed in the Stock Exchange of Hong Kong Limited with the stock code 2312, over 50% of the capitals investments in the United States are financed by financial leasing and it even overtake bank loans in the areas of automobiles, aircrafts and office equipment. Most of the leasing companies usually share common background of commercial banks and manufacturers and their presence usually positively influence the economic growth of the country.

4.2 Key Trends of Finance and Leasing in China

The rapid development of China's financial leasing industry in 2012 was remarkable. According to Huidian Research, a leading industry consulting and market survey firm in China, the business turnover of China's financial leasing was RMB1.55 trillion in 2012, increased by approximately RMB620 billion compared with RMB930 billion in the end of 2011, with a growth rate of 66.7%. As of the end of 2012, the number of the domestic financial leasing companies was almost 560, increased by almost 300 over 2011; the number of foreign-funded leasing companies was 460, increased by 250 compared with 2011; with a growth rate of more than 100%.

Since 2013, China's financial leasing industry has continued to maintain rapid growth, with total turnover reaching approximately RMB2.35 trillion as of the end of March 2014, an increase of RMB250 billion from RMB2.1 trillion at the end of December 2013. The number of enterprises totaled 1,137, an increase of 111 compared with 1,026 at the end of 2013. Among them, the number of foreign leasing companies grew faster, with the total number amounting to 990, an increase of around 110.

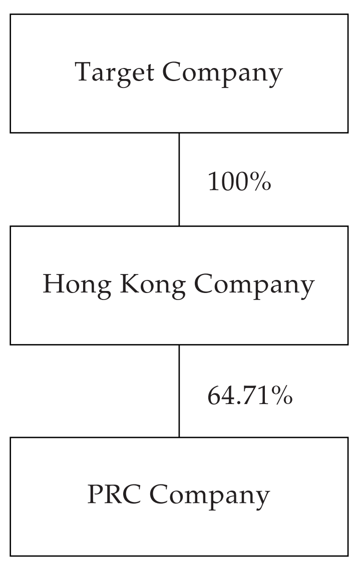
China's frenetic growth rate may have slowed, but it still remains one of the world's fastest growing economies, with predicted annual GDP growth of more than 8%. Unsurprisingly, given this tremendous economic expansion, China automotive market became the world's largest in 2009 and it appears it will remain the largest. This will add up to an ideal environment in which to promote automotive financing options. With more of the population becoming wealthier and better educated, financing is expected to grow substantially in the years to come, in accordance with the "Global automotive finance and leasing" report issued by KPMG International Cooperative.

5. BACKGROUND OF THE TARGET GROUP

The Target Company and the Hong Kong Company are both investment holding companies. The Hong Kong Company is the registered owner of 64.71% of the registered capital of the PRC Company, the remaining registered capital of which is owned as to 35.29% by Shanghai Xunli Equity Investment Management Limited (hereinafter referred to as "**Shanghai Xunli**").

The valuation target is 100% equity interest of the Target Group under the following group structure:

Figure 4 – Group Structure Chart of 100% Equity Interest of the Target Group under the Valuation as at the Date of Valuation



Source: Management

The PRC Company is a sino-foreign joint venture company with limited liability, which is established by the Hong Kong Company and Shanghai Xunli in the People's Republic of China ("**PRC**") on 14 December 2012. The total registered capital of RMB100 million of the PRC Company was fully paid up on or before 15 May 2013, among which RMB40 million was paid up by the Hong Kong Company and RMB60 million was paid up by Shanghai Xunli, representing 40% and 60% equity interest in the PRC Company respectively. On 15 December 2013, the PRC Company intended to increase its total registered capital up to RMB170 million. In respect of its increased capital of RMB70 million, it is required under the written approval issued by 上海市商務委員會

(Shanghai Municipal Commission of Commerce) that the intended increase of registered capital of PRC Company is to be paid up by the Hong Kong Company within 2 years from the date of issue of its revised business licence (i.e. on or before 14 December 2015). Upon injection of RMB70 million in cash into the PRC Company by the Hong Kong Company (hereinafter referred to as the "**Capital Contribution**"), the PRC Company will become an 64.71% owned subsidiary of the Hong Kong Company.

The PRC Company is principally engaged in the financial leasing business which its lessees are mainly manufacturing companies and governmental authorities. Its business licence states that it is authorised to engage in (i) financial leasing business; (ii) leasing business; (iii) purchase of leased properties from local and overseas regions; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; and (v) lease transaction consultancy and security services. The PRC Company commenced its financial leasing business in June 2013.

6. BASIS OF VALUATION

Our valuation was based on going concern premise and conducted on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Target Group. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the economy and the finance and leasing industry in China as we considered necessary for the purpose of the valuation.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Target Group provided to us by the Management and have considered such information and data as attainable and reasonable. We also performed a visit to the PRC Company and had meetings with the Management in July 2014.

The valuation of the Target Group requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Target Group as well as its services;
- Business plans and financial forecasts of the Target Group;
- Unaudited management accounts of the Target Company, the Hong Kong Company and the PRC Company for the period ended 30 September 2014;

- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market; and

- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Target Group, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of value need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("**equity and long term debt**"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("**equity**") and investors who lend money to the business entity ("**debt**"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

As advised by the Management, the Target Company and the Hong Kong Company were investment holdings companies without any business operations as at the Date of Valuation. Therefore, we first estimated the market value of 100% equity interest of the PRC Company in our valuation.

In the process of valuing the PRC Company, we have taken into account of the operation and the nature of the finance and leasing industry it is participating.

The Market-Based Approach was not adopted because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were hidden. The Asset-Based Approach was also not adopted because it could not capture the future earning potential and thus market value of the PRC Company. We have therefore considered the adoption of the Income-Based Approach in arriving at the market value of the PRC Company.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("**DCF**") method, which is based on a simple reversal calculation to restate all future cash flows in present terms. The expected free cash flow for each year was determined as follows:

Expected Free Cash Flow = Net Profit + Depreciation + After-Tax Interest Expenses – Change in Net Working Capital – Capital Expenditure

The present value of the expected free cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + ... + CF_n/(1+r)^n$$

In which
PVCF = Present value of the expected free cash flows;
CF = Expected free cash flow;
r = Discount rate; and
n = Number of years.

To adopt this method, we obtained the weighted average cost of capital ("**WACC**") of the PRC Company as a basic discount rate. WACC of the PRC Company is the minimum required return that the PRC Company must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \text{ x } R_e + W_d \text{ x } R_d \text{ x } (1 – T_c)$$

In which
R_e = Cost of equity;
R_d = Cost of debt;
W_e = Weight of equity value to enterprise value;
W_d = Weight of debt value to enterprise value; and
T_c = Corporate tax rate.

8.4.2 Cost of Debt

The cost of debt was determined by the expected borrowing rate of the PRC Company. Since the interest expenses paid on debts are tax-deductible for the PRC Company, the cost of the PRC Company to get debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate by the cost of debt.

8.4.3 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"), which describes the relationship between the risk of the PRC Company and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \text{ x Market Risk Premium + Other Risk Premium}$$

In which
R_e = Cost of equity;
R_f = Risk-free rate; and
ß = Beta coefficient.

8.4.4 Discount Rate

In the process of determining the WACC, we adopted several listed companies with business scopes and operations similar to those of the PRC Company as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in loan provision and financial leasing in China (including Hong Kong);
- The companies have sufficient listing and operating histories (both not less than 1 year); and
- The financial information of the companies is available to the public.

According to the aforementioned selection criteria and under best-effort basis, four comparable companies were adopted in the valuation. Details of the exhaustive list of the comparable companies adopted were illustrated as follows:

Company Name	Stock Code	Listing Location	Business Description
China Financial Services Holdings Ltd	605.HK	Hong Kong	China Financial Services Holdings Ltd is a diversified finance service company. The company, through its subsidiaries, provides direct loans by self-owned funds, bank loans by guarantee company, corporate bonds or collective notes financing service through the guarantee function, and financing consulting service based on the financing needs of SMEs.
Far East Horizon Ltd	3360.HK	Hong Kong	Far East Horizon Ltd is a financial services provider. The company specializes in providing financing solutions through equipment-based financial leasing. The company currently targets industries that include healthcare, education, infrastructure construction, shipping, printing and machinery industries.

Company Name	Stock Code	Listing Location	Business Description
Flying Financial Service Holdings Limited	8030.HK	Hong Kong	Flying Financial Service Holdings Limited provides integrated short-term services, including pawn loan services and entrusted loan services. The company also offers financial consultation services to its customers.
Credit China Holdings Limited	8207.HK	Hong Kong	Credit China Holdings Limited is a financing service provider targeting SMEs. The company provides internet finance services, short term loans, and financing solutions to SMEs and individuals. The company's major financing service areas are P2P housing loans, P2P automobile loans, online third party payment, real estate collateralized loans, microfinance, and finance lease.

Source: Bloomberg

Below is the summary of the key parameters of the WACC of the PRC Company adopted as at the Date of Valuation:

Key Parameters		**As at 30 September 2014**
a)	Risk-free Rate	4.07%
b)	Market Expected Return	14.80%
c)	Market Risk Premium	10.73%
d)	Beta Coefficient	0.50
e)	Size Premium	3.81%
f)	Other Risk Premium	4.00%
g)	Cost of Equity	17.28%
h)	Cost of Debt	8.00%
i)	Weight of Equity Value to Enterprise Value	75.32%
j)	Weight of Debt Value to Enterprise Value	24.68%
k)	Corporate Tax Rate	25.00%
	WACC	**14.50%**

Notes:

a) The risk-free rate adopted was the yield rate of China government 10-year note as at the Date of Valuation as extracted from Bloomberg.

b) In order to reflect the fact that the target market of the Target Group is in China, the market expected return adopted was the 10-year average market return in China stock market as at the Date of Valuation as extracted from Bloomberg.

c) The market risk premium adopted was the difference between the risk-free rate and the market expected return.

d) The beta coefficient adopted was the median adjusted beta of the comparable companies as sourced from Bloomberg.

e) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study conducted by Ibbotson Associates, Inc. as sourced from "2013 Ibbotson SBBI Valuation Yearbook".

f) The other risk premium was to reflect the start-up risk and business risks of the PRC Company. This was determined based on our experience and professional judgments after discussing the current status and development of the PRC Company with the Management. One of the factors considered includes the fact that the Business Enterprise would be a company with shorter operating history as compared to the comparable companies (represented by 2% premium). Furthermore, it was expected that the PRC Company would face fierce competition in the financial leasing industry in the PRC (represented by 2% premium).

g) The cost of equity was determined based on CAPM.

h) The cost of debt was based on the expected borrowing rate of the PRC Company estimated by the Management. With reference to Appendix IIB of this circular "Financial Information of the PRC Company", the effective interest rate of the Hong Kong dollar-denominated bank loan of the PRC Company as at the Date of Valuation was 4% per annum and repayable within one year. However, the Management expected that the bank loans of the PRC Company in the future operation would be mainly denominated in Renminbi and repayable around three to five years, such that the expected borrowing rate would be higher than the actual one as at the Date of Valuation.

i) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

j) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the comparable companies as at the Date of Valuation as extracted from Bloomberg.

k) The corporate tax rate adopted was the corporate tax rate in China.

Hence, the WACC of 14.50% was applied as the discount rate of the PRC Company as at the Date of Valuation.

Upon the Capital Contribution, the PRC Company will become a 64.71% owned subsidiary of the Hong Kong Company. We hence obtained the market value of 100% equity interest of the Target Group by adding non-operating assets/liabilities of the Target Company and the Hong Kong Company (mainly the amount due to a holding company) as at the Date of Valuation to the market value of 64.71% equity interest of the PRC Company.

8.4.5 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to the 2014 edition of the FMV Restricted Stock Study Companion Guide, a marketability discount of 16.15% was adopted in arriving at the market value of the Target Group as at the Date of Valuation.

8.4.6 Sensitivity Analyses

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Target Group in respect of 1% and 2% deviation in the discount rate from the status quo. The results of the sensitivity analysis were as follows:

Change in Discount Rate	**Applied Discount Rate**	**Market Value of the Target Group (HKD)**
+2%	16.50%	173,000,000
+1%	15.50%	187,000,000
0%	14.50%	203,000,000
-1%	13.50%	223,000,000
-2%	12.50%	248,000,000

In addition, a sensitivity analysis was performed on the market value of the Target Group whether the Capital Contribution would take place as planned. The results of the sensitivity analysis were as follows:

Whether the Capital Contribution would Take Place as Planned	**Market Value of the Target Group (HKD)**
Yes[1]	203,000,000
No[2]	40,000,000

Notes:

1 The valuation was based on the assumption that the Target Group holds 64.71% equity interest of the PRC Company when the Capital Contribution would take place as planned; and

2 The valuation was based on the assumption that the Target Group holds 40% equity interest of the PRC Company when the Capital Contribution would not take place as planned.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- After summing up the present values of the expected free cash flows of the PRC Company, its non-operating assets/liabilities as at the Date of Valuation were added to arrive at the market value of the PRC Company since these items could not be reflected in the DCF calculation. The items included are illustrated as follows:

Item	**Book value as at 30 September 2014** *(RMB)*
Financial lease receivables (non-current)	36,520,102
Deferred tax assets	183,282
Cash and cash equivalents	715,412
Available-for-sale investment	6,500,000
Other receivables	39,197,000
Receipt in advance	(733,128)
Other payables and accruals	(1,891,471)
Tax payables	(2,397,560)
Total (Rounded)	**78,093,636**

Source: Unaudited management accounts of the PRC Company as at 30 September 2014

- As advised by the Management, the non-current financial lease receivable was expected to be received in about three years and there would be sufficient external funding throughout the forecast period after three years, such that the non-current financial lease receivable was assumed to be excess cash included in the non-operating assets as at the date of valuation. The repayments of its principal and related interests were not included in the working capital in the cash flow forecast;

- For the change in net working capital in the cash flow forecast, current financial lease receivables and payables were included in the calculation since the Management advised that they were closely related to the business operations of the PRC Company, as compared to other current assets and liabilities;

- As advised by the Management, the Target Company and the Hong Kong Company were investment holdings companies without any business operations as at the Date of Valuation. Therefore, outstanding balances of their non-operating assets/liabilities were added to the market value of 64.71% equity interest of the PRC Company in arriving at the market value of the Target Group;

- The financial projection of the Target Group adopted has already reflected the Capital Contribution;

- In the financial projection as provided by the Management, the revenue of the PRC Company consists of net interest income (i.e. interest income minus interest expense) and handling fee. For the part of net interest income, the Management expected that the loans would be for a term of one to three years and lending rate from 8% to 11% per annum, while the corresponding interest expense would be 4% to 8% per annum depending on the terms of the loans. For the part of handling fee, the Management expected that the fee would be charged annually at 1% of the outstanding principal loans. With reference to "Letter from the Board" of this circular, the above assumptions made are in line with the historical performance of the PRC Company;

- The net profit of the PRC Company was estimated by the sum of the total revenue and government subsidy (if applicable) deducted by administrative expense, personnel expense and income tax expense. As advised by the Management, the aforementioned expenses were projected based on the historical cost structure of the PRC Company;

- The increment of the financial forecasts would be mainly driven by the increase in the capital leverage as expected by the Management. In accordance with 《外商投資租賃業務管理辦法》 ("**Measures on the Administration of Foreign Investment in the Leasing Industry**") promulgated by 中華人民共和國商務部 ("**Ministry of Commerce of the PRC**"), it requires that the foreign-invested financial leasing company's assets at risk shall not exceed 10 times its equity. In the financial projection, upon the Capital Contribution, the Management expected that the PRC Company would fully utilize the capital leverage to provide a sum of loans of not more than RMB1,700 million to its lessees in 2016 and onwards;

- The Target Group will be operated and developed as planned by the Management;

- The Management expected that minimal capital expenditure would be sufficient to support the business operation of the PRC Company;

- The valuation was mainly based on the projections of the future cash flows as provided by the Management. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

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

- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent Management, key personnel and technical staff to support its ongoing operations and developments;

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

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

10. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial forecasts of the Target Group provided to us.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

11. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Group, their associated companies or the values reported herein.

12. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% equity interest in the Target Group as at the Date of Valuation, in our opinion, was reasonably stated as **HKD203,000,000 (HONG KONG DOLLARS TWO HUNDRED AND THREE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

The following is the text of a letter received from Elite Partners CPA Limited, for the purpose of incorporation in this circular.

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Suites 2B-4A, 20th Floor
Tower 5, China Hong Kong City,
33 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

17 March 2015

The Board of Directors
Merdeka Mobile Group Limited
Room 1502, Floor 15th,
Chinachem Century Tower,
178 Gloucester Road,
Wan Chai,
Hong Kong

Dear Sirs,

Merdeka Mobile Group Limited (the "Company") and its subsidiaries (collectively referred to herein as the "Group")

Comfort letter on profit forecast underlying the valuation of 恆河融資租賃(上海)有限公司 (Heng He Financial Lease (Shanghai) Company Limited)

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the "**Valuation**") report dated 17 March 2015 prepared by Roma Appraisals Limited in respect of the Valuation of Heng He Financial Lease (Shanghai) Company Limited (the "**PRC Company**") as at 30 September 2014 in connection with proposed acquisition of 100% equity interest of the Blossom Height Ventures Limited (the "**Target Company**") with all shareholder's loan due from the Target Company to the Vendors as at completion, as published in the Company's circular dated 17 March 2015 (the "**Circular**"). Capitalised terms used in this letter have the same meanings as defined in the Circular of the Company dated17 March 2015 unless the context otherwise requires.

The Valuation which is determined based on the discounted cash flows and is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Growth Enterprise Market Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Respective responsibilities of the directors of the Company and the reporting accountants

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the Valuation which is regarded as a profit forecast under Rule 19.61 of the GEM Listing Rules.

It is our responsibility to report, as required by Rule 19.61 of the GEM Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any work on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We accept no responsibility to any other person in respect of, arising out of in connection with our work.

Our work does not constitute any valuation of the PRC Company. Accordingly, we do not express an audit opinion.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

Yours faithfully,
Elite Partners CPA Limited
Certified Public Accountants
Hong Kong

Yip Kai Yin
Practising Certificate Number: P05131

The following is the text of a letter received from Donvex Capital Limited, the financial adviser to the Company, for the purpose of incorporation in this circular.

Donvex
富域資本
Donvex Capital Limited
富域資本有限公司

Unit 1305, 13th Floor,
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

17 March 2015

The Board of Directors
Merdeka Mobile Group Limited
Room 1502,
Chinachem Century Tower,
178 Gloucester Road,
Wanchai, Hong Kong

Dear Sirs,

We refer to the valuation (the "**Valuation**") prepared by Roma Appraisals Limited (the "**Independent Valuer**") and dated 17 March 2015 in relation to the estimation of the value of 100% equity interest in Blossom Height Ventures Limited (the "**Target Company**") and its subsidiaries (collectively, the "**Target Group**") as at 30 September 2014 (the "**Market Value**"). The Valuation is included in Appendix IV to the circular of Merdeka Mobile Group Limited (the "**Company**") dated 17 March 2015 (the "**Circular**"). Unless otherwise stated, capitalised terms used herein should have the same meanings as those defined in the Circular.

We note that the Valuation, which has been prepared based on discounted future estimated cash flows and is regarded as profit forecast under Rule 19.61 of the GEM Listing Rules. We note that the Market Value is developed based on, among other things, the cash flow forecast in relation to the Target Group and the estimated discount rate which is based on the estimated required return on asset after taking consideration of relevant risk free rate and certain risk premium.

We have discussed with the management of the Company and the Independent Valuer regarding the bases and assumptions of the Valuation, and have reviewed the letter dated 17 March 2015 issued by Elite Partners CPA Limited, the reporting accountant of the Company, as set out in Appendix V to the Circular. Elite Partners CPA Limited is of the opinion that, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company.

On the basis of the foregoing and the calculations reviewed by Elite Partners CPA Limited, without giving any opinion on the reasonableness of the valuation methods, bases and assumptions adopted by the Independent Valuer on the Valuation, for which Independent Valuer and the Company are responsible, we are of the opinion that the cash flow forecast underlying the Market Value, for which the directors of the Company is solely responsible, have been made after due and careful enquiry. Our opinion has been given for the sole purpose of compliance with Rule 19.62(3) of the GEM Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

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 with regard to the Group. 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 aspects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion and assuming full conversion of the Convertible Bonds are as follows:

(i) As at the Latest Practicable Date

Authorised:		*HK$*
200,000,000,000	Shares	200,000,000
Issued and fully paid:		
383,031,384	Shares	383,031

(ii) Immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price (upon the exercise of the Conversion Rights attaching to the Convertible Bonds)

Issued and fully paid:		
508,031,384	Shares	508,031

The Conversion Shares shall rank *pari passu* in all aspects, including all rights as to dividend, voting and interest in capital, among themselves and with all other Shares then in issue on the dates of issue of the Conversion Shares.

Application will be made to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

3. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 in which they were taken or deemed to have under such provisions of the SFO); or (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 rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of the issued share capital of the Company
Cheung Wai Yin, Wilson ("**Mr. Cheung**")	Founder of a discretionary trust and personal *(Note)*	32,998,438	8.62%
Lau Chi Yan, Pierre	Personal	1,328,125	0.35%

Note: As at the Latest Practicable Date, 32,812,500 Shares were owned by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself). Accordingly, Mr. Cheung is deemed to be interested in the relevant Shares for the purpose of the SFO. Mr. Cheung is also personally interested in 185,938 Shares.

Long positions in the underlying shares

Name of Director	Nature of Interest	Number of underlying shares	Approximate percentage of total issued share capital of the Company
Cheung Wai Yin, Wilson ("**Mr. Cheung**")	Founder of a discretionary trust *(Note)*	297,619,048	77.70%
Wong Chi Man	Personal	8,948	0.002%
Yeung Mo Sheung, Ann	Personal	10,439	0.003%

Note: As at the Latest Practicable Date, the interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

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

Interests of Substantial Shareholders

So far as is known to any Directors or chief executives of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company 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:

Long positions

Name of Shareholder	Nature of Interest	Number of shares	Number of underlying shares	Approximate percentage of total issued share capital of the Company
Asiatrust Limited *(Note)*	Trustee	32,812,500	297,619,048	86.27%
CW Limited *(Note)*	Beneficial owner	32,812,500	297,619,048	86.27%
Ivana	Beneficial owner	32,812,500	297,619,048	86.27%

Note: The interest is held by Ivana, a company incorporated in the British Virgin Islands owned as to 100% by CW Limited, which in turn is wholly-owned by Asiatrust Limited, a trust company in its capacity as the trustee of a discretionary trust, the founder (as defined in the SFO) of which is Mr. Cheung and the discretionary objects of which are family members of Mr. Cheung (including Mr. Cheung himself).

Save as disclosed above, so far as is known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACT

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

5. LITIGATION

On 22 January 2015, the Company announced that a writ of summons was issued in the Court of First Instance of the High Court of Hong Kong by Au Kai To Karel, as the plaintiff claiming against (i) End User Technology Limited, an indirect wholly-owned subsidiary of the Company, as the 1st Defendant; (ii) the Company, as the 2nd Defendant; and (iii) Lau Chi Yan Pierre, the managing director and executive director of the Company, as the 3rd Defendant for, inter alia, (1) specific performance of an agreement dated 2 May 2013 in relation to a discloseable transaction of the Company (details of which were disclosed in the announcement of the Company dated 2 May 2013); or (2) alternatively, the damages in the sum of HK$8,000,000 in lieu of specific performance; and (3) the interest; (4) further and/or other relief; and (5) the costs. The Company have instructed legal representative to handle the matter, and was advised that the claim does not have merits as the agreement had been duly and completely performed. The Company is considering applying for striking out the claim, subject to further legal advice.

Save for the above litigation, as at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Enlarged Group was not involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or has or may have any other conflicts of interest with the Group pursuant to the GEM Listing Rules.

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of, or leased to any member of the Group.

8. EXPERT AND CONSENT

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

Name	Qualification
Donvex Capital Limited ("**Donvex**")	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Elite Partners CPA Limited ("**Elite Partners**")	Certified Public Accountants
Roma Appraisals Limited ("**Roma**")	Independent valuer

Donvex, Elite Partners and Roma have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their report and/or letter and/or summary of valuations and/or opinion (as the case may be), and/or the references to its name included in the form and context in which they respectively included.

Donvex, Elite Partners and Roma do not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

Donvex, Elite Partners and Roma do not have any direct or indirect interests in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2013 (the date to which the latest published audited consolidated financial statements of the Group were made up).

9. MATERIAL CONTRACTS

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

(a) the supplemental agreements dated 28 March 2013, 28 June 2013, 30 September 2013, 9 October 2013, 28 October 2013, 30 December 2013 and 3 January 2014 to extend the long stop date in the sale and purchase agreement dated 6 September 2012 entered into between Hero Win Development Limited and Merry Fortune Holdings Limited in relation to the acquisition of 100% issued share capital of Ever Hero Group Limited at HK$72 million;

(b) the sale and purchase agreement dated 2 May 2013 made between End User Technology Limited and Au Kai To, Karel in relation to the acquisition of 100% issued share capital in Quasicom Systems Limited at HK$8 million;

(c) the underwriting agreement dated 11 June 2013 entered into between the Company, Cheong Lee Securities Limited as the underwriter and Mr. Cheung Wai Yin, Wilson in relation to the underwriting arrangement in respect of the rights issue at the subscription price of HK$0.40 per rights share on the basis of 2 rights shares for every 5 existing shares held by Shareholders;

(d) the placing agreement dated 6 December 2013 entered into between the Company and CNI Securities Group Limited as placing agent for the placing of up to 45,000,000 new shares at HK$0.156 per Share;

(e) the placing agreement dated 6 December 2013 entered into between the Company and CNI Securities Group Limited as placing agent for the placing of up to 150,000,000 new shares at HK$0.156 per Share;

(f) the placing agreement dated 21 February 2014 entered into between the Company and Orient Securities Limited as placing agent for the placing of up to 77,000,000 new shares at HK$0.171 per Share;

(g) The loan agreement dated 21 February 2014 entered into between Netgenii Technology Limited as lender and Mr. Kong Leung Cheung, Jeff, a connected person of the Company, as the borrower, which was entered into pursuant to the sale and purchase agreement as stated in (a) above;

(h) the shareholders' agreement dated 1 April 2014 and entered into between Gold Coin Development Limited, a wholly-owned subsidiary of the Company, and Mian Yang Heng Da Investments Limited, a shareholder of Mian Yang Heng Da Information Technology Limited ("**Mian Yang Heng Da**"), for the subscription of registered capital of Mian Yang Heng Da Information Technology Limited in the amount of RMB3,000,000 and to pay RMB1,000,000 to Mian Yang Heng Da for the subscription of 60% of the enlarged capital in Mian Yang Heng Da;

(i) the underwriting agreement dated 11 April 2014 entered into between the Company as the issuer and CNI Securities Group Limited as the underwriter in relation to the underwriting arrangement in respect of the rights issue at the subscription price of HK$0.04 per rights share on the basis of 4 rights shares for every 1 existing share held by Shareholders;

(j) the second supplemental deed dated 9 July 2014 and entered into between the Company and the holders of the convertible bonds issued by the Company on 12 August 2008 for the amendment of the terms thereto, including, inter alia, the extension of the maturity date to 12 August 2017 and the revision of the conversion price to HK$0.0462 per Share; and

(k) the Acquisition Agreement.

10. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its head office and principal place of business in Hong Kong is at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Lai Yau Hong, Thomson. He has over 20 years of experience in company secretarial duties as well as corporate governance and management fields and has taken up senior management positions in a number of multinational conglomerates and companies listed on the Stock Exchange. He is an associate member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(c) The Company's Hong Kong branch share registrar and transfer office is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

(e) As at the Latest Practicable Date, the Audit Committee of the Board comprises three members, including Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth, all are independent non-executive Directors. Mr. Ng Kay Kwok has the appropriate financial and accounting experience required by the GEM Listing Rules. The primary duties of the Audit Committee of the Board is to communicate with the management of the Group from time to time, including but not limited to review the accounting principles and practices adopted by the Company, the effectiveness of its internal control systems, the interim and annual results of the Company. The biographical details of the members of the Audit Committee of the Board are set out in paragraph (f) below.

(f) The brief biographical details of Directors and members of the senior management of the Company are set out below:

Executive Directors

Mr. Cheung Wai Yin, Wilson ("**Mr. Cheung**"), aged 43, is currently an executive Director, the chairman, chief executive officer, compliance officer, member of the Nomination Committee, member of the Remuneration Committee, authorised representative and agent for service of process in Hong Kong of the Company and as a director of certain relevant subsidiaries of the Company. He is a controlling shareholder of Ivana Investments Limited and also a substantial shareholder of the Company. He is also the Chairman of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Cheung has over 17 years of experience in the field of audit, business development, corporate finance and financial management. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute. He holds a Master of Science degree in Financial Engineering from City University of Hong Kong and Bachelor degrees in Arts and Administrative Studies from York University, Canada.

Mr. Lau Chi Yan, Pierre ("**Mr. Lau**"), aged 38, is currently an executive Director, the managing director, member of Nomination Committee, member of the Remuneration Committee and as a director of certain relevant subsidiaries of the Company. He is also the executive director of Dejin Resources Group Company Limited, a company listed in Hong Kong. Mr. Lau has over 13 years of experience in the field of information system, operational system and general management. Mr. Lau holds an Executive Master Degree of Business Administration in General Management from University of Hull, the United Kingdom and a Bachelor of Science degree in Computer Science from University of Calgary, Canada. Besides, Mr. Lau is a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員).

Non-Executive Director

Mr. Wong Chi Man ("**Mr. Wong**"), aged 32, has served as a non-executive Director of Group since August 2012. Mr. Wong is currently the Associate Director of Cheong Lee Securities Limited. Mr. Wong has over 5 years of experience in the field of investment, finance and securities advisory. He holds a Master of Applied Finance degree from Monash University and a Bachelor degree in Commerce from Deakin University, Australia.

Independent Non-Executive Directors

Ms. Yeung Mo Sheung, Ann ("**Ms. Yeung**"), aged 48, has served as an independent non-executive Director of the Company since October 2012 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. She holds a Bachelor degree of Retail Marketing with honours in the United Kingdom and a Diploma in Marketing from The Chartered Institute of Marketing. She pursued her further study on legal course and has been awarded a Diploma in Legal Practice in the United Kingdom in 1998 and is presently a solicitor of Messrs. Wong & Wong Lawyers, a legal firm in Hong Kong. Ms. Yeung is currently an independent non-executive director and a member of the audit committee of Hao Wen Holdings Limited, a company whose issued shares are listed on GEM. She is also currently an independent non-executive director, a member of the audit committee, a member of the remuneration committee and a member of the nomination committee of each of Success Universe Group Limited (formerly known as Macau Success Limited) and Dejin Resources Group Company Limited, issued shares of both are listed on the Main Board of the Stock Exchange.

Furthermore, she is currently an independent non-executive director, a member of each of the audit committee, remuneration committee and nomination committee and the chairman of the nomination committee of E Lighting Group Holdings Limited, a company whose issued shares are listed on GEM.

Mr. Ng Kay Kwok ("**Mr. Ng**"), aged 52, has served as an independent non-executive Director of the Company since July 2013 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. He graduated from the Australian National University with a Bachelor 's Degree in Economics and obtained a Graduate Diploma in Accounting from Macquarie University. He is a member of CPA Australia and has extensive experience in accounting and financial management. In addition, Mr. Ng was an executive director and the chief executive officer of GET Holdings Limited ("**GET**"), a company listed on GEM, from 9 July 2010 to 31 May 2011 and from 29 May 2012 to 24 May 2013, he was also the company secretary of GET from 1 January 2007 to 31 May 2011. Mr. Ng is currently an independent non-executive director, the chairman of the audit committee, a member of the nomination committee and the remuneration committee of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Yip Kat Kong, Kenneth ("**Mr. Yip**"), aged 51, has served as an independent non-executive Director of the Company since July 2013 and is a member of the Nomination Committee, the Remuneration Committee and the Audit Committee. He is the founder and chairman of Great China Capital Group Limited and Greater China Corporation Consultants Limited, both specialize in company restructuring, listing, portfolio investment and merger and acquisition. He has over 30 years of experience in the accounting profession and, coupled with his hands-on experience and expertise in different industries, has been engaged in various growing enterprises including those listed on the Stock Exchange to serve as their strategic and business advisor. Mr. Yip is a member of various business and commercial organizations and societies in both China and Hong Kong, including, a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員), a standing member of Guangdong Federation of Industry & Commerce (廣東省僑聯常務委員), an executive member of Guangdong Federation of Industry & Commerce (廣東省工商業聯合會(總商會)執委), a Director of Guangdong Overseas Friendship Association (廣東海外聯誼會理事) and a member of China Affairs Committee of The Chinese General Chamber of Commerce Hong Kong (香港中華總商會中國內地事務委員).

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 1502, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong, during normal business hours on any weekday (except for Saturday and public holidays) 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 material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(c) the published interim report of the Company for the six months ended 30 June 2014 and the published annual reports of the Company for the three years ended 31 December 2013, 2012 and 2011;

(d) the accountant's report of the Target Group as set out in Appendix IIA to this circular;

(e) the accountant's report of the PRC Company as set out in Appendix IIB to this circular;

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

(g) the valuation report prepared by Roma Appraisals Limited as set out in Appendix IV to this circular;

(h) the letter from Elite Partners CPA Limited and the letter from Donvex Capital Limited in relation to the Valuation of the Target Group as set out in Appendix V to this circular;

(i) the written consents from the experts referred to under the paragraph headed "Expert and Consent" in this Appendix; and

(j) a copy of each circular issued pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

MERDEKA MOBILE GROUP LIMITED
(萬德移動集團有限公司*)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Merdeka Mobile Group Limited (the "**Company**") will be held on Wednesday, 1 April 2015 at 11:00 a.m. at Jasmine Room, 3/F., Ramada Hong Kong Hotel, 308 Des Voeux Road West, Hong Kong for the purposes of considering and, if thought fit, passing the following resolutions with or without amendment as ordinary resolution:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Acquisition Agreement**") entered into among End User Investments Limited, a wholly-owned subsidiary of the Company, as purchaser, Yihua Enterprises Limited as vendor (the "**Vendor**") and Cheng Jun and Gao Yun Feng as guarantors dated 31 October 2014 in relation to sale and purchase of the entire issued share capital of, and the shareholder's loan due by, Blossom Height Ventures Limited at a total consideration of HK$72 million (a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder (the "**Acquisition**") be and are hereby approved, ratified and confirmed;

(b) the issue by the Company of promissory note (the "**Promissory Note**") in the principal amount of HK$32 million to the Vendor upon completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement be and is hereby approved;

(c) the creation and issue by the Company of the zero coupon convertible bonds due 2018 (the "**Convertible Bonds**") in the principal amount of HK$40 million to the Vendor upon completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement be and is hereby approved;

(d) the allotment and issue of the new shares (the "**Conversion Shares**") of the Company upon the exercise of the conversion rights attaching to the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds be and is hereby approved; and

* *For identification purpose only*

(e) any one director of the Company be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take all such steps as he or she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Acquisition Agreement or any transactions contemplated thereunder including but not limited to the issue of the Promissory Note, the Convertible Bonds and the Conversion Shares."

By order of the Board of
Merdeka Mobile Group Limited
Cheung Wai Yin, Wilson
Chairman and Chief Executive Officer

Hong Kong, 17 March 2015

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

Head office and principal place of business in Hong Kong:
Room 1502
Chinachem Century Tower
178 Gloucester Road
Wanchai, Hong Kong

Notes:

1. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the share register of the Company in respect of the joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the articles of association of the Company be deemed joint holders thereof.

2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

3. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the extraordinary general meeting or adjourned meeting.

5. All voting by the members at the Meeting shall be conducted by way of poll.

As at the date of this notice, the Board comprises two executive Directors, namely Mr. Cheung Wai Yin, Wilson and Mr. Lau Chi Yan, Pierre, one non-executive Director, namely Mr. Wong Chi Man and three independent non-executive Directors, namely Ms. Yeung Mo Sheung, Ann, Mr. Ng Kay Kwok and Mr. Yip Kat Kong, Kenneth.