THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

PME GROUP LIMITED
必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA EVER GRAND CAPITAL GROUP LIMITED AND ASSIGNMENT OF SHAREHOLDER'S LOAN AND (2) CAPITAL INJECTION TO BEIJING EVER GRAND INTERNATIONAL FINANCE LEASE CO., LTD AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

大有融資有限公司
MESSIS CAPITAL LIMITED

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

Pan Asia 泛亞金融有限公司
Pan Asia Corporate Finance Limited

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed "Definitions" of this circular. A letter from the Independent Board Committee is set out on pages 50 to 51 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 52 to 83 of this circular.

A notice convening an EGM of PME Group Limited to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 November 2015 at 11:00 a.m. or any adjournment thereof is set out on pages 223 to 225 of this circular. A proxy form for use in the EGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purpose only*

30 October 2015

CONTENTS

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

"Acquisition"	the purchase of the Sale Shares and the Shareholder's Loan by the Purchaser from the Vendor, on and subject to the terms and conditions of the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 21 July 2015 entered into between the Purchaser and the Vendor in respect of the Acquisition as supplemented by the supplemental agreement dated 26 October 2015
"Acquisition Completion"	Completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Announcement"	the announcement of the Company dated 21 July 2015 in relation to, among other things, the Acquisition and the Capital Injection
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than Saturdays, Sundays and such other days where a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
"BVI"	British Virgin Islands
"Capital Injection"	the proposed capital injection by Target HK into Target PRC by way of increase in the registered capital of Target PRC as contemplated under the Capital Injection Agreement
"Capital Injection Agreement"	the agreement dated 21 July 2015 entered into between Target HK and Zhong An in respect of the Capital Injection
"Capital Injection Completion"	Completion of the Capital Injection in accordance with the terms and conditions of the Capital Injection Agreement

"Company"	PME Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange with stock code 379
"connected person(s)"	has the meaning ascribed to it under Chapter 14A of the Listing Rules
"Consideration"	the consideration for the Acquisition payable by the Purchaser to the Vendor in accordance with the terms and conditions of the Acquisition Agreement, being RMB170,847,000
"Director(s)"	directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company, comprising two of the independent non-executive Directors
"Independent Shareholders"	Shareholders other than the Vendor and his associates
"Latest Practicable Date"	27 October 2015
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 November 2015 or such later date as the Purchaser and the Vendor may agree in writing

"MOU"	the non-legally binding memorandum of understanding dated 9 May 2014 entered into among the Company, the Vendor and Sino Life Insurance Co., Ltd. (now known as Funde Sino Life Insurance Co., Ltd.) in respect of the proposed acquisition of the entire issued share capital of Target BVI and a proposed capital injection into Target PRC
"Mr. Wong"	Mr. Wong Lik Ping, an executive Director, the chairman of the Board and a substantial Shareholder owning (directly and indirectly) approximately 16.12% of the entire issued share capital of the Company as at the Latest Practicable Date
"Pan Asia" or "Independent Financial Adviser"	Pan Asia Corporate Finance Limited, a licensed corporation under the SFO licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder
"PBOC"	the People's Bank of China
"PRC"	the People's Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Harvest Castle Holdings Limited (興隆控股有限公司), which is a company incorporated in Hong Kong on 5 May 2015 and is a wholly-owned subsidiary of the Company
"Sale Shares"	such number of shares in Target BVI as shall represent the entire issued share capital of Target BVI immediately before Acquisition Completion
"Share(s)"	existing ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Shareholder's Loan"	being all the loans owned by Target Group to Mr. Wong

"Target Business"	the provision of finance lease and related consultancy services in the PRC carried out by the Target Group
"Target BVI"	China Ever Grand Capital Group Limited, a company incorporated in the BVI on 25 March 2010, which is wholly owned by the Vendor
"Target Group"	Target BVI and its subsidiaries
"Target HK"	Hong Kong Ever Grand Capital Limited, a company incorporated in Hong Kong on 21 March 2013, which is wholly owned by Target BVI
"Target PRC"	北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd.**), a company which was established in the PRC on 6 April 2010 and, before Acquisition Completion, which is owned as to 41.67% by Target HK and 58.33% owned by Zhong An
"Target Tianjin"	恒嘉(天津)融資租賃有限公司 (Ever Grand (Tianjin) Finance Lease Co., Ltd.**), a direct wholly-owned subsidiary of Target PRC established on 27 November 2013 in the PRC
"Valuation Report"	the valuation report prepared by the Valuer on the valuation of the Target Group
"Valuer"	Peak Vision Appraisals Limited, an independent qualified valuer
"Vendor"	Mr. Wong
"Zhong An"	中安股權投資基金管理(天津)有限公司 (Zhong An Equity Investment Fund Management (Tianjin) Limited**), an independent third party
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"US$"	US dollars, the lawful currency of the United States of America
"%"	per cent.

** *The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

PME GROUP LIMITED
必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

Executive Directors:
Mr. Wong Lik Ping (*Chairman*)
Mr. Lai Ka Fai
Mr. Feng Gang
Mr. Tao Ke

Non-executive Directors:
Mr. Cheng Kwok Woo
Ms. Yeung Sau Han Agnes

Independent non-executive Directors:
Mr. Goh Choo Hwee
Mr. Ho Hin Yip
Mr. U Keng Tin

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

Head office and principal place of business:
Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

30 October 2015

To the Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA EVER GRAND CAPITAL GROUP LIMITED AND ASSIGNMENT OF SHAREHOLDER'S LOAN AND (2) CAPITAL INJECTION TO BEIJING EVER GRAND INTERNATIONAL FINANCE LEASE CO., LTD AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 21 July 2015 (after trading hours), the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares and assign the Shareholder's Loan subject to the terms of the Acquisition Agreement.

* *For identification purpose only*

The Consideration for the Sale Shares and the Shareholder's Loan is RMB170,847,000 (equivalent to approximately HK$213,558,750), which shall be payable by the Purchaser to the Vendor in cash within 30 days from the date of Acquisition Completion.

In addition, on 21 July 2015 (after trading hours), Target HK and Zhong An entered into the Capital Injection Agreement, pursuant to which Target HK and Zhong An agreed that Target PRC shall apply for an increase in its registered capital from US$30 million (equivalent to approximately HK$233 million) to US$36 million (equivalent to approximately HK$279 million), where the increased amount of US$6 million (equivalent to approximately HK$47 million) shall be entirely contributed by Target HK such that Target HK's equity interest in Target PRC shall increase from approximately 41.67% to approximately 51.39% after its contribution of the additional registered capital while Zhong An's equity interest in Target PRC shall decrease from approximately 58.33% to approximately 48.61%.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

THE ACQUISITION AGREEMENT

Reference is made to the Company's announcement dated 9 May 2014 in relation to the MOU and the Announcement.

On 21 July 2015 (after trading hours), the Purchaser, and the Vendor entered into the Acquisition Agreement, the principal terms of which are set out below:

Date

21 July 2015

Parties

Purchaser:	Harvest Castle Holdings Limited (興隆控股有限公司), which is a company incorporated in Hong Kong on 5 May 2015 and is a wholly-owned subsidiary of the Company
Vendor:	Mr. Wong, the chairman of the Board, an executive Director and a substantial Shareholder owning (directly and indirectly) approximately 16.12% of the entire issued share capital of the Company as at the Latest Practicable Date

Assets to be acquired

Pursuant to the terms of the Acquisition Agreement, the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Target BVI, and assign the Shareholder's Loan.

As at the Latest Practicable Date, the Shareholder's loan amounted to HK$89,724,544.

Target BVI directly owns the entire issued share capital of Target HK, which in turn directly owns approximately 41.67% equity interest in Target PRC. The remaining equity interest of approximately 58.33% in Target PRC is owned by Zhong An, an independent third party.

As at the Latest Practicable Date, Target PRC has a registered capital of US$30 million (equivalent to approximately HK$233 million), which has been fully contributed as to US$12.5 million (equivalent to approximately HK$96.9 million) by Target HK and as to US$17.5 million (equivalent to approximately HK$135.6 million) by Zhong An prior to the Latest Practicable Date.

Target HK and Zhong An, on 21 July 2015 (after trading hours), also entered into the Capital Injection Agreement, pursuant to which Target HK and Zhong An agreed that Target HK shall be entitled to increase its equity interest in Target PRC from approximately 41.67% to approximately 51.39% by way of additional capital injection by Target HK. Please refer to the section headed "The Capital Injection Agreement" below for further details of the Capital Injection Agreement.

Upon completion of the Acquisition Agreement and the Capital Injection Agreement, the Target Group will become subsidiaries of the Company and will be accounted for in the consolidated financial statements of the Group.

Consideration

The Consideration for the Sale Shares and the Shareholder's Loan is RMB170,847,000 (equivalent to approximately HK$213,558,750), which shall be payable by the Purchaser to the Vendor in cash within 30 days from the date of Acquisition Completion.

The Consideration shall be funded by the Group's internal resources of which approximately HK$210 million will be funded by the proceeds which were originally intended for the development of terminal and logistics business of the Company in Rizhao City, Shandong Province, PRC from the issue of the new Shares of the Company as stated in the announcement dated 28 January 2013.

As at the Latest Practicable Date, the Target Group had an amount of RMB57 million due from Zhong An and an amount of RMB50 million due from 安潤國際保險經紀(北京)有限公司, adding to a total amount of RMB107 million (the "Repayable Amount"). With respect to 安潤國際保險經紀(北京)有限公司, a key personnel of the Target PRC is the senior management of 安潤國際保險經紀(北京)有限公司. Further details of the Repayable Amount are set out in note 28 to the accountant's report of the Target PRC as contained in Appendix IIB to this circular.

On 26 October 2015, the Purchaser and the Vendor entered into a supplemental agreement, pursuant to which, to ensure repayment of the Repayable Amount, within 30 days from the fulfillment of all conditions precedent to the Acquisition Agreement, RMB107 million out of the Consideration will be deposited into the designated bank account of an escrow agent. Such amount will be released to the Vendor upon repayment of the Repayable Amount to the Target Group.

Pursuant to the supplemental agreement, the Vendor also provided an undertaking that the repayment of the Repayable Amount shall take place before 31 December 2015. If any amount of the Repayable Amount has not been repaid before 31 December 2015, the Vendor will be responsible for the full repayment of any outstanding Repayable Amount by way of setting off the amount in the escrow account. Any remaining balance of the amount deposited with the escrow agent, after setting off the outstanding Repayable Amount, will be released to the Vendor.

Basis for consideration

The Consideration was determined by the Vendor and the Purchaser after arm's length negotiations based on normal commercial terms with reference to, inter alia: (i) the opportunity for the Group to gain access to the finance lease business in the PRC and to broaden the income base of the Group; (ii) Target HK being entitled to increase its equity interest in Target PRC by way of capital injection pursuant to the Capital Injection Agreement; and (iii) a preliminary valuation provided by the valuer, which is subject to, among other things, the formal valuation report. The preliminary valuation was prepared by using market approach which values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. Latest price-to-earnings ratio and price-to-book ratio have been applied in the preliminary valuation which are considered as common market practice under market approach. The market value of the 100% equity interest of the Target PRC as at 30 June 2015 is not less than RMB439,000,000 (equivalent to approximately HK$548,750,000). The Directors noted that, with reference to the Valuation Report, the implied value of the Target PRC is in the range of RMB290,000,000 to RMB589,000,000 under the P/E ratio and the P/B ratio respectively, and that in arriving at the aforesaid market value of the Target PRC, equal weights have been assigned to the values implied under each multiple. Having discussed with the Valuer and given to understand that the P/E ratio and the P/B ratio are considered to be the best available indicator especially for the valuation of the financial services companies, and the assignment of equal weights to the values implied under each multiple is acceptable to the general market practice for valuation, the Directors are of the view that the valuation method by assigning equal weights to the values implied under each of the P/E ratio and the P/B ratio is fair and reasonable.

Conditions precedent

Acquisition Completion is conditional upon the following conditions precedent being satisfied or, to such extent as the Purchaser thinks fit, waived (whether in full or in part) by the Purchaser on or before the Long Stop Date:

(1) the passing of a board resolution by the board of directors of Target BVI in a board meeting and of a resolution by the shareholders of Target BVI in a shareholders' meeting approving the share transfer as contemplated under the Acquisition Agreement;

(2) the approval by the Independent Shareholders at the EGM for the Acquisition Agreement, the Capital Injection Agreement and all transactions contemplated thereunder having been obtained;

(3) the Purchaser having received from the Vendor a legal opinion on PRC laws confirming, among other things, (a) each of Target PRC and Target Tianjin having been duly established and validly subsisting; (b) the operation and business of Target PRC and Target Tianjin being legal and in compliance with the relevant PRC laws and regulations; (c) each of Target PRC and Target Tianjin having obtained all licenses, permits and/or approvals required for its business operation from all relevant regulatory authorities in the PRC; (d) each of Target PRC and Target Tianjin having obtained the rights to use and occupy all properties owned, leased or occupied by Target PRC and Target Tianjin; and (e) such other aspects of PRC law as the Purchaser may reasonably consider appropriate or relevant to the transactions contemplated under the Acquisition Agreement;

(4) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, financial, operational or other aspects that the Purchaser considers relevant) on the Target Group;

(5) the Purchaser being reasonably satisfied, from the date of the Acquisition Agreement and at any time before the Acquisition Completion, that the warranties given by the Vendor under the Acquisition Agreement remain true and accurate in all material respects and is not misleading and that there is no breach in any material respect of any of such warranties or other provisions of the Acquisition Agreement (including without limitation those concerning the Target Group) by the Vendor;

(6) the Purchaser being satisfied that, from the date of the Acquisition Agreement to Acquisition Completion, there has been no material adverse change in respect of any member of the Target Group;

(7) the Purchaser having obtained a valuation report issued by a professional business valuer in Hong Kong that the market value of the Target Group is, in the opinion of such valuer, no less than RMB439,000,000 (equivalent to approximately HK$548,750,000) as at such reference date which is no later than the Long Stop Date but no earlier than 30 June 2015;

(8) all necessary approvals in respect of the share transfer contemplated under the Acquisition Agreement having been obtained from all relevant regulatory authorities in Hong Kong and the PRC;

(9) all necessary approvals in respect of the increase in the registered capital of Target PRC contemplated under the Capital Injection Agreement having been obtained from all relevant regulatory authorities in the PRC; and

(10) Vendor has undertaken to procure the key management of the Target Group to enter into service agreements with the Target Group to continue their services in the Target Group for three years from the date of Acquisition Completion.

As at the Latest Practicable Date, the conditions precedent (3), (4) and (7) were satisfied.

The Acquisition Completion is not inter-conditional with the Capital Injection Completion. Notwithstanding the foregoing, pursuant to the conditions precedent (9), the Acquisition was subject to the grant of approvals in respect of the increase in the registered capital of Target PRC under Capital Injection from the relevant regulatory authorities in the PRC.

The Acquisition is not conditional on the disposal of 日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited**), a sino-foreign joint venture company established in the PRC which details have been disclosed in the announcement of the Company dated 22 January 2015.

Acquisition Completion

Acquisition Completion shall take place on which all the conditions precedent set out above have been fulfilled or waived by the Purchaser in accordance with the terms of the Acquisition Agreement (or on such later date as the parties may agree in writing).

THE CAPITAL INJECTION AGREEMENT

On 21 July 2015 (after trading hours), Target HK and Zhong An entered into the Capital Injection Agreement, pursuant to which Target HK and Zhong An agreed that Target PRC shall apply for an increase in its registered capital from US$30 million (equivalent to approximately HK$233 million) to US$36 million (equivalent to approximately HK$279 million), where the increased amount of US$6 million (equivalent to approximately HK$47 million) shall be entirely contributed by Target HK such that Target HK's equity interest in Target PRC shall increase from approximately 41.67% to approximately 51.39% after its contribution of the additional registered capital while Zhong An's equity interest in Target PRC shall decrease from approximately 58.33% to approximately 48.61%.

Pursuant to the Capital Injection Agreement, the contribution of the additional registered capital of US$6 million (equivalent to approximately HK$47 million) by Target HK shall take place conditional upon the following conditions precedent:

(a) the increase in registered capital of Target PRC having been approved by the board of directors of Target PRC;

(b) the increase in registered capital of Target PRC having been approved by all relevant PRC regulatory authorities; and

(c) the Acquisition Agreement having been entered into and having been approved by the Independent Shareholders and the relevant regulatory authorities.

The Capital Injection shall be funded by the Group's internal resources of which approximately HK$210 million will be funded by the proceeds which were originally intended for the development of terminal and logistics business of the Company in Rizhao City, Shandong Province, PRC from the issue of the new Shares of the Company as stated in the announcement dated 28 January 2013.

The conditions precedent (b) and (c) to the Capital Injection Agreement set out above are also the conditions precedent to the Acquisition Agreement. The conditions precedent (a) to the Capital Injection Agreement is also expected to be satisfied on or before the Acquisition.

Therefore, it is expected that the conditions precedent to the Capital Injection will be fulfilled after the Acquisition Completion. As advised by the PRC legal adviser, there is no other legal impediment to the Capital Injection Completion following the fulfillment of all conditions precedent to the Capital Injection Agreement. The Directors expect that following the fulfillment of all conditions precedent to the Capital Injection Agreement, taking into the estimated time required for the capital injection procedure, the Capital Injection Completion will be completed within one month after the completion of the Acquisition Completion.

INFORMATION ON THE TARGET GROUP

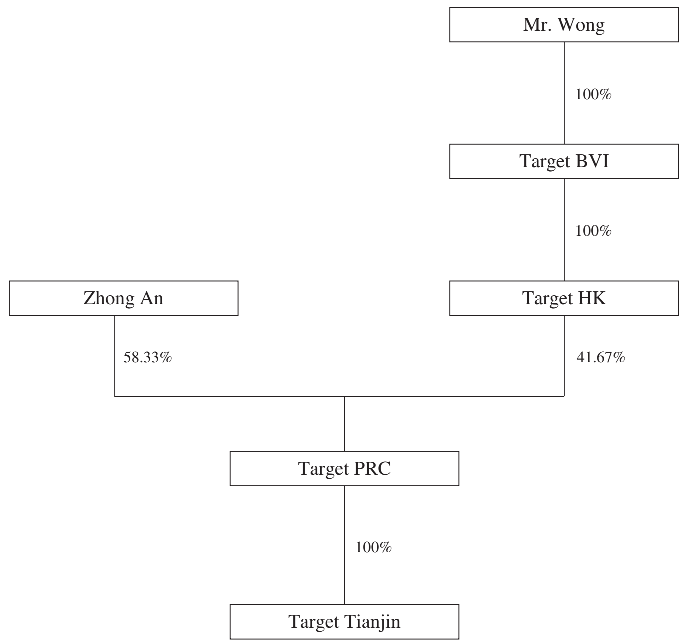
Target BVI was incorporated in the BVI on 25 March 2010 and is wholly owned by the Vendor. Target BVI is principally engaged in investment holding.

Target BVI directly owns the entire issued share capital of Target HK, which was incorporated in Hong Kong on 21 March 2013 and is principally engaged in investment holding.

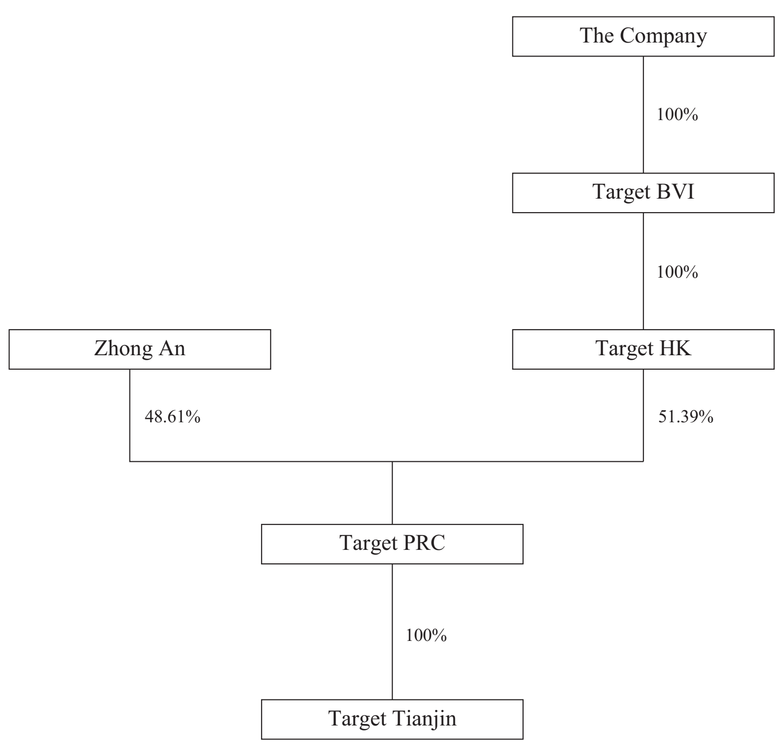
Target HK directly owns approximately 41.67% equity interest in Target PRC. The remaining equity interest of approximately 58.33% in Target PRC is owned by Zhong An, an independent third party.

Target PRC was established in the PRC on 6 April 2010. Target PRC has a direct wholly-owned subsidiary, namely, Target Tianjin. Target Tianjin was established in the PRC on 27 November 2013 by Target PRC.

The shareholding structure of the Target Group immediately before Acquisition Completion is as follows:



The shareholding structure of the Target Group immediately after Acquisition Completion and the Capital Injection Completion is as follows:



Each of Target PRC and Target Tianjin is principally engaged in the provision of finance lease and related consultancy services in the PRC. In view of the geographical location of Tianjin which has one of the core ports in the PRC and the transportation business in Tianjin is prosperous which means a lot of ships and fixed assets require finance lease and the encouragement from the local government, Target PRC set up Target Tianjin on 27 November 2013 for the development of local business. In general, finance lease is an arrangement where the finance lease provider purchases certain asset (such as machinery) from its customer (or from supplier(s) designated by its customer) in cash at the beginning and lease it back to its customer immediately afterwards in return for a series of rental payments payable by its customers to the finance lease provider over a pre-agreed lease period. While the title of ownership of the asset belongs to the finance lease provider, the customer of the finance lease provider will have custody and the right to use of the asset throughout the lease period. At the end of the lease period, the title of ownership of the asset will be transferred back to its customer at a nominal consideration. Target PRC and Target Tianjin provide finance lease to their clients and/or provide consultancy services to their clients for the arrangement of suitable financial institutions in the PRC to provide relevant finance lease to their clients.

On 9 March 2012, the Target BVI signed an agreement to acquire 25% equity interests in the Target PRC at a consideration of US$2.5 million. On 18 April 2013, the Target BVI Company signed an agreement to transfer 25% equity interest in the Target PRC to Target HK at a consideration of approximately US$2.5 million. On 23 August 2013, Target HK made a capital injection of US$10 million to Target PRC. As a result of the foregoing, Target HK's total capital contribution to Target PRC amounted to approximately US$12.5 million. As at the Latest Practicable Date, Target PRC has a registered capital of US$30 million (equivalent to approximately HK$233 million), which has been fully contributed as to US$12.5 million (equivalent to approximately HK$96.9 million) by Target HK and as to US$17.5 million (equivalent to approximately HK$135.6 million) by Zhong An prior to the Latest Practicable Date. The board of Target PRC includes five directors of which three directors are nominated by Target HK while two directors are nominated by Zhong An. The Target Group has independent management team. Zhong An is principally engaged in fiduciary management of equity investment funds, investment and financing management and related consultancy services. Zhong An is owned as approximately 93.33% by 北京平安富通投資有限責任公司 (Beijing Pingan Futong Investment Company Limited**) and approximately 6.67% by 北京恒達天潤企業管理諮詢有限公司 (Beijing Hengda Tianrun Enterprise Management Consultancy Limited**).

As advised by the PRC legal advisers to the Company, according to the Administrative Measures on Foreign Investment in the Lease Business (外商投資租賃業管理辦法), the registered capital of Target PRC should not be less than US$10 million (equivalent to approximately HK$78 million) and risky asset (calculated by total asset deducted by cash, bank deposits, national debts and entrusted lease assets) cannot be more than 10 times of the net asset value. Save for (i) the Certificate of Approval for Enterprises Invested by the Chinese from Taiwan, Hong Kong and Macao of the People's Republic of China; and (ii) the Business License for an Enterprise as a Legal Person, which have been obtained, the Target Group does not need to obtain any special license/permit/approval for its business. Based on the due diligence up to the date hereof and to the best knowledge of the Directors, the Directors are not aware of any non-compliance of the Target Group in relation to the PRC laws and regulations.

The original purchase cost of the Target Group by the Vendor was approximately US$12.5 million (equivalent to approximately HK$96.9 million), being the capital contribution of US$12.5 million by Target HK.

As at the Latest Practicable Date, the registered capital of Target PRC is US$30 million while the registered capital of Target Tianjin is RMB50 million. As at the Latest Practicable Date, the paid-up capital of Target PRC is US$30 million while the paid-up capital of Target Tianjin is RMB50 million. In addition, on 21 July 2015 (after trading hours), Target HK and Zhong An entered into the Capital Injection Agreement, pursuant to which Target HK and Zhong An agreed that Target PRC shall apply for an increase in its registered capital from US$30 million (equivalent to approximately HK$233 million) to US$36 million (equivalent to approximately HK$279 million), where the increased amount of US$6 million (equivalent to approximately HK$47 million) shall be entirely contributed by Target HK such that Target HK's equity interest in Target PRC shall increase from approximately 41.67% to approximately 51.39% after its contribution of the additional registered capital while Zhong An's equity interest in Target PRC shall decrease from approximately 58.33% to approximately 48.61%.

Business model

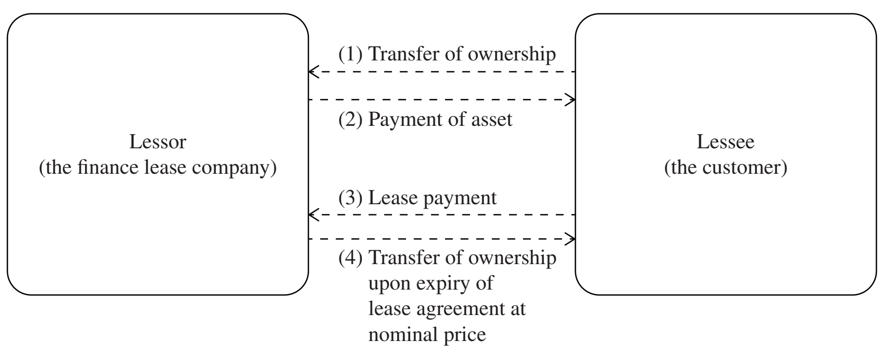
The principal business of the Target Group is the provision of finance lease and related consultancy services in the PRC. Target BVI is an investment holding company and its sole investment is the interests in Target HK. Target HK is an investment holding company and its sole investment is the interests in Target PRC. Target PRC, together with its subsidiary Target Tianjin, collectively known as the PRC Subsidiaries, are principally engaged in the provision of finance lease and related consultancy services in the PRC.

Provision of finance lease and related consultancy services

Finance lease is the principal business activity of the Target Group. The principal mode of finance lease offered by the Target Group is sale and leaseback. The leasing operations mainly serve large corporations in asset intensive industries in the PRC. Most lease contracts are priced at a fixed rate/floating rate ranging from approximately 5% to 10% for a term of approximately 1 to 8 years. Through the financing lease services, the Target Group also provides customers with professional and customized advisory services. For the three years ended 31 December 2014 and the six months ended 30 June 2015, the total number of finance lease transaction was 37, involving a total of 30 customers. The average size of finance lease transactions was approximately RMB0.3 billion, based on the aggregate original principal amount of the finance lease transactions during the period of three years ended 31 December 2014 and the six months ended 30 June 2015 of approximately RMB11.4 billion, comprising those financed by non-recourse financing and recourse financing, and the total number of 37 finance lease transactions of the Target Group. With reference to the financial information of the Target PRC as contained in Appendix IIB to this circular, the finance lease receivables of the Target PRC in total of approximately RMB544.3 million as at 30 June 2015 related to outstanding receivable of periodic lease payments due from lessees for finance lease financed by recourse financing only. As at the Latest Practicable Date, there was a total of 34 ongoing finance lease transactions on hand of the Target Group. Based on the due diligence up to the date hereof and to the best knowledge of the Directors, the Directors confirm that all such customers of the Target Group are independent third party to (a) the Company and its connected persons; (b) the Target Group and its ultimate beneficial owners; and (c) Zhong An and their ultimate beneficial owners.

The Target Group also provide finance lease consultancy services. For finance lease consultancy services, the Target Group arranges suitable financial institutions in the PRC to provide relevant finance lease to their clients. The Target Group charge the clients a consultation fee for providing the finance lease consultancy services.

With respect to the principal mode of finance lease, a sale & leaseback usually involves two parties, namely lessor (i.e. the PRC Subsidiaries) and lessee (i.e. the customer). It is a form of financing which the lessee who originally owned the asset sells such asset to the lessor to satisfy its financing needs. The lessee will then lease the asset back from the lessor for a relatively long period of time and pay periodic lease payments for the use of the asset. Upon expiry of the lease term, the lessee is provided with an option to purchase the asset underlying the lease at a predetermined nominal price. Under the sale & leaseback, the lessee benefits from improving liquidity while enjoying the use of the asset. The following diagram illustrates the relationship among the two parties in the sale & leaseback:



Apart from the principal mode of finance lease of sales & leaseback, the Target Group also offers direct financing lease. It is a customary financing arrangement in which the lessor (i.e. the PRC Subsidiaries) purchases the asset in need of the lessee (i.e. the customers) from the supplier, and then lease the asset to the lessee in return for a periodic lease payments during the lease term. The lessor will cover most of the purchasing cost from lease payables by the lessee. Eventually, the lessee will normally have an option to acquire the asset or the ownership might transfer at the final lease payment.

Source of revenue

Revenue of the Target Group arising from the Target Business will mainly comprise (i) service fee income generated from the provision of finance lease; (ii) interest income; and (iii) consultation fee income associated with the provision of finance lease consultation services.

Target customers

The main customer base of the Target Group primarily includes large corporations covering industries of energy resources, chemical, manufacturing, medical and urban infrastructure and public utility construction. The Target Group has provided finance lease to projects involving coal mining, manufacturing facilities, transportations, retail and wholesale industry, medical facilities, power facilities and water and gas supply, etc.

Lease rate, service fee and their determination basis

The periodic lease payments of a finance lease transaction, comprising the repayment by installment of the principal of the finance lease together with the interest accrued thereon, are usually scheduled on a quarterly or semi-annually basis during the lease term.

The interest rates charged for most finance lease transactions of the Target Group are priced at a fixed rate/floating rate ranging from approximately 5% to 10%, which varies on a case by case basis with reference to the cost of financing of the Target Group for the relevant finance lease transaction.

On the other hand, the Target Group would charge its customer as lessee service fee for the provision of finance lease, which is either a flat fee or a flat rate ranging from 0.2% to 4.5% of the principal of finance lease. Such service fee varies on the basis of ultimate services provided to the individual customers and are negotiable on a case by case basis.

In general, the annual rate of return as required by the Target Group shall not be less than 1% of the principal amount for finance lease transaction financed by recourse financing, and shall not be less than 0.1% of the principal amount for that financed by non-recourse financing. The determination of such rate of return is generally based on, among other things, the risk profile of the customer as lessee with reference to the financial performance and financial position of the customer (such as historical operating data, profitability and cash flow forecast), the condition of the customer's industry, the prevailing practice of the finance lease industry, the benchmark lending rate as prescribed by PBOC from time to time, the cost of financing of the Target Group for the relevant finance lease transaction, the amount of deposit provided (if any) and the presence of guarantee.

As advised by the management of the Target Group, and in accordance with the regulatory policies governing finance lease in the PRC as set out in the section headed "Regulatory overview" below, there are currently no regulatory restrictions on the interest rate charged on the finance lease.

Major operating costs

The major operating costs of the Target Group include service fees and related charges paid to the financial institutions which provide the financing, interest expenses on borrowings and deposits from customers, and staff costs. The service fees and related charges paid to the financial institutions for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately RMB23.3 million, RMB15.8 million, RMB5.3 million and RMB36.4 million. The interest expenses on borrowings and deposits from customers of the Target Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately RMB14.0 million, RMB28.7 million, RMB46.1 million and RMB18.3 million. The staff costs of the Target Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately RMB2.7 million, RMB5.1 million, RMB7.0 million and RMB3.6 million respectively.

Security deposits and personal guarantees

In some cases, the lease agreements require security deposit and/or personal guarantees from the lessees for the performance of their obligations under the lease agreements.

Organisational structure

In terms of organisational structure, the Target Group has five divisions for the business of the Target Group, namely, the marketing division, the financial market division, the risk management division, the account and finance division and the administration and personnel division. In addition, there is a risk review committee and a management team on top of the five divisions.

Marketing division

The marketing division is the revenue generating unit which mainly focuses on customer relationship development, finance lease application, preliminary due diligence including but not limited to conducting credit analysis of financial position, collateral quality, repayment ability and credit profiling of the lessee and quotation of finance lease terms. As at 30 June 2015, the marketing division of the Target Group had 17 staff. Apart from Mr. Li Peng (李鵬), being the chief supervisor of the marketing division of the Target PRC, the details of which are set out in the paragraph headed "Management expertise of the Target Group" below, the marketing division is also headed by a general manager with a bachelor degree in accounting and over ten years of experience in the fields of accounting, auditing and finance, including experience in internal control. This division identifies potential customers based on referral and market research. The division is also responsible for preparing analytical reports that summarizes the result such as the credit rank and risks and proposing to the customers the details of finance lease terms. This division also closely monitors the rental repayment, the assets information of the lessee and the provision of rental to ensure the lessee obligations are fulfilled without default.

Financial market division

The main function of this division is the management of financial resources of the Target Group. They will check the possible cost of capital in the market for the relevant finance lease and identify and negotiate with financial institutions (generally commercial banks) for the sufficient finance resources for the finance lease. As at 30 June 2015, the financial market division of the Target Group had 5 staff.

Risk management division

The risk management division is responsible for risk control activities. This division reassesses all the materials provided by the marketing division and carry out relevant checks and verifications for further review. They will examine the findings and give preliminary advice on the analysis and investigation performed by marketing division. They will have the final review on credit analysis, in particular, the finance lease terms and conditions. Another main duty of the division is to supervise the debt collections performed by the marketing division. In case of doubtful debts, the risk management division and the marketing division will together provide solutions and pass the case to the senior management for instruction. Furthermore, they will prepare review reports regularly on the post-lease management policies and suggest precautionary measures. In addition, they will conduct internal reviews of the Target Group on, among other things, business operations, corporate governance and legal compliance issues. As at 30 June 2015, the risk management division of the Target Group had 4 staff. Of the 4 staff of the risk management division, one is of the grade of general manager and two are of the grade of senior manager, two of which obtained master degree in legal studies/economics, and possess experience in risk management, finance and auditing in established organisations such as insurance/finance lease companies.

Account and finance division

This division is in charge of administration, accounting and financial management of the Target Group. Apart from bookkeeping and business planning, its main function is to assess the return after obtaining the cost of capital details from the financial market division. In addition, another function of the division is to periodically report on the operations as well as the financial performance of the business based on the data and statistics. They will then highlight any issues for management consideration. As at 30 June 2015, the account and finance division of the Target Group had 5 staff.

Administration and personnel division

This division is in charge of human resource management of the Target Group. Apart from personnel affairs, another main function of it is to provide secretarial services, processing documents and daily administrative affairs for the directors and senior management of the Target Group. They will then highlight any issues for management consideration. As at 30 June 2015, the administration and personnel division of the Target Group had 10 staff.

Risk review committee

After the initial approval by the risk management division, the risk review committee will conduct the final assessment of the risk of the finance lease application and consider to approve or not accordingly.

Management

The management of the Target Group is a management team with the chief executive officer plays a central role, and is responsible for organising and leading the overall operation of the company.

Operating procedures

The operational workflow of the Target Group for its finance lease business is as below:

Step 1 Identification of potential lessees

Step 2 Application and credit assessment

Step 3 Due diligence and quotation

Step 4 Approval

Step 5 Entering into contract and grant of financing under the finance lease

Step 6 Post-lease monitoring and compliance with the payment obligations by lessees

Step 7 Monitoring of the leased assets and the lessees and evaluating leased asset management alternatives

It may take from a few days to up to several months to complete the preparation stages depending on the complexity of the transaction and whether the potential customer is new customer and the market condition of the potential customer's business. Throughout the entire lease term, the Target Group closely monitors the repayment status under the relevant finance lease agreement, the operational condition of the leased assets and compliance with the maintenance requirements by the lessee as well as the overall operational and financial status and creditworthiness of the customers.

Stage 1: Identification of potential lessees

The marketing division of the Target Group keeps close contacts with potential customers and banks from time to time to explore any potential business opportunities.

Stage 2: Application and credit assessment

The marketing division of the Target Group has internal assessment procedures to evaluate the background and the credit worthiness of any new customers by considering its financial position, market share, background of shareholders and business reputation. The Target Group also takes into consideration their business strategies in future and their expansion plan. After assessment, the marketing division will make application and the management of the Target Group will decide whether to make quotation and the proposed terms of the finance lease based on the application, source of funding as advised by financial market division, risk of the application preliminary advised by risk management division and assessment of costs by account and finance division.

Stage 3: Due diligence and quotation

After preliminary approval by the management, the marketing division together with the risk management division will carry out due diligence which covers different aspects. The Target Group studies and analyses the background of the customer including its operating history and shareholders and other financial information. Specific needs in respect of the type and specification requirements of the assets will also be studied and compared with the Group's historical and market records. After due diligence, the marketing division will provide preliminary quotation for client's consideration based on the estimated cost of capital provided by financial market division, return assessment by account and finance division and approval by the management.

The Target Group will also evaluate different transaction structures and the relevant leasing and financing options. Lease terms including time frame, the amount of the lease payment, the payment schedule, and financing terms including interest rate, duration and the amount of financing will also be considered for the purpose of making an overall assessment of the legal and operational risks of a particular transaction. Interest rate risk, counterparty and credit risk, the level of debt, and the residual value risk of the subject assets will also be assessed at this stage. Cash flow analysis will also be performed to access the financial impact of the transaction.

In evaluating a finance lease transaction, the Target Group will assess the profitability and the return on investment, the counter-party risk, leverage risk, and the residual value risk.

After completing the feasibility assessment, the Target Group will commence further discussions and negotiations on the leasing letter of intent with the prospective customers, if the Target Group is satisfied that the proposed acquisition is commercially viable and that the acquisition would not result in any negative impact on the business operations.

The Target Group will proceed to obtain preliminary indications from the financial institutions for the financing arrangements. The Target Group will generally require indications from at least two banks on the proposed financing arrangements.

Stage 4: Approval

After confirmation of principal terms with the customers, the marketing division will make a final application to risk management division. After initial approval by the risk management division, the risk review committee will conduct the final assessment of the risk of the finance lease application and consider to approve or not accordingly.

Stage 5: Entering into the contract and grant of financing under the finance lease

After the approval by the risk review committee, the marketing division will then proceed to prepare the agreement and relevant document on the basis of the negotiated and approved terms of the asset acquisition, lease and the financing of the finance lease. The risk management division will ensure the content of the contract and relevant asset title transfer documents are in accordance to the terms approved by the risk review committee.

Following the determination of the specifications and the detailed terms of the financing arrangements, the Target Group will proceed to coordinate with different parties for the finance lease and the financing. The process represents the collaborative efforts of different departments to ensure that all the related arrangements will be completed according to the planned schedule.

The account and finance division of the Target Group grants the financing according to the financing conditions and timetable of the signed finance lease agreement and the financing of the finance lease agreement.

Stage 6: Post-lease monitoring and compliance with the payment obligations of lessees

The risk management division of the Target Group monitors the receipt of the lease income from the customers, and closely monitors if there is any delay in the lease payment by the customers and follow-up actions to be taken promptly in case of such delay. The Target Group will monitor any breach of covenant and any likely impact as a result.

Stage 7: Monitoring of the leased assets and the lessees, and evaluating leased assets management alternatives

The Target Group will carry out regular and spot checks on the lessees. The marketing division of the Target Group, under the guidance of the risk management division, will closely monitor the condition of the subject assets, requesting financial statements of the lessee semi-annually for analysis, in order to monitor the financial position and the operating condition of the lessee. The risk management division will carry out on-site checks to the lessee to check the operating condition of the lessee, project progress and condition of the leased assets, and compile a site visit report accordingly. The Target Group will obtain the relevant information on the operating and credit condition of the lessee and condition of the leased assets through ongoing monitoring, industry analysis, online information, newspaper and research report, in order to evaluate the creditability of the lessees and identify any potential default risk and based on the result of such evaluations, to timely implement measures such as on-site checks, replenishment of leased assets, amendments to the terms of the lease agreement, seizure of the leased assets or termination of the lease agreement.

In addition, the Target Group also closely monitors the operating and credit condition of the customers in order to assess the creditworthiness of the customer and to identify any potential risk of default.

As part of the on-going monitoring process, the Target Group also explores opportunities to realise their investments in finance lease receivable through different financing strategies.

Financing arrangements for the provision of finance lease

With each of the lease agreement entered into with the customer, as lessee, the Target Group, as lessor, will obtain financing from commercial banks and other financial institution.

The primary means of financing of the Target Group is factoring. Upon entering into the lease agreement with the lessee, the Target Group will, generally on the even date, enter into a factoring agreement with an independent financial institution, generally a commercial bank, that provides factoring service (the "Financing Party"), pursuant to which the Target Group assigns the receivable of periodic lease payments due from the lessee during the lease term to the Financing Party and the Financing Party will finance the Target Group an amount equal to the Target Group's payment obligation to the lessee under the lease agreement.

Under this financing mode, the Target Group will pay a one-off factoring service handling fee to the Financing Party and the Target Group will charge the lessee a one-off lease handling fee, at the inception of the lease, which are generally based on a certain percentage of the principal amount of the lease.

During the lease term, in general, the lessee will pay the periodic lease payment, comprising the repayment by installment of the principal of the finance lease together with the interest accrued thereon, to the bank account designated by the Financing Party, according to the repayment schedules. Under the factoring arrangement, the leased assets shall be pledged to the Financing Party.

Recourse clause

The Target Group's financing arrangements can be classified into non-recourse financing and recourse financing. For recourse financing, the financing agreement contains a recourse clause pursuant to which, upon occurrence of events (the "Recourse Events") specified under the recourse clause, the Financing Party has the right to transfer the outstanding receivable of periodic lease payments due from the lessee during the lease term back to the Target Group, and the Target Group will pay the Financing Party an amount equal to such outstanding receivable of periodic lease payments transferred. For non-recourse financing, upon occurrence of the Recourse Events, the Target Group would not be liable for any damages and losses suffered by the Financing Party.

The receivable/debt transferred and the consideration paid for such transfer shall include any interests on late payment, liquidated damages and any other unpaid expenses/fees pursuant to the relevant financing agreement.

The key Recourse Events generally include:

(a) The Target Group fails to perform its obligations under, or do not perform its obligations pursuant to, the financing agreement; and

(b) The lessee delays/defaults in lease payment.

Upon occurrence of the Recourse Events, the Financing Party, while has the rights to transfer the outstanding receivable of periodic lease payments due from the lessee during the lease term back to the Target Group, may also repossess and realise the leased assets pledged to it to settle the outstanding principal of the finance lease. For any shortfall in settling the outstanding principal of the finance lease from the realisation of the leased assets, the Financing party may seek repayment of such shortfall from the Target Group and/or the lessee. For any remaining leased assets after the full settlement of the outstanding principal of the finance lease from the realisation of leased assets, the pledge on such remaining leased assets shall be released and the relevant title of ownership shall be held by the Target Group.

In January 2015, one of the lessee of the Target Group defaulted in lease payment. The principal amount of such lease was RMB5 million for a lease term of two years, which was financed by self-financing. The Target Group took legal action against the lessee and the civil mediation document was issued in March 2015 that the lessee shall repay the outstanding principal amount of the lease of approximately RMB3.6 million with overdue payment of approximately RMB36,000. All outstanding principal amount and overdue payment were settled in May 2015.

With respect to the impairment assessment of the finance lease receivable, the Target Group takes into consideration the objective evidence of impairment loss as a result of one or more events that occurred after the initial recognition. Such events include material delays/defaults in lease payment by the lessee, subject to the Target Group's assessment on the recoverability of such outstanding receivables past due. The amount of the impairment loss, if any, is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the leased assets less cost to sell.

With respect to difference in accounting treatment, for finance lease transaction financed by non-recourse financing, upon the non-recourse financing arrangement becoming effective, the Target PRC in effect transfers all risks and rewards of ownership of the assets to the financing party. On the other hand, upon the non-recourse financing arrangement becoming effective, the Target PRC in effect transfers the obligations under the financing arrangement to the lessee. As a result of the foregoing, the relevant financial assets of finance lease receivable and the financial liability of the borrowing are derecognised from the financial statements of the Target PRC. On derecognition, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income, as well as the difference between the carrying amount of the financial liability derecognised and the consideration paid, are recognised in profit or loss of the Target PRC.

For finance lease transaction financed by non-recourse financing, service fee income and service cost to banks in relation to the finance lease transaction will be recognised in the profit and loss of the Target PRC, whereas for finance lease transaction financed by recourse financing, service fee income and service cost to banks together with the finance lease interest income and interest expenses on borrowing will be recognised in the profit and loss of the Target PRC.

Save as disclosed above, there was no occurrence of Recourse Events in the finance lease of the Target Group, and no impairment loss has been recognised for finance lease receivables during the three years ended 31 December 2014 and the six months ended 30 June 2015.

In selecting between non-recourse financing and recourse financing for a finance lease transaction, the Target Group would take into consideration in its assessments, among other things, the quality of the customer's business, operating condition, financial risks, liabilities, credit history, quality of the leased assets, measures that increase the creditworthiness of the customer in the finance lease transaction. Non-recourse financing is the preferred type of financing. Nevertheless, if a customer achieves satisfactory results in the aforementioned assessments, with appropriate rate of return, the Target Group may select recourse financing for the relevant finance lease transaction.

Financial information of the Target Group

The following is the financial information of the Target Group as extracted from the accountants' report on the Target Group as set out in Appendix IIA and Appendix IIB to this circular, which was prepared in accordance with Hong Kong Financial Reporting Standards:

Set out below are highlights of the audited consolidated financial statements of Target BVI and its subsidiary, i.e. Target HK, for the three years ended 31 December 2014 and for the six months ended 30 June 2015:

				Six months
	Year ended 31 December			**ended 30 June**
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Revenue	–	–	–	–
Profit/(loss) before tax	2,964,759	22,921,073	15,291,418	13,525,689
Profit/(loss) after tax	2,964,759	(15,068,652)	14,886,645	13,525,689

Set out below are highlights of the audited consolidated financial statements of Target PRC and its subsidiary, i.e. Target Tianjin, for the three years ended 31 December 2014 and for the six months ended 30 June 2015:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Revenue	73,164,172	87,523,905	100,911,832	95,649,333
Net profit before tax	11,479,274	27,404,342	36,635,272	37,346,452
Net profit after tax	8,506,119	20,515,482	29,274,713	26,081,661

According to the accountants' reports of Target BVI and Target PRC as set out in Appendix IIA and Appendix IIB to this circular, as at 30 June 2015, the audited consolidated net asset value of Target BVI was approximately HK$8,562,635, and the audited consolidated net asset value of the Target PRC was approximately RMB250,594,670.

The following table sets out the key operating statistics of the Target Group during the period for the three years ended 31 December 2014 and the six months ended 30 June 2015:

	The period of the three years ended 31 December 2014 and the six months ended 30 June 2015
Number of finance lease transactions	37
Aggregate amount of finance lease volume financed by recourse financing (RMB billion)	1.0
Aggregate amount of finance lease volume financed by non-recourse financing (RMB billion)	10.3

MANAGEMENT EXPERTISE OF THE TARGET GROUP

Mr. Qiao Wei Bing (喬衛兵) ("Mr. Qiao")

Mr. Qiao, aged 48, is the chairman of the Board of Target PRC. He joined Target PRC in April 2010. Mr. Qiao holds a bachelor degree from Shanxi University and a master degree in management engineering from the China University of Mining and Technology. Mr. Qiao has over 20 years' experience in the financial and insurance sectors in the PRC. From July 2005 to September 2008, Mr. Qiao served as chairman and director of 中盛國際保險經紀有限責任公司 (ZhongSheng International Insurance Brokers Co., Ltd**) which was registered in the PRC. From 30 November 2009 to 8 November 2011, Mr. Qiao served as non-executive director of the Theme International Holdings Limited (stock code: 990), which shares are listed on the Main Board of the Stock Exchange. From October 2008 to June 2015, Mr. Qiao served as a director of 上海新黃浦置業股份有限公司 (the Shanghai New Huang Pu Real Estate Co., Ltd**) (stock code: 600638.SH), which shares are listed on the Shanghai Stock Exchange.

Mr. Wong Lik Ping (王力平) ("Mr. Wong")

Mr. Wong, aged 55, is the Vendor and the director of Target PRC. Mr. Wong is also the Chairman and Executive Director of the Company. He joined Target PRC in April 2010. Mr. Wong has over 20 years' experience in trading business and financial industry. He is currently (i) an executive director and a vice-chairman of Shougang Fushan Resources Group Limited (stock code: 639) and (ii) an executive director and chairman of Theme International Holdings Limited (stock code: 990), both companies listed on the Main Board of the Stock Exchange. Mr. Wong is a member of the National Committee of the Chinese People's Political Consultative Conference. He has extensive experience in trading business, financial industry and investments in a wide range of businesses in China. Mr. Wong is also a director of a joint venture of the Company in the PRC.

Mr. Wang Zhong Min (王忠民) ("Mr. Wang")

Mr. Wang, aged 66, is the executive director of Target PRC. Mr. Wang has a qualification as a senior accountant in the PRC. He joined the Target PRC in 2012. Mr. Wang obtained a diploma of industrial economic management from 中國人民大學函授學院 (The Correspondence School of Renmin University of China**). Mr. Wang has over 40 years of experience in the coal industry. Mr. Wang worked as the deputy section head of 煤炭工業部財務司 (the Finance Department of Ministry of Coal Industry**) from 1981 to 1988, the section head of 中國統配煤礦總公司財務部 (the Finance Department in China National Coal Corporation**) from 1988 to 1993, and the section head and the deputy head of 煤炭工業部財務勞資司 (the Finance and Labor Department of Ministry of Coal Industry**) from 1993 to 1995. From 1993 to 1995, Mr. Wang served as the chairman and general manager of 中煤信託投資有限責任公司 (the China Coal Trust Co., Ltd**) which was registered in the PRC. From 1995 to 2002, Mr. Wang served as the chairman and director of 中誠信託有限責任公司 (the China Credit Trust Co., Ltd**) which was registered in the PRC. From 2003 to 2011, Mr. Wang served as the chairman and director of 嘉實基金管理有限公司 (the Harvest Fund Management

Co., Ltd**) which was registered in the PRC. Mr. Wang is currently the consultant of the Harvest Fund Management Co., Ltd. He was the chairman of 中國信託業協會 (China Trustee Association**) and is currently a deputy chairman of 中國煤炭工業協會 (China National Coal Association**). Mr. Wang was also appointed as the independent director of 上海大屯能源股份有限公司 (Shanghai Datun Energy Resources Co., Limited**) (Stock Code: 600508.SH), which shares are listed on the Shanghai Stock Exchange.

Mr. Zhang Jin Bo (張金波) ("Mr. Zhang")

Mr. Zhang, aged 37, is the general manager of the Target PRC. He obtained a Master Degree of Science in Law and Business Administration from 中國政法大學 (the China University of Political science and Law**). Mr. Zhang has extensive experience in marketing and managing legal issues, and he is responsible for the overall risk management of the Target PRC. He joined the Target PRC in 2012.

Mr. Li Peng (李鵬) ("Mr. Li")

Mr. Li, aged 34, is the chief supervisor of the marketing division of the Target PRC. He obtained a Bachelor's Degree of Science in Law. Mr. Li has extensive experience in overall marketing planning and asset management of finance lease, and he is responsible for the market development of the Target PRC. He joined Target PRC in 2011.

Mr. Wang Lei (王雷) ("Mr. Wang")

Mr. Wang, aged 35, is the deputy general manager of the Target PRC. He obtained a Bachelor's Degree of Science in Business Research. Mr. Wang has rich experience in risk management and investment management, and he is responsible for the management of the financing channels of the Target PRC. He joined Target PRC in 2010.

Mr. Fan Yu Guo (范玉國) ("Mr. Fan")

Mr. Fan, aged 45, is the chief financial controller of the Target PRC. He obtained a Bachelor's Degree of Science in Financial Accounting. Mr. Fan has extensive experience in project accounting, company accounting and financial planning, and he is responsible for managing the account and finance division of the Target PRC. He joined Target PRC in 2013.

VALUATION REPORT

The Valuation

Peak Vision Appraisals Limited, an independent professional valuer, has prepared the Valuation Report of the Target Group based on the market approach. According to the Valuation Report, the market value of the 100% equity interest of the Target Group as at 30 June 2015 was RMB439,000,000 (equivalent to approximately HK$548,750,000).

Assumptions

The Valuation Report is prepared on the following assumptions:

- For the Target PRC to continue as a going concern, the Target PRC will successfully carry out all necessary activities for the development of its business;

- The availability of finance will not be a constraint on the forecast growth of the Target PRC's operations in accordance with the business plans and the projections;

- The audited financial statements of the Target PRC as supplied to the valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target PRC as at the respective balance sheet dates;

- Market trends and conditions where the Target PRC operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Target PRC;

- There will be no material changes in the business strategy of the Target PRC and its operating structure;

- Interest rates and exchange rates in the localities for the operation of the Target PRC will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Target PRC operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target PRC operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target PRC.

RISK FACTORS

Shareholders should consider carefully all of the information set out in this circular and, in particular, the following risk factors associated with the Enlarged Group as well as the other information including the Group's consolidated financial statements and accompanying notes and the unaudited pro forma financial information of the Enlarged Group as well as the valuation of the Target Group set forth in Appendices I, IIA, IIB and III and IV respectively before making a voting decision at the EGM. If any of the possible events described below occur, the Enlarged Group's business, financial condition or results of operations could be materially and adversely affected and the market price of the shares of the Company could fall significantly.

Risks associated with the Acquisition

The Board has no experience in operating the Target Business in the PRC.

The proposed Acquisition involves the acquisition of the Target Group which is principally engaged in the Target Business in the PRC. The Board has no experience in operating the Target Business in the PRC. The acquisition of such new business may pose significant challenges to the Group, including but not limited to the administrative, financial and operational aspects. As the Board does not have significant experience in operating the Target Business, it is difficult to ascertain the time to recover the Group's investment and/or whether profits can be generated from the Target Business, let alone the amount. If the business of the Target Business does not develop or progress as planned, the Group may not be able to recover the funds and resources it has spent, and this may subsequently adversely and materially affect the Group's financial position.

The valuation of the Target Group may not be accurate and may overstate the value of the Target Group. There is no assurance that the assumptions and valuation approaches adopted in the Valuation Report can be sustained and continue to be valid in the future.

There are three generally accepted approaches could be used for the valuation of the Target Group: market approach, asset approach and income approach. Each method uses a specific procedure to determine the business value, and three approaches have been considered in this valuation. However, the approaches reply substantially on the use of various assumptions and the consideration, there can be no assurance that such assumptions can be sustained in long term in the future taking into account the limited track record of the Target Group. In addition, the financial information of the Target Group may not be representative of the future operating results of the Target Group. As such, the valuation of the Target Group based on such assumptions and valuation approaches may be subject to uncertain factors which may make the overall valuation highly uncertain. Therefore, there is a possibility that the valuation of the Target Group may not be accurate and may overstate the value of the Target Group.

Acquisition Completion is subject to the fulfillment of a number of conditions precedent and may or may not proceed.

Completion of the Acquisition Agreement is subject to the conditions precedent being fulfilled and remaining to be satisfied as at Acquisition Completion (or waived by the Purchaser to the extent waivable). As at the Latest Practicable Date, the conditions precedent have not been fully satisfied (or waived, if applicable). As such, the Acquisition may or may not proceed.

Risks associated with the Target Business

There is keen competition in the finance lease industry.

The Target Group competes with other finance lease companies in the PRC. According to 2014至2018年中國融資租賃行業全景調研與發展戰略研究諮詢報告 (China Financial Leasing Industry Report (2014 to 2018)**) (the "Industry Report"), there were 1,026 finance lease companies as at the end of 2013. The Target Group also competes with other financing institutions in the PRC such as local banks, entrusted loan providers and micro-financing companies in the PRC. The Target Group may not be able to outperform other financing providers.

The Target Group has not purchased any insurance to cover its risk against customers' default or other potential risks associated with the Target Business.

The Target Group has not purchased any insurance to cover its risk against customers' default or other potential risks associated with the Target Business as described in this section of "Risk Factors". This is consistent with the market practice. If any of the risk factors described in this section materialises, the business, financial conditions and operation results of the Target Group may be adversely and materially affected.

The Target Group is dependent on key personnel.

The development of the Target Group's business is, to a large extent, attributable to the contribution of its existing directors and senior management team. The knowledge and experience of these key personnel has played a significant role in the business operations and strategic planning of the Target Group. There could be an adverse impact on the Target Group's operations should any of these management personnel resign and the Target Group fails to identify the appropriate candidates to replace them. There is no assurance that the Target Group will be able to attract and retain capable staff to serve the Target Group or that they will not resign in the future.

If the Target Group fails to adhere to the relevant laws and regulations, it may have a material and adverse impact on the business, operation results and financial conditions of the Target Group.

The Target Group is subject to a number of laws and regulations that are relevant to the Target Business. Please refer to the paragraph headed "Regulatory overview" below for further details. If the Target Group fails to observe and comply with the relevant laws and regulations, the Target Group and/or its management may be exposed to civil or criminal liabilities including penalties, fines, damages and other sanctions, which may have a material and adverse impact on the business, results of operation and financial conditions of the Target Group.

The Target Group is exposed to fraud or other misconduct committed by its employees, customers or other third parties.

The Target Group may be exposed to fraud or other misconduct committed by its employees, agents, customers or other third parties that could subject the Target Group to financial losses and sanctions imposed by governmental authorities as well as serious harm to the Target Group's reputation. Since the commencement of business operation of the Target Group, no such fraud or other misconduct was committed by the Target Group's employees, agents, customers or third parties that had an adverse material effect on the Target Group's business reputation, financial condition and results of operations nor were there any sanctions imposed by governmental authorities. However, it is not always possible for the Target Group to detect and prevent fraud and other misconduct. There will therefore continue to be the risk that fraud and other misconduct may occur and that negative publicity, government sanctions and/or financial losses may result, which may have an adverse effect on the Target Group's business reputation, financial condition and results of operations.

There are risks associated with the availability of funds to sustain the operations and growth of the Target Group.

The Target Group requires substantial amount of capital to finance its finance lease business operations. It has been financing its operations mainly through financing from the other financing institutions such as local banks. In the event that the Target Group it is unable to obtain external loans or other credit facilities on reasonable terms or at all, it may not be able to continue to provide finance lease to its customers and its operations will be adversely affected.

Risks associated with the PRC

Changes in the economic, political and social conditions of the PRC and policies adopted by the PRC government may adversely affect the Target Group's business, growth strategies, financial conditions and results of operation.

The economy of the PRC differs from the economies of most developed countries in many respects, including structure of economy, level of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. In recent years, the PRC government has implemented measures emphasising market forces for economic reform. Increasing emphasis has been placed on the utilisation of market forces in the development of the PRC's economy. Annual and five year plans are adopted by the PRC government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the PRC's industrial output, the PRC government is generally reducing the level of direct control which it exercises over the economy. Many of the reforms are unprecedented or experimental and may be subject to refinement, change or reversal based upon the outcome of such experiments. However, there can be no assurance that the PRC government will continue to pursue a policy of economic reform, in the present form of such policy or otherwise.

The Target Group may not in all cases be able to capitalise on the economic reform measures adopted by the PRC government. Their business could be adversely affected by economic, political and social conditions or developments of the PRC government, such as measures which may be introduced to control inflation, changes in the interest rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Such changes could have adverse effects on the overall economic growth of the PRC, which could subsequently hinder the Target Group's current or future business, growth strategies, financial condition and results of operation.

Development of PRC legal system and other regulatory considerations may adversely affect the Target Group's business, growth strategies, financial conditions and results of operation.

As substantially all of the Target Group's business activities are conducted in the PRC and all of their revenue are derived from the PRC market, all of their operations are governed by PRC laws and regulations. The PRC is still in the process of developing a comprehensive statutory framework. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial laws. However, due to the limited volume of published cases and their non-binding nature, and as a result of other factors (including the influence of political considerations can have in legal matters), these laws and regulations have not been fully developed and the implementation of PRC laws and regulations involves a degree of uncertainty. In addition, the Chinese legal system is based in part on government policies and administrative rules that may have a retroactive effect. It cannot be predicted of the future development of the PRC legal system, including any promulgation of new laws, change to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws, and the effect it may have on our Group. Furthermore, the legal protections available to the Target Group under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention.

Acts of God, acts of war, natural disasters and other disasters could have a negative impact on the Target Group's business.

The Target Business is subject to the general and social conditions in the PRC in which the Target Group's operations are located. Natural disasters, acts of God and other disasters such as flood, earthquake, sandstorm or drought that are beyond the Target Group's control may materially and adversely affect the economy, infrastructure and livelihood as well as living and consumption patterns of the people of the PRC. The Target Group's business, financial condition and results of operation may be materially and adversely affected if these natural disasters occur.

Acts of war and terrorist attacks may cause damage or disruption to the Target Group or their customers or may affect the value of collaterals provided by their customers, any of which may materially and adversely impact on the Target Group's revenue, financial condition and results of operation. Potential war or terrorist attacks may also cause uncertainty and cause the Target Group's business to suffer in ways that we cannot currently predict.

An outbreak in the future of epidemic, if protracted and uncontrolled, may result in the contraction of such disease amongst the Target Group's employees or those with whom they conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. For these reasons, an outbreak of epidemic could cause significant interruption to the Target Group's business and may have an adverse impact on their revenue and profitability.

There may be seasonality in the Target Group's business, which could cause the revenue of the Target Group to fluctuate.

The Company considers that the seasonality of the Target Group's business is insignificant. However, the Directors noted that during the period of the Chinese New Year, there are less economic activities in the PRC and the Target Group may conduct substantially fewer businesses during the period. Such seasonality may cause the revenue of the Target Group to fluctuate.

COMPANY'S ASSESSMENT OF THE LIKELIHOOD OF THE ABOVE RISKS AND PLAN TO MANAGE THE ABOVE RISKS

The Directors cannot assure that the above risks will not happen in future. However, to minimise any risks related to above, the Directors will ensure that adequate resources are available to manage the above risks and the management of the Target Group will regularly review these risks and report to the Board if there is any likelihood of the happening of the above risks.

In addition, the Group intends to implement the following plan to manage the above risks:

– It is the Company's intention for the Target Group to maintain the current senior management of the Target Group, who has extensive experience in the finance lease industry in the PRC, after the Acquisition. As part of the conditions precedent, Vendor has undertaken to procure the key management of the Target Group to enter into service agreements with the Target Group to continue their services in the Target Group for three years from the date of Acquisition Completion. The Board believes that in addition to the Target Group's senior management personnel, the Board and its senior management would also contribute to the operation of the Target Group. Mr. Wong, as the chairman of the Group and also the director of Target PRC, has extensive experience in trading business, financial industry and investments in a wide range of business in the PRC. With the consideration of Mr. Wong's experience and his current cooperative relationships with the Group and the Target Group, the Board is of the view that the Company will be able to monitor the development of the Target Business effectively.

– The Group will use its best effort to attract and retain appropriate and suitable candidates to serve the Target Group. Also, in order to strengthen the management of the Target Group, the Company intends to appoint additional appropriate candidates with relevant experience in the PRC finance lease industry to complement the existing management of the Target Group in the future.

– Despite the keen competition in the finance lease industry in the PRC, the demand for finance lease from small and medium sized enterprises and individual entrepreneurs has been increasing rapidly in recent years. The Board considers that there are opportunities in the industry and it is an appropriate time to enter into the industry. The Board considers that the growth of the finance lease industry in PRC provides not only keen competition but also ample opportunities for the Group to operate successfully in the finance lease industry.

– In order to minimise the risks of fraud and other misconduct committed by its employees, customers, and other third parties, it is planned that a comprehensive internal control system will be formulated and implemented in order to detect and prevent possible fraud and other misconduct as early as practicable. On such basis, the Group considers that with a sound internal control system being established and implemented, fraud or other misconduct may be detected and deterred effectively.

– When considered appropriate, the Target Group requires substantial amount of capital to finance its finance lease business operations, and the Target Group needs to search for independent financial institutions for entering a financing agreement. In addition, the target Group had not experienced any delay or failure in arranging the financing agreement with financial institutions for the past three years. The Board reasonably believes that the risk of the availability of funds to sustain the operations is and will continue to be properly managed by the Target Group.

– The Board anticipates that the economy of China will continue to grow steadily having regard to the historical growth of China. In case of an economic downturn, the Group intends to monitor closely the individual circumstances of each customer of the Target Group in order to minimise the risk associated with delay or default in repayments from the Target Group's customers.

– The Target Group is subject to a number of laws and regulations, and a material and adverse impact on the business, operation result and financial conditions of the Target Group may be resulted from the failure to adhere to the relevant laws and regulations. It is planned that a comprehensive internal control system will be formulated and implemented in order to assist the management of the Target Group to adhere to the relevant laws and regulations. On such basis, the Group considers that with a sound internal control system being established and implemented, non-compliance to laws and regulations may be detected and reduced effectively.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the PRC laws and regulations which are relevant to the Target Group's operations and business in the PRC. Information contained in this section should not be construed as a comprehensive summary of the laws and regulations applicable to the Target Group.

I. Regulatory Bodies

(1) National Regulatory Bodies

The Ministry of Commerce is the administrative department for the finance lease industry and also the administrative department for the examination and approval thereof.

The State Administration for Taxation formulates the policies for taxation for the finance lease industry.

(2) Local Regulatory Bodies

Provincial commerce departments are directly responsible for daily supervision of the finance lease industry. Target PRC is under the supervision of Beijing Municipal Commission of Commerce.

II. Regulatory Policies

(1) Guidance Catalogue of Industries for Foreign Investment (Amended in 2015) (《外商投資產業指導目錄(2015年修訂)》)

The Guidance Catalogue of Industries for Foreign Investment (Amended in 2015) was jointly issued by the National Development and Reform Commission and the Ministry of Commerce on 10 March 2015 with effect from 10 April 2015.

The Guidance Catalogue of Industries for Foreign Investment (Amended in 2015) classifies industries into categories in which foreign investments are either encouraged, restricted or prohibited. According to the Guidance Catalogue of Industries for Foreign Investment (Amended in 2015), the finance lease industry does not fall within the scope of industries in which foreign investments are restricted or prohibited.

(2) Measures for Administration of Foreign Investments in Leasing Industry (《外商投資租賃業管理辦法》)

The Measures for Administration of Foreign Investments in Leasing Industry were promulgated by the Ministry of Commerce on 3 February 2005 with effect from 5 March 2005.

The principal provisions of the Measures for Administration of Foreign Investments in Leasing Industry are set out below:

- Foreign investments in the leasing industry may take the form of a limited liability company or joint-stock limited company. A foreign-invested enterprise undertaking leasing business is a foreign-invested leasing company. A foreign-invested enterprise undertaking finance lease business is a foreign-invested finance lease company.

- The Ministry of Commerce is the administrative department for the foreign-invested leasing industry and also the administrative department for the examination and approval thereof.

- A foreign-invested finance lease company may undertake finance lease business in its various forms such as direct lease, sublease, leaseback, leveraged lease, trust lease and joint lease.

- Total assets of foreign investors in any foreign-invested leasing company and foreign-invested finance lease company shall not be less than US$5 million.

- A foreign-invested finance lease company shall: (1) have a registered capital of no less than US$10 million; (2) generally have a term of operation of no more than 30 years in the case of foreign-invested finance lease companies with limited liability; and (3) have employees with professional skills and its senior management shall possess required qualifications and no less than three years of industry experience.

- A foreign-invested finance lease company may carry out the following business: (1) finance lease business; (2) leasing business; (3) purchase of leased properties domestically and overseas; (4) disposal and repair of residual values of leased properties; (5) consulting and guarantee for leasing transactions; and (6) other business approved by the approval authorities.

- For the purposes of preventing risks and ensure business operation security, the risky assets of a foreign-invested finance lease company generally shall not exceed 10 times the total amount of its net assets. The risky assets shall be determined on the basis of residual assets, namely, the result after deducting the cash, bank deposits, treasury bonds and entrusted leased assets from the total assets.

- A foreign-invested finance lease company shall, not later than March 31 of each year, submit to the Ministry of Commerce its business operation report for the previous year and its financial reports for the previous year audited by an accounting firm.

(3) Guidelines for the Admission Approval of Foreign-Invested Finance Lease Companies (《外商投資融資租賃公司准入審批指引》)

The Guidelines for the Admission Approval of Foreign-Invested Finance Lease Companies were promulgated by the General Office of the Ministry of Commerce on 11 July 2013.

The principal provisions of the Guidelines for the Admission Approval of Foreign-Invested Finance Lease Companies are set out below:

- Investors who apply for establishing a finance lease company shall be a company or enterprise or in other economic form. Foreign investors or their overseas parent companies shall have good credit standing, are lawfully registered and conducting substantive operating activities overseas.

- The investors shall submit to the approval authority the auditor's report for the previous year issued by an accounting firm, and those have assets less than liabilities as shown in the auditor's report shall be not qualified. Total assets of foreign investors shall not be less than US$5 million.

- Investors which have not existed for over one year shall be not qualified. Such one-year existence requirement does not apply to the application for establishment of a finance lease company in the name of their wholly-owned foreign special purpose vehicles submitted by overseas parent companies of foreign investors meeting certain criteria.

- A foreign-invested finance lease company shall bear "finance lease" ("融資租賃") in its name and the term "financial leasing" ("金融租賃") shall not appear in its name and scope of business.

- A finance lease company may carry out guarantee business relating to leasing transactions but shall not conduct such business as its principal activity and the term "guarantee" shall not appear in its name.

- "Total investment" is not required to be specified in the joint venture agreement/articles of association or in the reply documents and approval certificates. The registered capital shall not be less than US$10 million.

- Foreign investment shall account for no less than 25% of total capital.

- The operating term shall generally be no more than 30 years.

(4) Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-invested Finance lease Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》)

The Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-invested Finance lease Companies was promulgated by the General Office of the Ministry of Commerce on 11 July 2013.

The principal provisions of the Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Approval and Administration of Foreign-invested Finance lease Companies are set out below:

- Foreign-invested finance lease companies shall not carry out activities such as taking deposits as saving, granting loans and entrusted loan; and they shall not conduct inter-bank borrowing and equity investments without approval from relevant authorities.

- In order to effectively prevent fiscal and financial risks and pursuant to the Notice of the State Council on Issues concerning Strengthening the Administration of Companies on Local Government Financing Platforms (Guo Fa [2010] No. 19) (《國務院關於加強地方政府融資平台公司管理有關問題的通知》(國發[2010]19號)), a foreign-invested finance lease company shall not provide direct or indirect financing in any form to local government financing platforms undertaking public welfare projects.

(5) Measures for Supervision and Administration of Finance Lease Companies (《融資租賃企業監督管理辦法》)

The Measures for Supervision and Administration of Finance Leasing Companies were promulgated by the Ministry of Commerce on 18 September 2013 with effect from 1 October 2013.

The principal provisions of the Measures for Supervision and Administration of Finance Lease Companies are set out below:

- The Ministry of Commerce is responsible for supervision and administration of finance lease enterprises in the PRC. Provincial commerce departments are responsible for supervision of finance lease enterprises in their jurisdiction.

- Subject to applicable laws, regulations and rules, a finance lease enterprise may undertake finance lease business in its different forms such as direct lease, sublease, leaseback, leveraged lease, trust lease and joint lease.

- A finance lease enterprise shall not carry out financial activities such as taking deposits as saving, granting loans and entrusted loans. A finance lease enterprise shall not carry out activities such as inter-bank borrowing without approval from relevant authorities. Finance lease enterprises are prohibited from conducting illegal fund raising in the name of finance lease.

- Finance lease enterprises shall strengthen management of key lessees and prevent and diversify operating risks by controlling the percentage of transactions with individual lessees and lessees who are related parties.

- The risky assets of a finance lease enterprise generally shall not exceed 10 times the total amount of its net assets.

- In daily supervision, provincial commerce departments shall conduct strict supervision and management of finance lease enterprises by focusing on whether they have conducted illegal activities such as taking deposits as saving, granting loans or operating beyond its scope of business. They shall report any such events identified in time to the relevant authorities and notify the Ministry of Commerce.

- Provincial commerce departments shall analyze on a regular basis key indicators for enterprises such as the percentage ratio of connected transactions, the percentage ratio of risky assets, the percentage ratio of transactions with individual lessees and lease payment overdue rate. Priority shall be given to enterprises with high indicators and significant potential operating risks.

- Finance lease enterprises shall adopt the national finance lease enterprise information management system and submit relevant data in time as required by the Ministry of Commerce. They shall submit within 15 business days of the end of each quarter the operating statistics for the previous quarter and brief explanations for the previous quarter and submit by 30 April of each year the operating statistics for the previous year, explanations and their audited financial reports for the previous year (together with notes).

- Prior notice shall be given to provincial commerce departments for change of name, location of registration, increase or decrease in registered capital, alteration of organizational form and adjustment to equity structure of finance lease enterprises. If any of the foregoing matters relate to a foreign-invested enterprise, approval and filing procedures shall be completed in accordance with the relevant rules.

(6) Interpretations of the Supreme People's Court on Issues relating to the Application of Laws in the Trial of Disputes over Finance Lease (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》)

The Interpretations of the Supreme People's Court on Issues relating to the Application of Laws in the Trial of Disputes over Finance Lease were issued by the Supreme People's Court on 24 February 2014 with effect from 1 March 2014.

The principal provisions of the Interpretations of the Supreme People's Court on Issues relating to the Application of Laws in the Trial of Disputes over Finance Lease are set out below:

- For contracts which are in the name of finance lease but do not constitute legal relationship of finance lease in substance, they shall be treated by the people's court based on the legal relationship constituted in substance.

- If the lessee disposes of its property to the lessor and then leases it back through a finance lease contract, the people's court shall not determine that it does not constitute a legal relationship of finance lease only by reason of the fact that the lessee and the seller is the same person.

- If the lessee is required to obtain an administrative permit for the operation and use of a leased property in accordance with laws and administrative regulations, the people's court shall not treat the finance lease contract as invalid only by reason of the lack of such administrative permit.

- If the transferee claims that a finance lease contract shall be terminated or modified on the ground that the lessor has transferred all or part of his/her/its rights under the contract, the people's court shall not support such claim.

(7) Announcement on Taxation Issues relating to the Disposal of Assets by Lessees in Finance Sale and Leaseback Transactions (《關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告》)

The Announcement on Taxation Issues relating to the Disposal of Assets by Lessees in Finance Sale and Leaseback Transactions was promulgated by the State Administration for Taxation on 8 September 2010 with effect from 1 October 2010.

The principal provisions of the Announcement on Taxation Issues relating to the Disposal of Assets by Lessees in Finance Sale and Leaseback Transactions are set out below:

- In accordance with the prevailing rules relating to value-added tax and business tax, disposal of assets by the lessee in a finance sale and leaseback transaction does not fall within the scope of value-added tax and business tax and no value-added tax or business tax is required to be paid.

- In accordance with the prevailing rules relating to enterprise income tax and determination of income, proceeds from disposal of assets by the lessee in a finance sale and leaseback transaction shall not be recognised as sales revenue, and deprecation shall be made for assets under finance leases using the original carrying value prior to the disposal by the lessee. During the lease period, payment by the lessee as finance interest are deductible as finance cost before tax.

(8) Rules on Matters regarding Pilot Reform of Transition from Business Tax to Value-added Tax (《營業稅改征增值稅試點有關事項的規定》)

The Rules on Matters regarding Pilot Reform of Transition from Business Tax to Value-added Tax were promulgated by the State Administration for Taxation on 12 December 2013 with effect from 1 January 2014.

The principal provisions of the Rules on Matters regarding Pilot Reform of Transition from Business Tax to Value-added Tax are set out below:

- For pilot taxpayers conducting finance lease business with the approval of the People's Republic of China, the China Banking Regulatory Commission or the Ministry of Commerce, when providing finance sale and leaseback services for movable properties, the sales revenues shall be the balance of total service prices (including relevant surcharges) after deducting the principal amount of movable properties collected from the lessee, interests paid on borrowings (including interests on borrowings denominated both in foreign currencies and Renminbi), and interests on bonds issued.

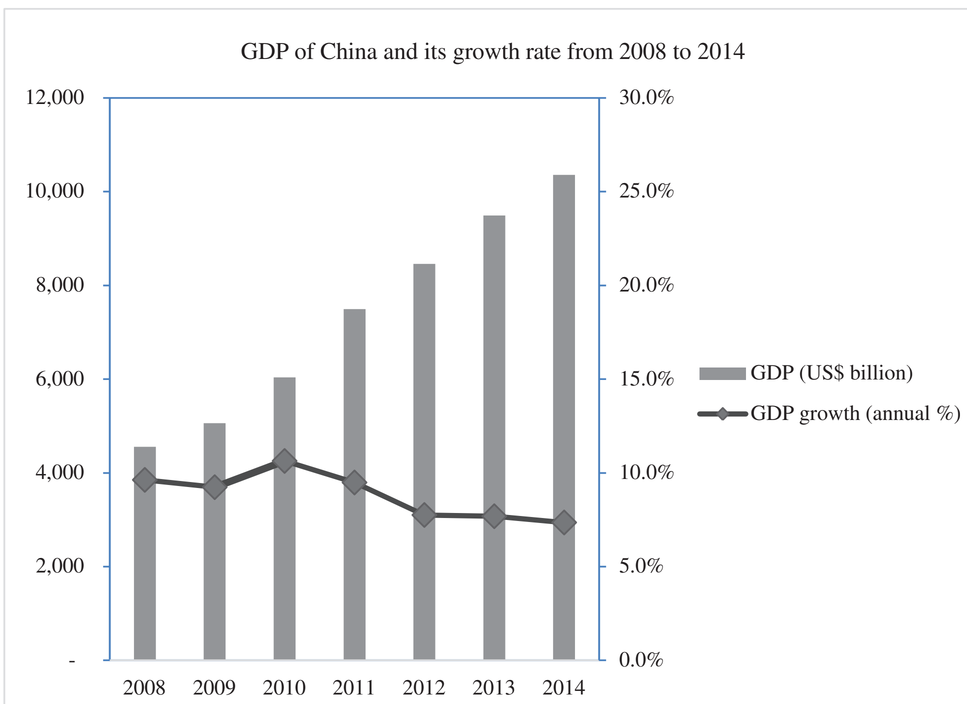
- For the principal amount of movable properties collected by a pilot taxpayer from the lessee when providing finance sale and leaseback transactions, plain invoices, rather than special invoices for value-added tax, shall be issued.

- For pilot taxpayers conducting finance lease business with the approval of the People's Republic of China, the China Banking Regulatory Commission or the Ministry of Commerce, when providing finance lease services for movable properties other than those in finance sale and leaseback transactions, sales revenues shall be the balance of the total service prices (including relevant surcharges) after deducting interests paid on borrowings (including interest on borrowings denominated both in foreign currencies and Renminbi), interests on bonds issued, insurance premiums, installation fees and vehicle purchase taxes.

INDUSTRY OVERVIEW

Economic development of China

The Target Business is mainly based in China. According to The World Bank, the GDP of China had increased by approximately 7.4% to approximately US$10,360 billion in 2014. At the same time, the GDP per capita of China increased by approximately 6.8%, to approximately US$7,594. The following diagram illustrates the GDP of China from 2008 to 2014:



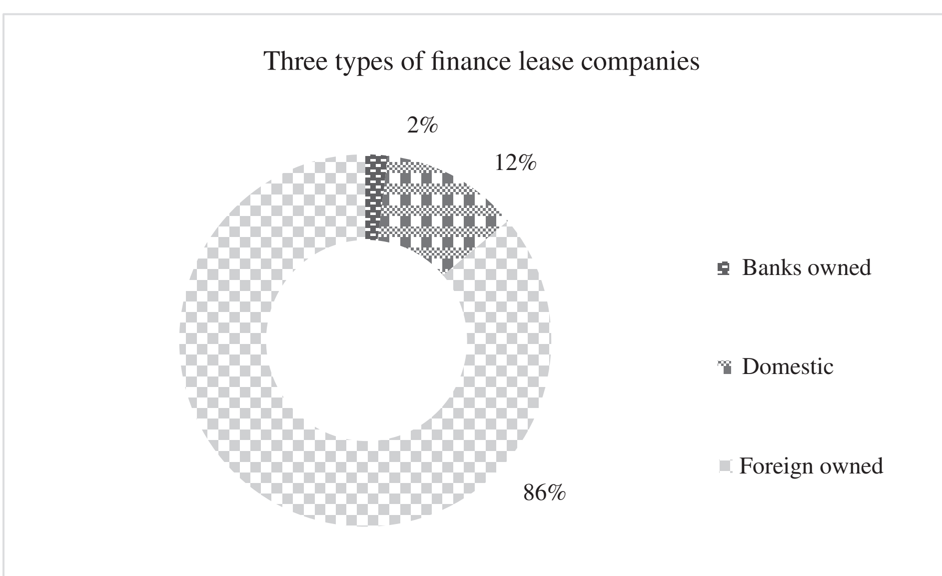
Source: The World Bank

Finance lease industry in the PRC

Finance lease business is an integrated financing method of funding, asset finance, trading, services and technology, which generally involves providing finance lease arrangements to businesses with sizes ranging from small businesses to large corporations in asset intensive industries in the PRC. The finance lease business provides an alternative financing channel for the businesses in asset intensive industries to acquire the right to use the needed assets along with these advantages: (i) less upfront cash payment than purchasing the assets; and (ii) an optional right to purchase the assets at the end of leasing period.

According to reports from Department of Circulation Industry Development of the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部流通業發展司), the total registered capital for finance lease companies in PRC increased to approximately RMB2,884 billion as at the end of 2013, in which the registered capital for finance lease companies in Shanghai, Tianjin and Beijing accounted for nearly 60% of the national total. As at the end of 2013, around 92% of the finance lease companies in PRC were operated in the eastern part of China.

There are three types of finance lease companies in PRC: (i) bank owned leasing companies; (ii) domestic leasing companies; and (iii) foreign owned leasing companies. These finance lease companies can be distinguished by their regulators, of which the bank owned leasing companies are regulated by the China Banking Regulatory Commission (the "CBRC"); the domestic leasing companies are regulated by the local government; and the foreign leasing companies are regulated by the Department of Foreign Investment Administration of the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部外國投資管理司). The following diagram illustrates the amount of the three types of finance lease companies in PRC as at the end of 2013:



*Source: 2014至2018年中國融資租賃行業全景調研與發展戰略研究諮詢報告 (China Financial Leasing Industry Report (2014 to 2018)**)*

According to the statistics of the Industry Report, as at the end of 2013, there were approximately 1,026 leasing companies in the PRC, in which 86% are foreign owned; 12% are domestic companies; and the remaining 2% are banks owned. As at the end of 2013, the finance lease volume of China was approximately RMB2.1 trillion, representing an increase of around 13.5 times from 2008 to 2013. For the same period, the penetration rate had increased by 5.3 times.

Government policy

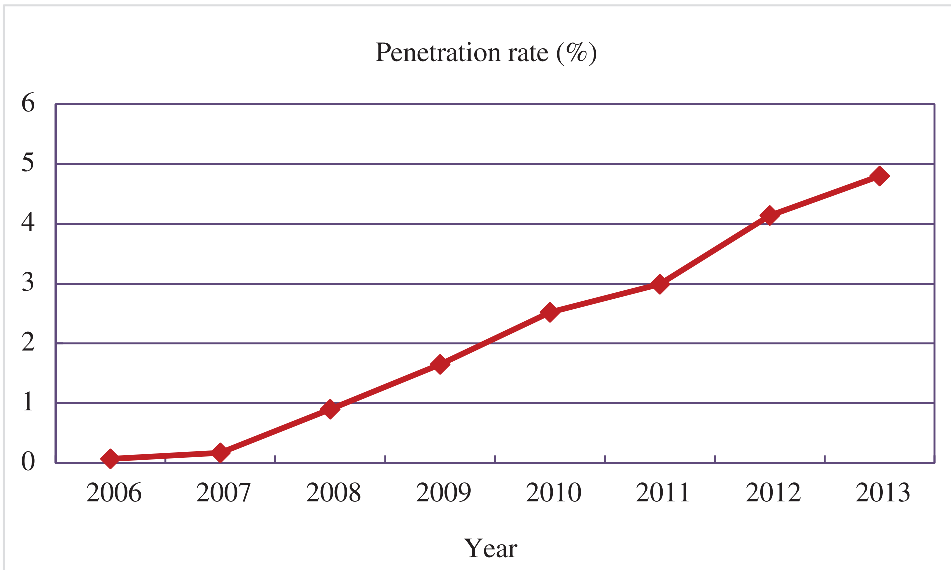
On 15 December 2011, the Ministry of Commerce of the People's Republic of China issued the Guiding Opinions on Promoting the Development of the Finance Lease Industry during the "12th Five-Year Plan" Period ("十二五" 期間促進融資租賃業發展的指導意見). The guidance expressed clearly that the government realised the importance of the finance leasing industry, and expected that the finance lease industry will play an important role in expanding domestic demand, driving exports and promoting economic development. Opinions offered in accordance with the 12th Five-Year Plan for National Economic and Social Development are (a) fully understanding the great significance of accelerating the development of the finance lease industry; (b) guiding ideology, basic principles and development of finance lease industry; (c) building innovative finance lease business model; (d) optimising the development plan of finance lease industry; (e) supporting finance lease companies to explore business opportunities; (f) paying substantial effort to explore overseas finance lease market; (g) directing finance lease companies to access more corporate financing channels for finance lease companies; (h) enhancing the risk prevention of the finance lease companies; (i) accelerating the development of finance lease related industries; (j) strengthening the monitoring system of the finance lease industry; (k) improving the rules, regulations and government policy related to the finance lease industry; (l) establishing a standardised system for the finance lease industry; (m) increasing the social awareness of finance lease; and (n) creating industry organisation and professionals training centre.

Market environment and competition

The Target Group competes with both the local and foreign finance lease companies in the PRC. In view of the huge market potential of finance lease in China, the foreign investor and foreign firms started setting up subsidiaries in the PRC to capture the market share of the finance lease industry. Due to the open market policy of the China government, as at the end of 2013, there were approximately 880 foreign owned finance lease companies in PRC, which was around 86% of the total number of finance lease companies in PRC. Although the total leasing volume of the foreign owned finance lease companies was around RMB5,500 billion, representing approximately 26.2% of the national total, a fast increasing trend was observed. Comparing with the newly incorporated local finance lease companies, the foreign owned finance lease companies had more experience, more management experts, well established system and various funding sources, which were becoming a huge threat to the local finance lease companies.

Market potential and future development

Finance lease industry is expected to play a more important role in terms of facilitating economic circulation and healthy development of enterprises. It is a supplement to mainstream financing channels. The penetration rate indicates the scale of development and the annual leasing volume of the finance lease industry. The following diagram shows the penetration rate of finance lease industry in PRC from 2006 to 2013:



*Source: 2014至2018年中國融資租賃行業全景調研與發展戰略研究諮詢報告 (China Financial Leasing Industry Report (2014 to 2018)**)*

According to the Industry Report, as at the end of 2013, the finance lease penetration rate of China was around 4.8%, there was large room for growth when comparing to the Europe and the USA of the average rate of 20% to 30%. As the finance lease industry is experiencing the fast growing period, the turnover of finance lease in PRC is predicted to exceed approximately RMB5 trillions in 2016. Moreover, the finance lease industry in PRC is expected to expand at the rate of 30% to 50% in the next few years due to the increasing domestic demand and consumption across industries. With the gradual implementation of the 12th Five-Year Period Plan, the demand for investment in fixed asset and equipment will continue to grow as the policies regarding urbanization, industrialization, upgrading of tradition industries, reform of healthcare and educational system etc. are introduced. This will bring great opportunities for the development of the finance lease industry. As such, the Directors believe that finance lease industry will play a more active role in the PRC and is expected to grow at a faster pace.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacture and trading of polishing materials and equipment, trading of equity securities, investment in terminal and logistics services business and investment holding.

The Board considers that the Acquisition (together with the Capital Injection) is a good opportunity for the Group to diversify its business and develop new revenue streams. As the Target Group generated net profits in the past two years ended 31 December 2013 and 2014 from its finance lease operations, the Board is of the view that the Acquisition provides the Group with an opportunity to gain access to the finance lease business in the PRC, can generate diversified income for the Group, and can enhance Shareholders' value.

Following the Acquisition Completion and the Capital Injection Completion, the entering into of finance lease constitutes a transaction under Rule 14.04(1)(c) of the Listing Rules. The Company will comply with the relevant Listing Rules requirement for the entering into of finance lease after the Acquisition Completion and the Capital Injection Completion.

The Directors consider that the terms of Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 22 January 2015, the Company had not entered or did not propose to enter, into any agreement, arrangement, undertaking (whether formal or informal and whether express or implied) and negotiation (whether concluded or not) with an intention to dispose of or downsize the existing businesses of the Group.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE CAPITAL INJECTION

Upon Acquisition Completion and Capital Injection Completion the Target Group will become subsidiaries of the Company and will be accounted for in the consolidated financial statements of the Group.

Assets and liabilities

According to the interim report of the Company for the year ended 30 June 2015, the unaudited consolidated total assets and liabilities of the Group as at 30 June 2015 were approximately HK$1,428.0 million and HK$111.4 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming that Acquisition Completion and Capital Injection Completion had taken place on 30 June 2015, the unaudited pro forma consolidated total assets, liability and equity of the Enlarged Group would be approximately HK$2,391.8 million, HK$903.7 million and HK$1,488.1 million respectively. The increase in the pro forma total assets was mainly due to the finance leases receivables of approximately HK$679.9 million. The increase in the pro forma total liabilities was mainly due to the pro forma adjustments of short-term and long-term borrowings of approximately HK$610.9 million.

Gearing ratio

As at 30 June 2015, the gearing ratio of the Group, which was calculated based on total liabilities divided by the total assets, was 7.8%.

Assuming that Acquisition Completion and Capital Injection Completion had taken place on 30 June 2015, it is expected that the gearing ratio of the Enlarged Group would become approximately 37.8% based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular.

Earnings

Following the Acquisition Completion and Capital Injection Completion members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into that of the Group. Based on the latest publish annual report of the Group, the Group recorded an audited consolidated profit of approximately HK$27,607,000 for the year ended 31 December 2014. Based on the accountant's report of the Target PRC as set out in Appendix IIB to this circular, for the year ended 31 December 2014, the Target PRC recorded profit for the year of approximately HK$29,274,713.

As set out in Appendix III to this circular, assuming that Acquisition Completion and Capital Injection Completion had taken place on 1 January 2014, the unaudited pro forma consolidated profit of the Enlarged Group for the year ended 31 December 2014 would be approximately HK$60,903,000, which was mainly due to the consolidation of the financial results of Target Group into that of the Group.

In light of the potential future prospects of the Target Group, it is expected that consolidating the financial results of the Target Group into the Group will have a favourable long term effect on the Enlarged Group's earnings upon Acquisition Completion and Capital Injection Completion.

INTENTION OF THE GROUP'S EXISTING BUSINESS

Save as the agreement dated 21 December 2014 in relation to the sale of interest in terminal and logistics services business by the Group to independent third party, there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal or termination or scaling-down of its existing business. The Group intends to develop both of its existing business and the business of the Target Group after Acquisition Completion and Capital Injection Completion.

LISTING RULES IMPLICATIONS

The Vendor is a connected person of the Company by virtue of him being the chairman of the Board, an executive Director and a substantial Shareholder holding (directly and indirectly) approximately 16.12% of the entire issued share capital of the Company as at the Latest Practicable Date. As such, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. In accordance with the Listing Rules, the Vendor, who is an executive Director having a material interest in the Acquisition, has abstained from voting on the board resolution approving the Acquisition Agreement, the Capital Injection Agreement and the transaction contemplated thereunder. The Acquisition and the Capital Injection also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the Listing Rules, the Vendor and his respective associates will abstain from voting on the resolution(s) to approve the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder at the EGM.

EGM

The EGM will be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder, including the Acquisition and the Capital Injection.

The Vendor will abstain from voting in relation to the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder, including the Acquisition and the Capital Injection.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby they have or may have temporarily or permanently passed control over the exercise of the voting right in respect of their shares in the Company to a third party, either generally or on a case-by-case basis.

A notice convening the EGM is set out on pages 223 to 225 of this circular. A proxy form containing the proposed resolutions is enclosed with this circular. Whether or not Shareholders propose to attend the EGM, Shareholders are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should they so wish.

RECOMMENDATION

The Independent Board Committee comprising two independent non-executive Directors, namely, Mr. Ho Hin Yip and Mr. U Keng Tin, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement and the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. None of the members of the Independent Board Committee has any direct or indirect interest in the Acquisition and the Capital Injection.

With the approval of the Independent Board Committee, the Company has appointed Pan Asia as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of (i) the Acquisition and the Capital Injection are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. Your attention is drawn to the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out in its letter on pages 52 to 83 of this circular.

For the reasons as set out in this letter, the Board considers that (i) the Acquisition Agreement and the Capital Injection Agreement are on normal commercial terms, fair and reasonable and (ii) that the entering into of the Acquisition Agreement and the Capital Injection Agreement are in the interests of the Company and Shareholders as a whole.

You are advised to read carefully the letters from the Independent Board Committee and the Independent Financial Adviser contained in this circular before deciding whether or not to vote in favour of the ordinary resolution(s) approving the Acquisition Agreement and the Capital Injection Agreement at the EGM.

As completion of the Acquisition and the Capital Injection is subject to the fulfillment of a number of conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

By Order of the Board
PME Group Limited
Lai Ka Fai
Executive Director

PME GROUP LIMITED
必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

30 October 2015

To the Independent Shareholders

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO (1) THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CHINA EVER GRAND CAPITAL GROUP LIMITED AND ASSIGNMENT OF SHAREHOLDER'S LOAN AND (2) CAPITAL INJECTION TO BEIJING EVER GRAND INTERNATIONAL FINANCE LEASE CO., LTD AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 30 October 2015 (the "Circular") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you whether the terms of the Acquisition Agreement and the Capital Injection Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder.

Pan Asia has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement and the Capital Injection Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 52 to 83 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 49 of the Circular and the additional information set out in the appendices of the Circular.

* *For identification purpose only*

Having considered the terms of the Agreement and the advice from Pan Asia, we are of the opinion that the terms of the Acquisition Agreement and the Capital Injection Agreement are on normal commercial terms and their terms and conditions as well as the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole even though the subject matter, i.e. finance leasing, is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
PME Group Limited

Mr. Ho Hin Yip	**Mr. U Keng Tin**
Independent non-executive Director	*Independent non-executive Director*

The following is the text of a letter of advice from Pan Asia Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders in connection with the proposed very substantial acquisition and connected transaction which has been prepared for the purpose of incorporation in this circular:

Pan Asia Corporate Finance Limited
Unit 1504, 15th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

30 October 2015

To: The Independent Board Committee and the Independent Shareholders of PME Group Limited

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms of the Acquisition Agreement and the Capital Injection Agreement and the transactions contemplated thereunder, details of which are set out in the section headed "**Letter from the Board**" in the circular issued by the Company to the Shareholders dated 30 October 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

On 21 July 2015 (after trading hours), the Purchaser (a wholly owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares and assign the Shareholder's Loan for a total consideration in the sum of RMB170,847,000 (equivalent to approximately HK$213,558,750), which shall be payable by the Purchaser to the Vendor in cash within 30 days from the date of Acquisition Completion.

In addition, on 21 July 2015 (after trading hours), Target HK and Zhong An entered into the Capital Injection Agreement under which Target PRC shall apply for an increase in its registered capital from US$30 million (equivalent to approximately HK$233 million) to US$36 million (equivalent to approximately HK$279 million), where the increased amount of US$6 million (equivalent to approximately HK$47 million) shall be entirely contributed by Target HK such that Target HK's equity interest in Target PRC shall increase from approximately 41.67% to approximately 51.39% thereafter while Zhong An's equity interest in Target PRC shall decrease from approximately 58.33% to approximately 48.61%.

Since the Vendor is the chairman of the Board, an executive Director and a substantial Shareholder holding (directly and indirectly) approximately 16.12% of the entire issued share capital of the Company as at the Latest Practicable Date, he is a connected person of the Company as defined under the Listing Rules. As a result, the Acquisition constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

The Acquisition also constitutes a very substantial acquisition on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder are subject to the approval of the Independent Shareholders at the EGM. In accordance with the Listing Rules, the Vendor and his respective associates will abstain from voting on the resolution(s) to approve the Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising two independent non-executive Directors, namely, Mr. Ho Hin Yip and Mr. U Keng Tin, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition Agreement and the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote. We, Pan Asia Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular as well as the information and representations provided to us by the Company, the Directors and the management of the Company.

We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided to us by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the EGM that would affect or alter our opinion on the Acquisition, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible.

We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors issuing the Circular jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Acquisition Agreement, Capital Injection Agreement and the transactions contemplated thereunder and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

OUR QUALIFICATIONS AND INDEPENDENCE

Pan Asia has been licensed by the Securities and Futures Commission (the "**SFC**") since 1992 and is a licensed corporation engaging in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung, who is the Chairman of Pan Asia and signs off on this letter, is licensed by the SFC as a Responsible Officer and a Principal licence holder of Pan Asia, and has over 20 years' experience in the financial services industry in Hong Kong.

We confirm that we are not associated with the Company's directors, substantial shareholders and their associates, and are of the view that we meet the independence guidelines set out in Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group has been listed on the Main Board of the Stock Exchange since 13 November 2002. It is principally engaged in manufacture and trading of polishing materials and equipment, investment in terminal and logistics services business, and investment in held for trading investments, convertible bonds, available-for-sale investments, derivative financial assets and associates.

(a) Recent financial results

Set out below is the consolidated financial information of the Group extracted from the audited consolidated financial statements of its annual reports for each of the financial years ended 31 December 2012 (the "**AR 2012**"), 2013 (the "**AR 2013**") and 2014 (the "**AR 2014**").

	For the year ended 31 December		
	2012	**2013**	**2014**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
	(restated)		
Revenue	79,740	80,297	89,797
Profit/(loss) before income tax	6,300	119,926	50,552
Profit (loss) for the year	(2,428)	108,507	27,607

	As at 31 December		
	2012	**2013**	**2014**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
	(restated)		
Total assets	874,544	1,368,516	1,403,565
Total liabilities	227,436	143,424	149,550
Net assets	647,108	1,225,092	1,254,015

As disclosed in the Group's annual reports for the years ended 31 December 2012, 2013 and 2014, the Group's revenue increased approximately 0.7% from HK$79.7 million (restated) for the year ended 31 December 2012 to HK$80.3 million for the year ended 31 December 2013. This slight rise in the Group's revenue was attributable to the increase in the segmental revenue of the polishing materials and equipment division in this period. The Group's revenue also increased by approximately 11.8% to HK$89.8 million for the year ended 31 December 2014 as compared to HK$80.3 million in the same period in 2013. Again, the rise in Group's revenue in this period was wholly contributed by the polishing materials and equipment division.

Profit for the year ended 31 December 2013 attributable to the shareholders of the Company was approximately HK$108.5 million as compared to the loss of HK$2.4 million for the same period in 2012. The Group recorded this substantial improvement in the annual results for the year ended 31 December 2013 because there were increase in share of results of joint ventures, decreases in finance costs, decrease in losses on disposal/partial disposal of associates, and decrease in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss.

However, profit attributable to the shareholders of the Company decreased by approximately 74.5% to HK$27.6 million for the year ended 31 December 2014 as compared to HK$108.5 million in the same period in 2013. According to the AR 2014, the significant fall in profits was caused by the following factors: an increase in administrative expenses, loss on partial disposal of an associate, loss on derecognition of an associate and decrease in fair value of held for trading investments.

On the other hand, total assets of the Group increased approximately 56.5%, or HK$494 million, from HK$874.5 million as at 31 December 2012 to HK$1,368.5 million as at 31 December 2013, then further increased by approximately 2.6%, or HK$35 million to HK$1,403.5 million as at 31 December 2014.

Net assets of the Group increased approximately 89.4%, or HK$578 million, from HK$647 million as at 31 December 2012 to HK$1,225 million as at 31 December 2013, then further increased by approximately 2.4%, or HK$28.9 million to HK$1,254 million as at 31 December 2014.

2. The Acquisition

(a) Background information of the Target Group

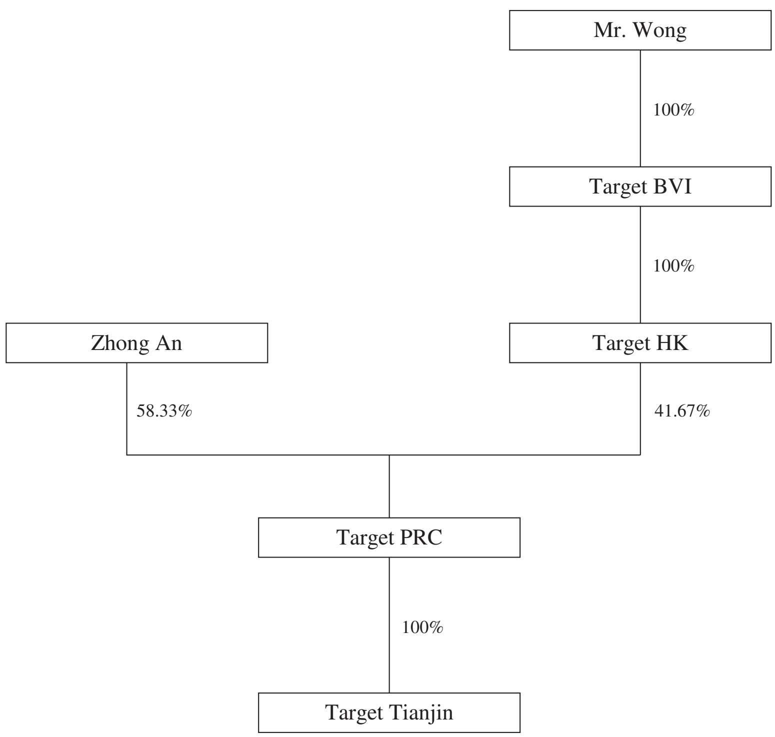
As stated in the Letter from the Board, Target BVI was incorporated in the BVI on 25 March 2010 and is wholly owned by Mr. Wong. Target BVI is an investment holding company and its sole investment is its wholly owned equity interest in Target HK.

Target HK, for its part, was incorporated in Hong Kong on 21 March 2013 and is principally engaged in investment holding. Target HK directly owns approximately 41.67% equity interest in Target PRC. The other shareholder of Target PRC is Zhong An, which is an independent third party principally engaged in fiduciary management of equity investment funds, investment and financing management and related consultancy services. Zhong An holds the remaining equity interest of approximately 58.33% in Target PRC.

Target PRC was established in China on 6 April 2010, and has a direct wholly-owned subsidiary, namely, Target Tianjin. Target Tianjin was established in the PRC on 27 November 2013 by Target PRC. Each of Target PRC and Target Tianjin provides finance lease to their clients and/or provide consultancy services to their clients for the arrangement of suitable financial institutions in the PRC to provide relevant finance lease to their clients.

(b) Shareholding structure of the Target Group

Before the Acquisition Completion, the shareholding structure of the Target Group is as follows:



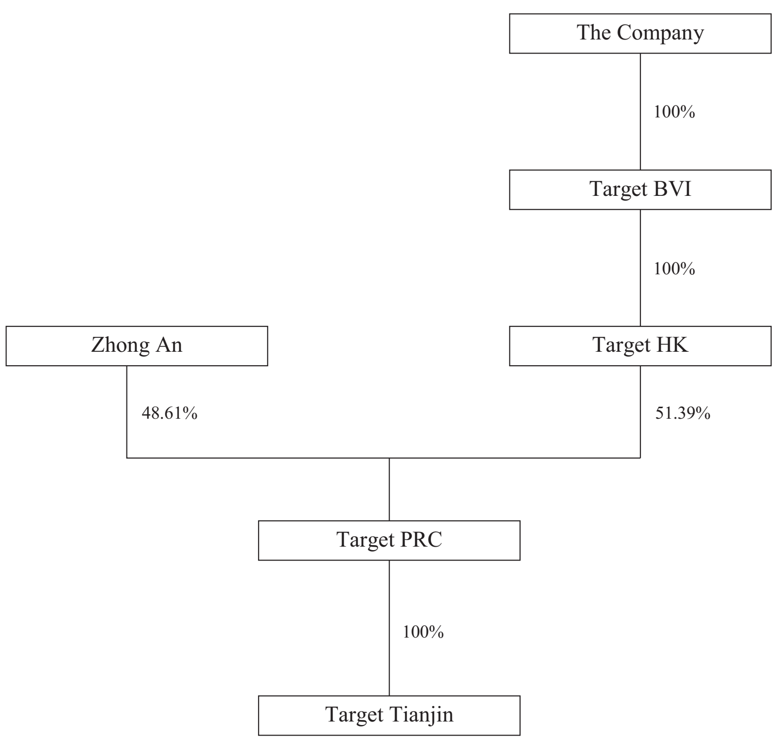
Target PRC has a registered capital of US$30 million (equivalent to approximately HK$233 million), which has been fully contributed as to US$12.5 million (equivalent to approximately HK$96.9 million) by Target HK and as to US$17.5 million (equivalent to approximately HK$135.6 million) by Zhong An prior to the date of this letter.

The board of Target PRC includes five directors of which three directors are nominated by Target HK while two directors are nominated by Zhong An Equity Investment Fund Management (Tianjin) Limited, a company incorporated in Tianjin, PRC, hereinafter referred to as "Zhong An". Zhong An is owned as to approximately 93.33% by 北京平安富通投資有限責任公司 (Beijing Pingan Futong Investment Company Limited) and approximately 6.67% by 北京恒達天潤企業管理咨詢有限公司 (Beijing Hengda Tianrun Enterprise Management Consultancy Limited).

As advised by the PRC legal advisers to the Company, on the basis of the Administrative Measures on Foreign Investment in the Lease Business (外商投資租賃業管理辦法), the registered capital of Target PRC should not be less than US$10 million (equivalent to approximately HK$78 million) and risky asset (calculated by total asset deducted by cash, bank deposits, national debts and entrusted lease assets) cannot be more than 10 times of the net asset value. The Target Group does not need to obtain any additional licenses, permits or approvals for its business. Based on the due diligence up to the date hereof and to the best knowledge of the Directors, the Directors are not aware of any non-compliance of the Target Group in relation to the PRC rules and regulations.

On 21 July 2015, Target HK and Zhong An entered, after trading hours, into the Capital Injection Agreement under which Target HK will be able to inject additional capital into Target PRC, thereby increasing its equity interest in Target PRC from approximately 41.67% to 51.39%. Please refer to the sub-section headed "6. The Capital Injection Agreement" below for further details of the Capital Injection Agreement.

The shareholding structure of the Target Group immediately after the Acquisition Completion and the Capital Injection is as follows:



The original purchase cost of the Target Group by the Vendor was approximately US$12.5 million (equivalent to approximately HK$96.9 million).

As at the Latest Practicable Date, the registered capital of Target PRC is US$30 million while the registered capital of Target Tianjin is RMB50 million. As at the Latest Practicable Date, the paid-up capital of Target PRC is US$30 million while the paid-up capital of Target Tianjin is RMB50 million.

(c) Business model of the Target Group

As mentioned before, the principal business of the Target Group is the provision of finance lease and related consultancy services in the PRC. Finance lease is an arrangement where the finance lease provider purchases certain asset (such as machinery) from its customer (or from supplier(s) designated by its customer) in cash and lease it back to its customer immediately afterwards in return for a series of monthly rental payments payable by its customers to the finance lease provider for a lease period previously agreed upon. While the title of ownership of the asset belongs to the finance lease provider, the customer of the finance lease provider will have custody and the right to use the asset throughout the lease period. As a result, customers, which are usually asset intensive industries, are able pay a much lesser price to use the needed assets than would be the case under a contract to directly purchase the assets. At the end of the lease period, the title of ownership of the asset will be reverted to its customer at a nominal consideration.

Summarised below are some of the important features of the business model of the Target Group. For further details of the business model, please refer to pages 14-15 of the Circular.

(i) Provision of finance lease and related consultancy services

Finance lease is the principal business activity of the Target Group. It primarily includes two types of leasing services, (i) direct financing lease; and (ii) sale & leaseback. The leasing operations mainly serve large corporations in asset intensive industries in the PRC. Most lease contracts are priced at a fixed rate ranging from approximately 5% to 10% for a term of approximately 1 to 8 years. Through the financing lease services, the Target Group also provides customers with professional and customised advisory services. For the three years ended 31 December 2014 and the six months ended 30 June 2015, the total number of finance lease transaction was 37, involving 30 customers in total.

The average size of finance lease transactions was approximately RMB0.3 billion, based on the aggregate original principal amount of the finance lease transactions during the period of three years ended 31 December 2014 and the six months ended 30 June 2015 of approximately RMB11.4 billion. As at the Latest Practicable Date, there was a total of 34 ongoing finance lease transactions on hand of the Target Group. Based on the due diligence up to the date hereof and to the best knowledge of the Directors, the Directors confirm that all such customers of the Target Group are independent third party to (a) the Company and its connected persons; (b) the Target Group and its ultimate beneficial owners; and (c) Zhong An and their ultimate beneficial owners.

The periodic lease payments of a finance lease transaction, comprising the repayment by installment of the principal of the finance lease together with the interest accrued thereon, are usually scheduled on a quarterly or semi-annually basis during the lease term.

The interest rates charged for most finance lease transactions of the Target Group are priced at a fixed rate/floating rate ranging from approximately 5% to 10%, which varies on a case by case basis with reference to the cost of financing of the Target Group for the relevant finance lease transaction.

On the other hand, the Target Group would charge its customer as lessee service fee for the provision of finance lease, which is either a flat fee or a flat rate ranging from 0.2% to 4.5% of the principal of finance lease. Such service fee varies on the basis of ultimate services provided to the individual customers, and is negotiable on a case by case basis.

In general, the annual rate of return as required by the Target Group is between 0.1% and 1%. The determination of such rate of return is generally based on, among other things, the (i) risk profile of the customer as lessee with reference to the financial performance and financial position of the customer (such as historical operating data, profitability and cash flow forecast); (ii) the condition of the customer's industry; (iii) the prevailing practice of the finance lease industry; (iv) the benchmark lending rate as prescribed by People's Bank of China from time to time; and (v) the cost of financing of the Target Group for the relevant finance lease transaction, the amount of deposit provided (if any) and the presence of guarantee.

As advised by the management of the Target Group, and in accordance with the regulatory policies governing finance lease in the PRC as set out in the section headed "Regulatory overview" in the Letter from the Board, there are currently no regulatory restrictions on the interest rate charged on the finance lease.

(ii) Source of revenue

Revenue of the Target Group arising from the Target Business will mainly comprise (i) service fee income generated from the provision of finance lease; (ii) interest income; and (iii) consultation fee income associated with the provision of consultation services.

(iii) Target customers

The main customer base of the Target Group primarily includes large corporations covering industries of energy resources, chemical, manufacturing, medical and urban infrastructure and public utility construction. The Target Group has provided finance lease to projects involving coal mining, manufacturing facilities, transportations, retail and wholesale industry, medical facilities, power facilities and water and gas supply, etc.

(iv) Major operating costs

The major operating costs of the Target Group include service fees and related charges paid to the financial institutions which provide the financing, interest expenses on borrowings and deposits from customers, and staff costs. The service fees and related charges paid to the financial institutions for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were respectively approximately RMB23.3 million, RMB15.8 million, RMB5.3 million and RMB36.4 million. The interest expenses on borrowings and deposits from customers of the Target Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately RMB14.0 million, RMB28.7 million, RMB46.1 million and RMB18.3 million. The staff costs of the Target Group for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 were approximately RMB2.7 million, RMB5.1 million, RMB7.0 million and RMB3.6 million respectively.

(d) Further information

Pages 17-21, 26-27 of the Circular set out (i) the organisational structure; (ii) operating procedures; and (iii) management expertise of the Target Group. The financing arrangement for the provision of finance lease by the Target Group is detailed on pages 22-24 of the Circular. Please refer to these pages for details of those topics.

(e) Financial information of the Target Group

The following is the financial information of the Target Group as extracted from the accountants' report on the Target Group as set out in Appendix IIA and IIB to the Circular, which was prepared in accordance with Hong Kong Financial Reporting Standards:

Set out below are highlights of the audited consolidated financial statements of Target BVI and Target HK for three years ended 31 December 2014 and for the six months ended 30 June 2015:

	Year ended 31 December			**Six months ended 30 June**
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
Revenue	–	–	–	–
Profit/(loss) before tax	2,964,759	22,921,073	15,291,418	13,525,689
Profit/(loss) after tax	2,964,759	(15,068,652)	14,886,645	13,525,689

Set out below are highlights of the audited consolidated financial statements of Target PRC and its subsidiary, namely, Target Tianjin for the three years ended 31 December 2014 and for the six months ended 30 June 2015:

	Year ended 31 December			Six months ended 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Revenue	73,164,172	87,523,905	100,911,832	95,649,333
Net profit before tax	11,479,274	27,404,342	36,635,272	37,346,452
Net profit after tax	8,506,119	20,515,482	29,274,713	26,081,661

According to the accountants' report of the Target BVI and Target PRC as set out in Appendix IIA and Appendix IIB to the Circular, as at 30 June 2015, the audited consolidated net asset value of Target BVI was approximately HK$8,562,635, and the audited consolidated net asset value of the Target PRC was approximately RMB250,594,670.

The following table sets out the key operating statistics of the Target Group during the period for the three years ended 31 December 2014 and the six months ended 30 June 2015:

	The period of the three years ended 31 December 2014 and the six months ended 30 June 2015
Number of finance lease transactions	37
Aggregate amount of finance lease volume financed by recourse financing (RMB billion)	1.0
Aggregate amount of finance lease volume financed by non-recourse financing (RMB billion)	10.3

3. Reasons and benefits for the Acquisition

The Board considers that the Acquisition (together with the Capital Injection) is a good opportunity for the Group to diversify its business and develop new revenue streams. As the Target Group generated net profits in the past two years ended 31 December 2013 and 2014 from its finance lease operations, the Board is of the view that the Acquisition provides the Group with an opportunity to gain access to the finance lease business in the PRC, can generate diversified income for the Group, and can enhance Shareholders' value.

The Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) consider that the terms of Acquisition Agreement, the Capital Injection Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this letter, save as disclosed in the announcement of the Company dated 22 January 2015, the Company had not entered or did not propose to enter, into any agreement, arrangement, undertaking (whether formal or informal and whether express or implied) and negotiation (whether concluded or not) with an intention to dispose of or downsize the existing businesses of the Group.

4. Development of finance lease industry in China

(a) Brief introduction

Originally established in Europe, particularly in the United Kingdom and France, for small and medium enterprises to obtain medium to long-term loans, the financial lease industry was introduced to China at the beginning of the 1980s to provide a source of funding for the importation of advanced equipment and technologies.

The industry 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 China. In particular, with China's admission to the World Trade Organisation in 2001, China's financial leasing industry expanded significantly with an influx of both foreign and domestic investors into the market.

To fulfill its commitment to open China's financial leasing industry to the world, the PRC Government implemented several policies which were supported by newly promulgated laws and regulations to stimulate the leasing industry and encourage further investment. For example, in 2005, the Ministry of Foreign Trade and Economic Cooperation (the "**MOFCOM**") promulgated the *Measures on the Administration of Foreign Investment in the Leasing Industry* (the "**2005 Measures**") 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. To further spur foreign investment in PRC's finance lease industry, the MOFCOM released a draft revision of the 2005 Measures which proposes to remove the minimum registered capital of US$10 million for foreign-invested financial leasing companies.

(b) Recent development

On 15 December 2011, the Ministry of Commerce of the People's Republic of China issued the Guiding Opinions on Promoting the Development of the Finance Leasing Industry during the "12th Five-Year Plan" Period ("十二五"期間促進融資租賃業發展的指導意見). The guidance expressed clearly that the government realised the importance of the finance leasing industry, and expected that the finance leasing industry will play an important role in expanding domestic demand, driving exports and promoting economic development.

On 19 December 2013, the General Office of the State Council issued the Opinions of the General Office of the State Council on Accelerating the Development of the Aircraft Leasing Industry (Circular No. 108 2013 of the General Office of the State Council) (國辦發108號2013國務院辦公廳關於加快飛機租賃業發展的意見). The Circular No. 108 had stated a "3-step' strategy approach to outline the future development of the aircraft leasing industry in China, which indicated the targets of constructing a conductive political environment for the aircraft leasing industry before 2015, expanding the domestic market and exploring the overseas market from 2015 and 2020, and establishing numbers of international aircraft leasing company.

According to reports from Department of Circulation Industry Development of the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部流通業發展司), the total registered capital for finance lease companies in PRC increased to approximately RMB2,884 billion as at the end of 2013, in which the registered capital for finance lease companies in Shanghai, Tianjin and Beijing accounted for nearly 60% of the national total. As at the end of 2013, around 92% of the finance leasing companies in PRC were operated in the eastern part of China.

Based on a report entitled *Asset Finance and Leasing in China and Hong Kong 2014* (the "***PwC Report***") there were approximately 1,026 leasing companies in the PRC as at the end of 2013, of which 86% are foreign owned; 12% are domestic companies; and the remaining 2% are banks owned. As at the end of 2013, the finance lease volume of China was approximately RMB2.1 trillion, representing an increase of around 13.5 times from 2008 to 2013. For the same period, the penetration rate had increased by 5.3 times.

(c) Future development

The PwC Report says that as at the end of 2013, the finance lease penetration rate of China was around 4.8%, there was large room for growth when comparing to the Europe and the USA of the average rate of 20% to 30%. As the finance lease industry is experiencing the fast growing period, the turnover of finance lease in PRC is predicted to exceed approximately RMB5 trillions in 2016. Moreover, the finance lease industry in PRC is expected to expand at the rate of 30% to 50% in the next few years due to the increasing domestic demand and consumption across industries. With the gradual implementation of the 12th Five-Year Period Plan, the demand for investment in fixed asset and equipment will continue to grow as the policies regarding urbanization, industrialization, upgrading of tradition industries, reform of healthcare and educational system etc. are introduced. This will bring great opportunities for the development of the finance lease industry.

Incidental evidence of the growth of the finance leasing industry in China is similarly positive. According to a press article obtained from our desktop research (http://www.newindianexpress.com/world/China-to-Surpass-US-as-the-Largest-Financial-Leasing-Market/2015/07/21/article2932554.ece), which quoted from various sources, the number of financial leasing firms in China surged nearly 45% during the first half of 2015 to 3,185, and the sector is expected to maintain an annual growth rate of 30% during the next five years. Financial leasing contracts stood at RMB3.66 trillion at the end of June 2015, up 14.2% from the beginning of the year. The surge in financial leasing activities is partly fueled by listed Chinese firms tapping the service for cheap credit, and listed firms in the telecom, agriculture, pharmaceutical, energy and equipment manufacturing sectors have waded into finance leasing territory as well. Finally, the press report said that China's financial leasing market is expected to hit RMB5 trillion (US$804.6 billion) during the first half of 2016 to become the world's largest, surpassing that of the US.

The above-mentioned press report pointed out that about one-fourth of China's financial leasing activities take place in the eastern Chinese coastal city of Tianjin. The city of Tianjin contains the port of Tianjin which is China's largest artificial deep water harbour and is the port of call of international cruises visiting the wider area, including Beijing. Following the establishment of the China (Tianjin) Pilot Free Trade Zone (the "**Tianjin FTZ**") on 21st April 2014, the Tianjin Municipal Government has introduced the Administrative Measures of Tianjin FTZ (the "**Administrative Measures**"), providing operational guidelines for the formulation of specific measures of policy innovation and major reforms of Tianjin FTZ.

Amongst the main provisions of the Administrative Measures are: (i) commitment to the coordinated development of the Beijing-Tianjin-Hebei region; and (ii) focus on developing the leasing industry. In relation to the latter point, the Tianjin FTZ intends, for example, to (i) unify access standards, approval processes and the supervision for domestic and foreign financial leasing companies; (ii) establish the China Institute of Financial Leasing and other research institutions with a view to developing a fair environment with international standards for the leasing industry.

The above information shows that there is evidence of an upward trend in finance lease industry in the PRC, and in particular, Tianjin, provided that there is no major and sudden shock to this market in the near future such as the imposition of new government measures to curtail the development of the industry. As a result, we are of the view that although the finance lease industry represents a new business segment for the Group and is not in its ordinary and usual course of business, the Acquisition, however, is likely to diversify the Group's existing business activities and broaden its income stream, which is in the interests of the Group and the Shareholders as a whole.

5. Principal terms of the Acquisition Agreement

Date	:	21 July 2015
Parties	:	(i) Purchaser – Harvest Castle Holdings Limited ("**HCH**"), which is a wholly owned subsidiary of the Company (ii) Vendor – Mr. Wong
Assets to be purchased	:	The purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of Target BVI and assign the Shareholder's Loan, which was HK$89,724,544 as at the Latest Practicable Date i.e. 27 October 2015.
Consideration	:	The Consideration for the Sale Shares and the Shareholder's Loan is RMB170,847,000 (equivalent to approximately HK$213,558,750), which shall be payable by the Purchaser to the Vendor in cash within 30 days from the date of Acquisition Completion. The Consideration shall be funded by the Group's internal resources of which approximately HK$210 million come from the proceeds which were originally intended for the development of terminal and logistics business of the Company in Rizhao city, Shandong Province, PRC from the issue of the new Shares of the Company as stated in the announcement dated 28 January 2013. As at the Latest Practicable Date, the Target Group had an amount of RMB57 million due from Zhong An and an amount of RMB50 million due from 安潤國際保險經紀(北京)有限公司, adding to a total amount of RMB107 million (the "**Repayable Amount**"). Further details of the Repayable Amount are set out in note 28 to the accountant's report of the Target PRC as contained in Appendix IIB to the Circular.

To ensure repayment of the Repayable Amount within 30 days of the fulfilment of all conditions precedent to the Acquisition Agreement (see below), the Purchaser and the Vendor entered into a supplemental agreement (the "**SA**") on 26 October 2015, under which RMB107 million out of the Consideration will be deposited into the designated bank account of an escrow agent. Such amount will be released to the Vendor upon repayment of the Repayable Amount to the Target Group.

The Vendor also undertakes to repay the Repayable Amount before 31 December 2015 under the SA. If any amount of the Repayable Amount remains unpaid before 31 December 2015, the Vendor is responsible for the full repayment of any outstanding Repayable Amount by way of setting off the amount in the escrow account. Any remaining balance of the amount deposited with the escrow agent, after setting off the outstanding Repayable Amount, will be released to the Vendor.

The Consideration was determined by the Vendor and the Purchaser after arm's length negotiations based on normal commercial terms with reference to, inter alia: (i) the opportunity for the Group to gain access to the finance lease business in the PRC and to broaden the income base of the Group; (ii) Target HK being entitled to increase its equity interest in Target PRC by way of capital injection pursuant to the Capital Injection Agreement; and (iii) a valuation provided by the Valuer of the market value of the 100% equity interest of the Target PRC as at 30 June 2015 at RMB439,000,000 (equivalent to approximately HK$548,750,000).

Conditions Precedent : Acquisition Completion is conditional upon 10 conditions precedent being satisfied or, to such extent as the Purchaser thinks fit, waived (whether in full or in part) by the Purchaser on or before the Long Stop Date. The following is a brief summary of the more important Condition Precedents. Full details can be found on pages 9-10 of the Circular.

- the approval by the Independent Shareholders at the EGM for the Acquisition Agreement, the Capital Injection Agreement and all transactions contemplated thereunder having been obtained;

- the Purchaser having received from the Vendor a legal opinion on PRC laws confirming, among other things, (a) each of Target PRC and Target Tianjin having been duly established and validly subsisting; (b) the operation and business of Target PRC and Target Tianjin being legal and in compliance with the relevant PRC laws and regulations; (c) each of Target PRC and Target Tianjin having obtained all licenses, permits and/or approvals required for its business operation from all relevant regulatory authorities in the PRC; (d) each of Target PRC and Target Tianjin having obtained the rights to use and occupy all properties owned, leased or occupied by Target PRC and Target Tianjin; and (e) such other aspects of PRC law as the Purchaser may reasonably consider appropriate or relevant to the transactions contemplated under the Acquisition Agreement;

- the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether legal, financial, operational or other aspects that the Purchaser considers relevant) on the Target Group; and

- the Purchaser having obtained a valuation report issued by a professional business valuer in Hong Kong that the market value of the Target Group is, in the opinion of such valuer, no less than RMB439,000,000 (equivalent to approximately HK$548,750,000 as at such reference date which is no later than the Long Stop Date but no earlier than 30 June 2015.

Acquisition Completion : Completion shall take place on which all the Conditions Precedent set out on pages 9-10 of the Circular have been met or waived by the Purchaser in accordance with the terms of the Acquisition Agreement (or on such later date as the parties may agree in writing).

(a) Assessment of the Consideration

(i) Valuation Report

As mentioned above, the Consideration for the Sale Shares and the Shareholder' loan was determined in part by the valuation of 100% equity interest of the Target Group as at 30 June 2015 (the "**Valuation**") as assessed by the Valuer, which is an independent professional valuer in Hong Kong.

For our due diligence purpose, we have reviewed and enquired with the Valuer's qualifications and experience in relation to the performance of the Valuation. We understand that the Valuer is a professional services firm providing corporate and asset valuations, corporate advisory, real estate advisory and surveying services to clients in Hong Kong, China and around the world. The firm's professionals have a total experience in relevant fields of over 40 years. Furthermore, we have enquired with the Valuer as to its independence from the Group, and understood that the Valuer is an independent third party from the Company, the connected persons of the Company and other parties to the Acquisition. We have also reviewed the Valuer's terms of engagement, in particular, its scope of work and noted that it is appropriate to the opinion required to be given and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in the Valuation Report.

The Valuation Report in Appendix IV to the Circular was prepared based on a number of assumptions, details of which can be found on page 212 of the Circular. Some of those assumptions are summarised below:

- The availability of finance will not be a constraint on the forecast growth of the Target PRC's operations in accordance with the business plans and the projections;

- The financial statements of the Target PRC as supplied to the Valuer have been prepared in a manner which truly and accurately reflect the financial position of the Target PRC as at the respective balance sheet dates;

- Market trends and conditions where the Target PRC operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Target PRC;

- Target PRC has obtained all relevant legal approvals, business certificates or licenses for the normal course of operation; and

- There will be no material change in political, legal, economic or financial conditions and taxation law in the localities in which Target PRC operates or intends to operate which would adversely affect Target PRC's revenues and profits.

We understand from the Valuer that these assumptions are standard assumptions commonly adopted in valuing businesses and we consider these assumptions fair and reasonable.

We have reviewed the Valuation Report dated 30 October 2015. According to the Valuation Report, the market value of Target PRC as at 30 June 2015, which was the valuation date, was RMB439 million. In addition to the assumptions set out above, we have discussed with the Valuer regarding the methodology adopted in conducting and arriving at the valuation amount of RMB439 million as well as raised questions on areas which we required further explanation.

As advised by the Valuer, there are three common approaches for valuing businesses, namely, asset approach, income approach and market approach. Under the asset approach, the value of Target PRC would be determined based on the replacement cost or reproduction cost of its assets rather than its ability to generate streams of benefit in the future. If asset approach is used, the anticipated future economic benefits to be derived from the Acquisition are ignored as a whole. Accordingly, the Valuer has rejected the asset approach.

Income approach, on the other hand, determines the value of Target PRC based on the present value of future economic benefit of the assets, which is an appropriate approach to account for the anticipated significant growth of the Target Group. However, given that the Target Group has got only a relatively short operating history, it may be difficult for the Management to project long-term financial data of the Target Group with a high degree of reliability. Thus, the Valuer has also rejected the income approach.

In choosing the market approach, which values a business entity by of the prices at which other similar business nature companies or interests changed hands in arm's length transactions, as the valuation methodology, the Valuer has noted two commonly used methods of valuation under it, namely, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method was applied as there are certain publicly traded companies engaged in the same or similar line of business as Target PRC that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of the Comparable Transaction Method is limited as there are insufficient comparable transactions to form a reliable opinion of value.

For valuation of financial services companies, equity multiples are more suitable than value multiples such as Enterprise Value-to-Earnings Before Interests and Taxes ratio (EV/EBIT) or Enterprise Value-to-Earnings Before Interests, Taxes, Depreciation and Amortization ratio (EV/EBITDA), as the operating and financing activities of financial services companies cannot be clearly separated.

With respect to equity multiples, the price to sales ratio is not applicable as the revenue not accounts for relevant costs which are critical to the finance lease operations including the interest expenses and impairment loss for bad debts, and thereby fails to demonstrate the true earning power of the financial services companies.

Accordingly, the Valuer has employed price-to-earnings ratio and price-to-book ratio. These ratios are considered to be the most appropriate for valuing the Business Enterprise for the following reasons:

- Earnings power is the primary determinant of value; and
- Book value is an appropriate measure of net asset value for firms that primarily hold liquid assets. Examples include finance, investment, insurance and banking firms.

The Guideline Public Company Method involves the selection of five comparable companies which are (i) China Aircraft Leasing Group Holdings Limited (stock code: 1848 HK); (ii) Far East Horizon Limited (stock code: 3360 HK); (iii) Bohai Leasing Company Limited (stock code: 415CH); (iv) Chailease Holding Company Limited (stock code: 5871 TT); and (v) HH Leasing and Financial Corporation (stock code: 8913 TT). While the chosen comparable companies differ from Project PRC in terms of product segments, financial performance, business operations and risk profile, they, however, are subject to the same economic and industry forces and risk exposures as Project PRC, and hence in this respect, they offer to the Valuer useful valuation benchmarks.

During the course of our discussion with the Valuer and/or in our review of its work, we were not aware of any irregularities and did not identify any major factors which cause us to doubt the fairness and reasonableness of the basis, assumptions and methodology adopted for the valuation. We noted that the Valuation Report was prepared in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors, the Business Valuation Standard (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2013 published by the International Valuation Standards Council, where applicable, collectively (the "**Valuation Standards**").

Hence, in view that (i) the market approach is one of the most commonly applied methodologies in business valuation with many precedent cases involving companies listed on various exchanges; (ii) the other methodologies such as the asset approach and the income approach would not be an applicable approach to access the value of Target PRC; and (iii) the Valuer has performed a comprehensive assessment in the preparation of the Valuation Report, we are of the view that the Valuation Report has been reasonably prepared and is normal in nature without any unusual assumption, and, thus, considers the amount of RMB439 million to be a fair assessment of the market value of the 100% equity interest of Target PRC.

According to the Valuation Report, the market value of Target PRC as at 30 June 2015 (the "Appraised Value") was RMB439 million (US$70.8 million). Prior to the Acquisition 41.67% of the Appraised Value is beneficially attributable to the Group through Target HK's 41.67% holding in Target PRC. The Group's beneficial interest in the Appraised Value, therefore, amounts to approximately RMB183 million. The Consideration for the Sale Shares and the Shareholders' Loan of RMB170,847,000 represents a discount of approximately 6.6% to The Group's beneficial interest in the Appraised Value. Upon the completion of the Acquisition Agreement and the Capital Injection Agreement, which takes Target HK's equity interest in Target PRC to 51.39%, the increased total consideration of approximately HK$260,058,750 (approximately RMB208,447,000) represents a discount of approximately 7.8% to the Group's beneficial interest in the Appraised Value of approximately HK$282,002,625.

Based on the foregoing and having considered (i) the independence, qualification and experience of the Valuer; (ii) the relevant application of the valuation methods; and (iii) the Valuation Report was prepared under generally accepted valuation procedures, there is no reason for us to believe any of the information in the Valuation Report is not true or omits a material fact. After due and careful inquiry, we are of the view that the methodology, bases and assumptions adopted for the valuation are reasonable and we concurred with the Valuer's opinion. As such, we consider the Valuation Report to be a fair reference for Independent Shareholders to assess the fairness and reasonableness of the Consideration.

Independent Shareholders are advised to refer to the Valuation Report contained in Appendix II to this Circular for further details on the Valuation.

(ii) Comparable analysis

An alternative method to determine the fairness and reasonableness of the consideration paid for the Acquisition, we have adopted the comparable approach whereby the consideration paid for the Acquisition is compared to the valuation of its industry peers, as this approach is direct and commonly used valuation methodology.

For the purpose of comparison and to the best of our knowledge, effort and endeavor, we have identified an exhaustive list of five comparable companies (the "**Comparable Companies**") based on the following criteria: (i) companies listed on the stock exchanges in the Greater China Region; (ii) companies whose principal business is similar to that of Target Group, i.e. provision of finance lease and other finance consultancy in the PRC; and (iii) companies with more than 90% of its total revenue generated from relevant business of provision of finance lease in the PRC in their latest financial year. It is our view that the Comparable Companies are fair and representative samples for comparison as the principal business of the Comparable Companies are similar to that of the Target Group.

Also for comparison purpose, we have made reference to three commonly used measures for similar comparisons, namely, (i) the price-to-earnings ratio (the "**P/E**"), which is defined as the ratio of a company's closing share price on the date of signing of the Acquisition Agreement, i.e. 21 July 2015, to its earnings per share as reported in the latest annual report of the relevant Comparable Companies; (ii) the price-to-book ratio (the "**P/B**"), which is calculated based on the closing prices of the Comparable Companies on 21 July 2015 divided by audited net asset value per share of the Comparable Companies published for the latest fiscal year; and (iii) the EV/EBITDA ratio. In this ratio "EV" means enterprise value. EV is the sum of the market value of the equity and the market value of the long term debt of a company, less cash and cash equivalents, preference shares, and minority interests. "EBITDA" means earnings before interest, tax, depreciation and amortisation. EBITDA is the sum of recurring earnings from continuing operations, interest paid, tax paid, depreciation and amortization. EBITDA is based on audited financial statements for the fiscal year ended 31 December 2014. EV is based on equity market capitalisation using closing share prices at 21 July 2015 and the book value of debt at 31 December 2014.

Details of our findings are summarised in the table below:

Company name & stock code	**Principle business**	**Equity market cap** *(Note 1)* *(HK$ m)*	**Profit after tax** *(HK$ m)*	**EV/ EBITDA**	**P/E** *(Note 2)*	**P/B**
China Aircraft Leasing Grp Hlds (1848 HK)	China Aircraft Leasing Group Holdings Limited is a provider of aircraft lease finance centered entirely on aircraft leasing in China. The Company finances new aircraft purchase and lease transactions as well as aircraft sale and leaseback transactions with airlines in China.	6,385.9	302.7	27.3	18.3	3.5

Company name & stock code	Principle business	Equity market cap *(Note 1)* *(HK$ m)*	Profit after tax *(HK$ m)*	EV/ EBITDA	P/E *(Note 2)*	P/B
Far East Horizon (3360 HK)	Far East Horizon Limited provides financial leasing, and advisory services, trading and brokerage in China. Its equipment-based leasing services include financial leasing services and sale and leaseback. It trades in machinery and provides operating lease finance in infrastructure construction.	30,148.1	2,864.0	29.1	8.2	1.2
Bohai Leasing Co (415 CH)	Bohai Leasing Company Ltd. offers lease financing services. The Company finances the leasing of aircraft, ships and other transportation equipment. Bohai Leasing is a leading international comprehensive leasing industry group and one of the largest container leasing service providers in the world.	40,563	1,470.8	21.5	30.5	3.2
Chailease Hld (5871 TT)	Chailease Holding Company Limited is a holding company headquartered in Taiwan which provides leasing, financing and payment installment services for medium-and small-sized companies. It offers leasing for a range of assets including transportation equipment, industrial equipment, information and office-related equipment, medical equipment, aircrafts and others.	19,266	1,777.3	24.1	11.1	2.3

Company name & stock code	Principle business	Equity market cap *(Note 1)* *(HK$ m)*	Profit after tax *(HK$ m)*	EV/ EBITDA	P/E *(Note 2)*	P/B
HH Leasing and Financial Corp (8913 TT)	HH Leasing & Financial Corporation is incorporated in Taiwan and provides of leasing and financial services. This company primarily provides real estate, such as commercial office buildings leasing services in Taipei, Taiwan.	221.3	5.0	45.7	37	1.3

Note 1: Equity market cap is based on 585,781,000 shares in issue as at 31 December 2014.

Note 2: P/E and EPS is based on weighted average shares of 524,661,000 for 2014.

All valuations above are as at close of business on 21 July 2015.

Exchange rates used are as at 21 July 2015: RMB/HK$ = 0.8013, NT$/HK$ = 4.0257 and HK$/US$ = 7.7513

Ratios	**P/E**	**P/B**	**EV/EBITDA**
Mean	21.0	2.3	29.5
Mean excluding outliers	26.8	2.5	26.8
Median	27.3	2.3	27.3
Highest	45.7	3.5	45.7
Lowest	21.5	1.2	21.5

We have compared the total cost to the Group of the Acquisition and the Capital Injection with various financial ratios of the Comparable Companies as at close of business on 21 July 2015. To recap, the total cost to the Group of the Acquisition and the Capital Injection is HK$260,058,750 as set out in the Letter from the Board. Following both the Acquisition Completion and the Capital Injection Completion, the Group will hold 100% of Target BVI and 51.39% the operating companies.

We have estimated the effective historic P/B and P/E ratios for the acquisition of 51.39% of Target PRC by the Group using an investment amount equivalent to the combined cost of the Acquisition and Capital Injection, HK$260,558,750 (“P”).

Based on the consolidated unaudited financial statements for the 6 months ended 30 June 2015 in Appendix IIB, the net equity of Target PRC according the consolidated accounts, is RMB250,594,670. At an exchange rate of RMB/HK$

= 0.80134 this net equity is equivalent to HK$312,719,532. Since the Group will acquire an economic interest in Target PRC of 51.39% as a result of the Acquisition and the Capital Injection we have multiplied the net equity of HK$312,719,532 by 51.39% to give an attributable net equity, or book value, of HK$160,706,568 ("B").

The effective P/B ratio is estimated by dividing P by B, i.e. HK$260,558,750 divided by HK$160,706,568. The resulting P/B ratio is 1.6.

The consolidated profit for the year financial year ending 31 December 2014 attributable to Target PRC in Appendix IIB is RMB29,274,713. At an exchange rate RMB/HK$ = 0.80134 this amount is equivalent to HK$36,532,200. Since the Group will acquire an economic interest in Target PRC of 51.39% as a result of the Acquisition and the Capital Injection we have multiplied HK$36,532,200 by 51.39% to give an attributable profit for the year ending 31 December 2015 for Target PRC of HK$18,773,897 ("E").

The effective P/E ratio is estimated by dividing P by E, i.e. HK$260,558,750 divided by HK$18,773,897. The resulting P/E ratio is 13.9.

We have estimated the EBITDA of Target PRC for financial year ended 31 December 2014 as RMB33,891,722[Note 3] and the EV of Target PRC as RMB642,346,569. Since the EV of the Comparable Companies is based on the market value of their equity, not their net book value, we have multiplied the equity component of the EV of Target PRC by the P/B ratio shown above of 1.6, giving an adjusted EV of RMB781,843,755.

Note 3: The formula for RMB33,891,722 is profit before tax of Target PRC for financial year ending 31 December 2014 less bank interest income, interest income from reverse repurchase investments, interest income from available for sale financial assets, interest income for loan and receivables investments and crediting interest expense on deposits from customers and depreciation.

Based on the EBITDA and the adjusted EV shown above, the total cost to the Group of the Acquisition and the Capital Injection implies an EV/EBITDA ratio 23.1.

These ratios compare favourably with the simple average P/B ratio, P/E ratio and EV/EBITDA ratio of the Comparable Companies of 2.3, 21.0 and 29.5 respectively.

The valuation ratios of the Comparable Companies are based on the price of shares traded in regulated public markets and therefore should not include any control premium. We note that whilst the acquisition of Target BVI by the Group gives the Group control over Target PRC, we have found no evidence the Group is paying a control premium for control of Target PRC.

(iii) Review of Valuer's approach

It is noted that the P/B and P/E of the Comparable Companies differ significantly among each other. That said, we, for the following reasons, take the view that the valuation methodology, namely, market comparable, used by the Valuer to perform the Valuation is fair and reasonable.

First, P/B and P/E are commonly used ratios and it is not unusual for different listed companies in the same industry and on the same stock market to trade on widely varying P/E and P/B ratios.

Second, other than the Comparable Companies, we consider that no other listed companies are sufficiently comparable with Target PRC to merit inclusion in the sample for consideration. This is because the Company is listed in Hong Kong whilst Target PRC is a PRC group operating in China and therefore a comparison with companies listed in these two jurisdictions should be made. In our sample, only three of the Comparable Companies are listed in Hong Kong and China, and we believe by adding two companies listed in Taiwan to the list of Comparables to increase the sample size to five companies is preferable to restricting the sample to only three companies. The Comparable Companies therefore consist of companies listed on three different stock markets in the Greater China region, namely, Hong Kong, PRC and Taiwan, and stock exchange indices for these three markets often trade at different valuation levels.

Third, it should be noted that our comparison of Target PRC with the Comparable Companies using P/E and P/B ratios was conducted based on their respective closing share prices at 21 July 2015, a different date than that used by the Valuer (30 June 2015) for its ratios.

Finally, we have obtained and reviewed copies of the Valuation Standards, and found no evidence that the Valuation performed by the Valuer is in breach of the provisions therein.

In respect of the appropriateness of the Valuer's assignment of equal weights to P/E (RMB589 million) and P/B (RMB290 million), it is noted that both the P/E ratio and the P/B ratio are considered to be the best available indicators especially for the valuation of financial services companies. It is therefore reasonable for the Valuer to assign equal weights to the values implied under each multiple, which is an acceptable market practice.

The opinion we have formed independently as a result of our work (please refer to pages 72 to 76 of the Circular) is not materially at variance with the market value of Target PRC in the Valuation Report, which is based on a simple average of the P/B and P/E ratios. Our comparison of Target PRC with the Comparable Companies using P/E and P/B ratios was conducted by using closing share prices at 21 July 2015, a different date than that used by the Valuer (30 June 2015) for its ratios. As a result, we are of the view that the Valuer's assignment of equal weights to P/E (RMB589 million) and P/B (RMB290 million), on balance, is fair and reasonable.

6. The Capital Injection Agreement

As previously mentioned, Target HK and Zhong An entered into the Capital Injection Agreement on 21 July 2015 under which Target PRC would apply for an increase in its registered capital from US$30 million (equivalent to approximately HK$233 million) to US$36 million (equivalent to approximately HK$279 million). Target HK would, in turn, contribute the additional US$6 million (equivalent to approximately HK$47 million) and increase its equity interest in Target PRC from approximately 41.67% to approximately 51.39%, with Zhong An's equity interest in Target PRC decreasing from approximately 58.33% to approximately 48.61%.

As per the Capital Injection Agreement, the contribution of the additional registered capital of US$6 million (equivalent to approximately HK$47 million) by Target HK shall take place conditional upon the following conditions precedent:

- the increase in registered capital of Target PRC having been approved by the board of directors of Target PRC, and relevant PRC regulatory authorities; and

- the Acquisition Agreement having been entered into and having been approved by the Independent Shareholders and the relevant regulatory authorities.

It is expected that the condition precedent to the Capital Injection will be fulfilled after the Acquisition Completion.

The Capital Injection shall be funded by the Group's internal resources of which approximately HK$210 million will be funded by the proceeds which were originally intended for the development of terminal and logistics business of the Company in Rizhao city, Shandong Province, PRC from the issue of the new Shares of the Company as stated in the announcement dated 28 January 2013.

As advised by the PRC legal adviser, there is no other legal impediment to the Capital Injection Completion following the fulfillment of all conditions precedent to the Capital Injection Agreement. The Directors expect that following the fulfillment of all conditions precedent to the Capital Injection Agreement, and taking into account the estimated time required for the capital injection procedure, the Capital Injection Completion will be completed within one month after the Acquisition Completion.

Assessment of the Capital Injection Agreement

Target BVI has made two previous investments in Target PRC. On 9 March 2012, Target BVI signed an agreement to acquire 25% equity interests in Target PRC at a consideration of US$2.5 million. On 18 April 2013, Target BVI signed an agreement to transfer 25% equity interest in Target PRC to Target HK at a consideration of US$2.5 million. On 23 August 2013, Target HK made a capital injection of US$10 million to Target PRC. As a result, Target HK's total capital contribution to Target PRC amounted to US$12.5 million. In 2014 Zhong An invested a further US$10 million in Target PRC.

As at the Latest Practicable Date, Target PRC has a registered capital of US$30 million (equivalent to approximately HK$233 million), which has been fully contributed as to US$12.5 million (equivalent to approximately HK$96.9 million) by Target HK and as to US$17.5 million (equivalent to approximately HK$135.6 million) by Zhong An prior to the Latest Practicable Date.

Target BVI has been a substantial shareholder in Target PRC from 2012 to 2015 and was a controlling shareholder from 2013 to 2014. Since Target BVI is wholly owned by Mr. Wong, Mr. Wong has indirectly been both a controlling shareholder and substantial shareholder in Target PRC. Voting control of Target PRC has changed twice between Zhong An and Mr. Wong since 2012.

We have reviewed the amounts of the two investments made by Target BVI and an investment made by Zhong An from 2012 to 2014. The results are set out in the two tables below. We note there were changes of voting control of Target PRC in both 2013 and 2014, and another change of control is expected in 2015 as a result of the Acquisition and the Capital Injection.

There has been a steady increase in the post-money valuation of Target PRC implied by the investments and the Acquisition and the Capital Injection, which have occurred every year since 2012. We note the annual rate of increase has fallen substantial from 170.9% in 2013 to 77.2% in 2014. The valuation imputed by the Acquisition and the Capital Injection implies a year on year increase in the value of Target PRC in 2015 of 28.6%.

Month and Year of Investment in Target PRC	**Valuation of Target PRC implied by the respective investments (post money)** *(US$ million)*
March 2012	10.0
June 2013	27.1
February and December 2014	48.0
The Capital Injection, November 2015	61.7

Year	**Annual percentage increase in value of Target PRC**
2012 to 2013:	170.9%
2013 to 2014:	77.2%
2014 to 2015:	28.6%

Using the implied annual valuations above and the audited annual earnings of Target PRC, we have estimated the P/E ratios imputed to Target PRC for each of the financial years ending on 31 December 2012, 2013 and 2014. We have compared the ratios with the P/E ratios implied by the Acquisition and the Capital Injection and each of the 2014 audited earnings of Target PRC. We have set out the results in the table below. A steady annual increase in P/E ratios is evident. We note the P/E ratio for 2015 of 13.8 is higher than the 2014 P/E ratio; however, we also observe that Target PRC's unaudited half year revenue and earnings have increased substantially year on year. In our opinion, the regular annual increase in valuations imputed to Target PRC since 2012 is likely to be a consequence of the annual growth in the profit of Target PRC.

Target PRC financial year ending 31 December	**Net Profit** *(RMB)*	**P/E Implied by Investment**
2102	8,506,119	7.3
2013	20,515,482	8.5
2014	29,274,713	10.2
2015 (P/E ratio implied by the Acquisition and the Capital Injection)	N.A.	13.8

We note that the Capital Injection has the effect of increasing the Group's significant minority equity interest to a simple majority equity interest and gives the Group voting control of Target PRC. Based on our analyses above, we regard the consideration of US$6 million by the Group to increase its interest in Target PRC from 41.67% to 51.39% to be fair and reasonable and on normal commercial terms.

7. Risk factors

Pages 29-33 of the Circular set out details of the types of risk with respect to (i) the Acquisition; (ii) the Target Business; and (iii) the PRC. Some of the more important risks to which the Shareholders should pay close attention are summarised as follows.

(a) Brief summary

In respect of the Acquisition, it should first be noted that the proposed Acquisition represents engagement in a new business segment for the Group, which may pose, for example, significant administrative, financial and operational challenges to the Group. Since the Company does not possess substantial experience in running the Target Business, it is difficult to ascertain with any certainty the timing and amount of any return or benefits that may be received from the Target Business. If the development of the Target Business does not progress as planned, the Company may not be able to recover the funds and resources it has spent in the Acquisition. This may affect the Company's financial position adversely as a result.

Secondly, the valuation of the Target Group is based on a number of assumptions but there can be no assurance that such assumptions can be sustained in in the future, taking into account the limited track record of the Target Group. In addition, the financial information of the Target Group may not be representative of the future operating results of the Target Group. As such, the valuation of the Target Group based on such assumptions and may make the overall valuation highly uncertain. Therefore, there is a possibility that the valuation of the Target Group may not be accurate and may overstate the value of the Target Group.

With respect to the risk of the Target Business, it should be noted that the Target Group faces keen competition within its own business sector as well as from other financial institutions in the PRC such as local banks, entrusted loan providers and micro-financing companies. Moreover, The Target Group has followed market norm by refraining from purchasing any insurance to cover its risk against customers' default or other potential risks associated with the Target Business as described in this section of "Risk factors" in the Letter from the Board. If any of the risk factors described in the above-mentioned section materialises, the business, financial conditions and operation results of the Target Group may be adversely and materially affected.

Finally, changes in the economic, political and social conditions of the PRC as well as laws and regulatory policies adopted by the PRC Government may adversely affect the Target Group's business, growth strategies, financial conditions and results of operation.

(b) Company's assessment of the risk factors

On pages 33-34 of the Circular, the Company set out its assessment of the risk factors and its plan to minimise those risks. The following is a brief summary of the Company's assessment and plan.

Having regard to the historical growth of China and the rapid increase in demand for finance lease from small and medium enterprises and individual entrepreneurs in the PRC, the Directors considered there are growth opportunities in the finance lease industry and it is the right time to enter into the industry.

The Company will retain the services of the Target Group's key management for three years to prevent any disruption to the Target Group's current business activities. In addition, appropriately experienced candidates will be appointed to complement the current management team of the Target Group in the future.

In addition, a comprehensive internal control system will be implemented in the Target Group to detect and prevent the occurrence of fraud and other misconduct as well as ensure the Target Group in compliance with relevant laws, rules and regulations.

Finally, in terms of funding the Target Group's finance lease business activities, the Company, based on the track record of the Target Group for the past three years, is confident of successfully securing financing from independent financial institution.

8. Financial effects of the Acquisition and the Capital Injection

Upon the Acquisition Completion and the Capital Injection Completion, the Target Group will become subsidiaries of the Company and will be accounted for in the consolidated financial statements of the Group.

Assets and liabilities

According to the interim report of the Company for the year ended 30 June 2015, the unaudited consolidated total assets and liabilities of the Group as at 30 June 2015 were approximately HK$1,428.0 million and HK$111.4 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, if the Acquisition Completion and the Capital Injection Completion had taken place on 30 June 2015, the unaudited pro forma consolidated total assets, liability and equity of the Enlarged Group would be approximately HK$2,391.8 million, HK$903.7 million and HK$1,488.1 million respectively. The increase in the pro forma total assets was mainly due to the finance leases receivables of approximately HK$679.9 million. The increase in the pro forma total liabilities was mainly due to the pro forma adjustments of short-term and long-term borrowings of approximately HK$610.9 million.

Gearing ratio

As at 30 June 2015, the gearing ratio of the Group, which was calculated based on total liabilities divided by the total assets, was 7.8%. Had the Acquisition Completion and the Capital Injection Completion taken place on 30 June 2015, it is expected that the gearing ratio of the Enlarged Group would become approximately 37.8% based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III.

Earnings

Following the Acquisition Completion and the Capital Injection Completion, members of the Target Group will become subsidiaries of the Company and the financial results of the Target Group will be consolidated into that of the Group. Based on the latest published annual report of the Group, the Group recorded an audited consolidated profit of approximately HK$27,607,000 for the year ended 31 December 2014.

Based on the accountant's report of the Target PRC as set out in Appendix IIB to the Circular, for the year ended 31 December 2014, the Target PRC recorded profit for the year of approximately HK$29,274,713.

As set out in Appendix III to the Circular, assuming that Acquisition Completion and the Capital Injection Completion had taken place on 1 January 2014, the unaudited pro forma consolidated profit of the Enlarged Group for the year ended 31 December 2014 would be approximately HK$60,903,000, which was mainly due to the consolidation of the financial results of Target Group into that of the Group.

In light of the potential future prospects of the Target Group, it is expected that consolidating the financial results of the Target Group into the Group will have a favourable long term effect on the Enlarged Group's earnings upon the Acquisition Completion and the Capital Injection Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the Acquisition Agreement and Capital Injection Agreement are on normal commercial terms and their terms and conditions as well as the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the Acquisition is in the interests of the Company and the Shareholders as a whole even though its subject matter, i.e. finance leasing, is not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the Capital Injection Agreement and the transactions contemplated under them, and we further recommend that the Independent Shareholders vote in favour of the resolution(s) in this regard.

Yours faithfully
For and on behalf of
Pan Asia Corporate Finance Limited
Billy C. W. Cheung
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pme8.com) respectively:

– annual report of the Company for the year ended 31 December 2012 published on 26 April 2013 (pages 27 to 131);

– annual report of the Company for the year ended 31 December 2013 published on 29 April 2014 (pages 26 to 119); and

– annual report of the Company for the year ended 31 December 2014 published on 29 April 2015 (pages 25 to 105).

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management discussion and analysis of the Group extracted from the annual reports of the Company for each of the three years ended 31 December 2012, 2013 and 2014. The financial data in respect of the Group, for the purpose of this circular, is derived from the audited consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014. Terms used below shall have the same meanings as defined in the aforesaid reports.

For the year ended 31 December 2014

Business review and financial performance

The Group's turnover and revenue for the year ended 31 December 2014 increased by 64.2% and 11.8% to approximately HK$138.3 million and HK$89.8 million respectively as compared with last year. Segmental revenue of polishing materials and equipment division increased by 11.8% as compared with last year and there was no segmental revenue of other divisions.

Profit for the year ended 31 December 2014 attributable to the shareholders of the Company was approximately HK$27.6 million (2013: HK$108.5 million). The Group recorded a decrease in the annual results for the year ended 31 December 2014 as compared with last year mainly because of increase in administrative expenses, loss on partial disposal of an associate, loss on derecognition of an associate and decrease in fair value of held for trading investments. Segmental loss of the polishing materials and equipment division decreased from approximately HK$19.3 million in 2013 to HK$4.5 million in 2014.

Segmental loss of the investment division increased from approximately HK$16.2 million in 2013 to HK$45.0 million in 2014.

Segment profit of the terminal and logistics services division decreased from HK$174.5 million in 2013 to HK$146.0 million in 2014.

On 17 January 2014, Upmove International Limited ("Upmove"), an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement with the joint venture partner, pursuant to which each of Upmove and the joint venture partner has agreed to make the capital increase in an amount of RMB50 million each to 日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited** "Rizhao Lanshan") to increase Rizhao Lanshan's registered capital from RMB330 million to RMB430 million. The amounts of the capital increase will be used for the terminal construction and general capital of Rizhao Lanshan.

On 21 December 2014, Upmove and Rizhao Lanshan entered into the disposal agreements with each of the Purchasers, namely 日照港股份有限公司 (Rizhao Port Company Limited**), 新加坡石化發展有限公司 (Singapore Petrochemical & Energy Development Pte. Ltd.) and 上海谷隆投資有限公司 (Shanghai Gulong Investments Limited**), pursuant to which Upmove has conditionally agreed to transfer an aggregate of 50% equity interest in Rizhao Lanshan to the purchasers for a total consideration of RMB900,000,000 (equivalent to approximately HK$1,134,000,000). The consideration shall be paid in cash and completion shall be conditional upon, among other things, the approval of the disposal agreements and the transactions contemplated thereunder by the shareholders at an extraordinary general meeting. Proceeds from the disposal will be applied for investment opportunities in future and general working capital. Details of the transaction may refer to the announcement made by the Company on 22 January 2015.

Liquidity and financial resources

At 31 December 2014, the Group did not have any interest bearing borrowings (31 December 2013: HK$8.7 million).

At 31 December 2014, current assets of the Group amounted to approximately HK$524.2 million (31 December 2013: HK$475.1 million). The Group's current ratio was approximately 4.01 as at 31 December 2014 as compared with 3.82 as at 31 December 2013. At 31 December 2014, the Group had total assets of approximately HK$1,403.6 million (31 December 2013: HK$1,368.5 million) and total liabilities of approximately HK$149.6 million (31 December 2013: HK$143.4 million).

Gearing ratio

The Group's gearing ratio is calculated as a ratio of total liabilities over total assets. As at 31 December 2014, the Group's gearing ratio was 0.11.

Issue of new shares in 2013

On 25 January 2013, the Company entered into the subscription agreements with Sino Life Insurance Co., Ltd. (now known as Funde Sino Life Insurance Co., Ltd.) and On Tak Lee Trading Limited in relation to the subscription of 800,000,000 and 200,000,000 new ordinary shares in the share capital of the Company at HK$0.355 per subscription share respectively. The aggregate nominal value of the new shares was HK$10,000,000.

Sino Life Insurance Co., Ltd. (now known as Funde Sino Life Insurance Co., Ltd.) is an insurance company incorporated in the PRC with limited liability. On Tak Lee Trading Limited is a logistic, trading and investment holdings company incorporated in Hong Kong with limited liability.

The subscription represents an opportunity to raise additional capital for the Company, strengthen the financial position of the Company and enhance the shareholders base.

The net proceeds raised from the subscription were approximately HK$355 million, of which (i) approximately HK$210 million would be used for the development of terminal and logistics business of the Company in Rizhao city, Shandong Province, the PRC; and (ii) balance of approximately HK$145 million would be used for general working capital and future strategic investments of the Group. As at 31 December 2014, approximately HK$75 million from the subscription was utilized for the general working capital (mainly administrative expenses) of the Company, approximately HK$64 million (equivalent to RMB50 million) from the subscription was utilized to increase the capital of Rizhao Lanshan to further develop the terminal and logistics business.

The net price to the Company was approximately HK$0.355 per each subscription share.

The trading in the shares of the Company was halted on 25 January 2013 in relation to the subscription. The closing price of the Company's shares on 24 January 2013, the last trading date for the Company's shares prior to the entering into the subscription agreements, was HK$0.43 per share.

Charge of assets

As at 31 December 2014, the Group did not have any pledge of assets.

Significant investments

At 31 December 2014, the Group held available-for-sale investments and held for trading investments amounting to approximately HK$2.5 million and HK$88.5 million respectively. During the year, the Group recorded loss on partial disposal of an associate of approximately HK$14.9 million, loss on derecognition of an associate of approximately HK$26.9 million, increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss of approximately HK$10.7 million, decrease in fair value of held for trading investments of approximately HK$11.6 million and gain on disposal of held for trading investments of approximately HK$3.0 million.

At 31 December 2013, the Group held available-for-sale investments and interests in associates amounting to approximately HK$2.5 million and HK$76.3 million respectively. During that year, the Group recorded increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$2.5 million and gain on disposal of held for trading investments amounting to approximately HK$0.8 million.

Foreign exchange exposures

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2014 and 2013.

Capital commitments

The Group had no capital commitments as at 31 December 2014 and 2013.

Business prospects and future plan

The management believes the year of 2015 will be a year full of challenges. Facing with the continuous slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials in China and abroad, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2015 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The management considers developing of other chemical projects at the appropriate time, such as methanol and other chemical raw materials, and wishes to open another promising business for the Group with its rich chemical industry experience and understanding of the market in China and abroad.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

Employees and remuneration

As at 31 December 2014, the Group had approximately 40 (2013: 40) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance.

Purchase, redemption or sale of listed shares

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

For the year ended 31 December 2013 ***(Note)***

Business review and financial performance

The Group's turnover and revenue for the year ended 31 December 2013 decreased by 20.1% to approximately HK$84.2 million and increased by 0.7% to approximately HK$80.3 million respectively as compared with last year. Segmental revenue of polishing materials and equipment division increased slightly by 0.7% as compared with last year and there was no segmental revenue of other divisions.

Profit for the year ended 31 December 2013 attributable to the shareholders of the Company was approximately HK$108.5 million (2012: loss of HK$2.4 million). The Group recorded a substantial improvement in the annual results for the year ended 31 December 2013 as compared with last year because there were increase in share of results of joint ventures, decreases in finance costs, decrease in losses on disposal/partial disposal of associates, and decrease in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss.

Segmental loss of the polishing materials and equipment division decreased from approximately HK$22.6 million in 2012 to HK$19.3 million in 2013. Segmental loss of the investment division decreased from approximately HK$19.0 million in 2012 to HK$16.2 million in 2013.

Segment profit of the terminal and logistics services division increased from HK$96.8 million in 2012 to HK$174.5 million in 2013. The increase was mainly due to the commencement of operation of its two new berths with total capacity of 140,000-tonne since October 2012.

On 17 January 2014, Upmove International Limited ("Upmove"), an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement with the joint venture partner, pursuant to which each of Upmove and the joint venture partner has agreed to make the capital increase in an amount of RMB50 million each to Rizhao Lanshan Wansheng Harbour Company Limited ("Rizhao Lanshan") to increase Rizhao Lanshan's registered capital from RMB330 million to RMB430 million. The amounts of the capital increase will be used for the terminal construction and general capital of Rizhao Lanshan.

Liquidity And financial resources

At 31 December 2013, the Group had interest-bearing other loan of approximately HK$8.7 million (31 December 2012: HK$11.8 million), which was of maturity within one year. The Board expects that the other loan will be repaid by internal resources upon its maturity.

At 31 December 2013, current assets of the Group amounted to approximately HK$475.1 million (31 December 2012: HK$113.9 million). The Group's current ratio was approximately 3.82 as at 31 December 2013 as compared with 0.52 as at 31 December 2012. At 31 December 2013, the Group had total assets of approximately HK$1,368.5 million (31 December 2012: HK$874.5 million) and total liabilities of approximately HK$143.4 million (31 December 2012: HK$227.4 million).

Gearing ratio

The Group's gearing ratio is calculated over total liabilities as a ratio of total assets. As at 31 December 2013, the Group's gearing ratio was 0.10.

Charge of assets

As at 31 December 2013, the Group did not have any pledge of assets.

At 31 December 2012, the Group's listed securities held under the margin accounts with a total market value of approximately HK$3,200,000 have been pledged to financial institutions to secure the credit facilities granted to the Group.

Significant investments

At 31 December 2013, the Group held available-for-sale investments and interests in associates amounting to approximately HK$2.5 million and HK$76.3 million respectively. During the year, the Group recorded gain in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$2.5 million and gain on disposal of held for trading investments amounting to approximately HK$0.8 million.

At 31 December 2012, the Group held available-for-sale investments, interests in associates and held for trading investments amounting to approximately HK$2.5 million, HK$76.8 million and HK$3.2 million respectively. During the year, the Group recorded loss on partial disposal of an associate amounting to approximately HK$12.7 million, loss on disposal of an associate amounting to approximately HK$10.9 million, loss in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$7.4 million and gain on disposals of held for trading investments amounting to approximately HK$9.5 million.

Foreign exchange exposures

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2013 and 2012.

Capital commitments

The Group had no capital commitments as at 31 December 2013 and 2012.

Business prospects and future plan

Facing with the slowdown in the economic growth in the PRC, weak corporate demand for bulk raw materials, and intense competition on peripheral terminals and logistics services, the major tasks of the terminal and logistics services division in 2014 include keeping on improving services quality, maintaining traditional position and customer strength, further enhancing the utilisation efficiency of existing terminal facilities, storage facilities and equipment, continuing to perfect construction of terminal facilities, soliciting new customers and supply, improving the management level and controlling production costs so as to strive for steady growth in port throughput and profits.

The management is cautious of the outlook of the polishing materials and equipment business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

Employees and remuneration

As at 31 December 2013, the Group had approximately 40 (2012: 30) employees (excluding employees of the Company's joint ventures) in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Company also operates a share option scheme of which the Board may, at its discretion, grant options to employees of the Group.

Purchase, redemption or sale of listed shares

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year.

For the year ended 31 December 2012 ***(Note)***

Business review and financial performance

The Group's turnover and revenue for the year ended 31 December 2012 increased by 52.2% to HK$406.3 million and 43.3% to HK$380.7 million respectively as compared with last year. The increase in turnover and revenue was mainly due to increase in revenue from terminal and logistics services division during the year.

Segmental revenue of polishing materials and equipment division decreased by 23.4% from HK$124.7 million in 2011 to HK$95.5 million in 2012. Segmental revenue of terminal and logistics services division increased by 102.2% from HK$141.0 million in 2011 to HK$285.1 million in 2012. As the acquisition of the terminal and logistics services operations completed in April 2011, the division only contributed eight-month segmental revenue to the Group's results for the year ended 31 December 2011. There was no segmental revenue of investment division in both 2011 and 2012.

Loss for the year ended 31 December 2012 attributable to the shareholders of the Company was approximately HK$2.4 million (2011: HK$432.5 million). The Group recorded a substantial improvement in the annual results for the year ended 31 December 2012 as compared with last year mainly due to increase in revenue, decreases in impairment on interest in associates, impairment on available-for-sale investments and impairment on amount due from an associate, decreases in fair value loss of convertible bonds designated as financial assets at fair value through profit or loss and held for trading investments, and decrease in share of losses of associates.

Segmental loss of the polishing materials and equipment division increased from approximately HK$14.9 million in 2011 to HK$23.9 million in 2012, which was mainly due to decrease in sales of polishing materials and equipment and allowance for obsolete inventories. The gross profit margin of polishing materials and equipment division decreased as compared with last year due to keen competition and slow-down in exports of the PRC during the year.

The Group holds entire issued capital of Upmove and indirectly own 50% of the equity interests in Rizhao Lanshan. Rizhao Lanshan is a sino-foreign joint venture company established in Mainland China and engaged in provision of terminal and logistics services including loading and discharging, storage and transfer of iron ore, steel products, timber and other goods and leasing of terminal facilities and equipment in Lanshan Harbour, Rizhao Port, Shandong province of the PRC. The terminal and logistics services division recorded a segmental profit of approximately HK$109.6 million (2011: HK$60.4 million) for the year ended 31 December 2012.

On 30 December 2011 and 27 June 2012, Upmove entered into two agreements with Rizhao Port pursuant to which each of Upmove and Rizhao Port has agreed to make the capital injection in an amount of RMB95.0 million each to Rizhao Lanshan to increase registered capital of Rizhao Lanshan from RMB140.0 million to RMB330.0 million. The amounts of the capital increase were used for the construction of two new 70,000-tonne berths of Rizhao Lanshan. The two new berths have commenced operation in October 2012.

The investment division recorded a segmental loss of approximately HK$26.5 million which was mainly due to loss on disposal and partial disposal of associates. The segmental loss in 2011 was approximately HK$421.6 million.

Liquidity and financial resources

At 31 December 2012, the Group had interest-bearing bank and other loans of approximately HK$116.1 million (31 December 2011: HK$102.5 million), which were of maturity within two years. The Board expects that all bank and other loans will be repaid by internal generated funds or rolled over upon the maturity and continues to provide funding to the Group's operations.

At 31 December 2012, current assets of the Group amounted to approximately HK$336.3 million (31 December 2011: HK$427.2 million). The Group's current ratio was approximately 0.80 as at 31 December 2012 as compared with 1.42 as at 31 December 2011. At 31 December 2012, the Group had total assets of approximately HK$1,272.4 million (31 December 2011: HK$1,261.0 million) and total liabilities of approximately HK$625.3 million (31 December 2011: HK$741.7 million).

Gearing ratio

The Group's gearing ratio calculated as a ratio of total liabilities over total assets. As at 31 December 2012, the Group's gearing ratio was 0.49.

Charge of assets

At 31 December 2012, the Group's property, plant and equipment with carrying value of HK$25.3 million and the listed securities held under the margin accounts, with a total market value of approximately HK$3.2 million have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

At 31 December 2011, the Group's pledged bank deposits with carrying value of HK$63.0 million, property, plant and equipment with carrying value of HK$26.8 million and the listed securities held under the margin accounts, with a total market value of approximately HK$9.3 million have been pledged to banks and financial institutions to secure the credit facilities granted to the Group.

Significant investments

At 31 December 2012, the Group held available-for-sale investments, interests in associates and held for trading investments amounting to approximately HK$2.5 million, HK$76.8 million and HK$3.2 million respectively. During the year, the Group recorded loss on partial disposal of an associate amounting to approximately HK$12.7 million, loss on disposal of an associate amounting to approximately HK$10.9 million, change in fair value of convertible bonds designated as financial assets at fair value through profit or loss amounting to approximately HK$7.4 million and gain on disposals of held for trading investments amounting to approximately HK$9.5 million.

At 31 December 2011, the Group held available-for-sale investments, interests in associates, convertible bonds designated as financial assets at fair value through profit or loss and held for trading investments amounting to approximately HK$41.0 million, HK$155.6

million, HK$45.2 million and HK$10.0 million respectively. During the year, the Group recorded impairment loss on available-for-sale investments amounting to approximately HK$71.8 million, impairment loss on interests in associates amounting to approximately HK$132.3 million, loss on deemed partial disposal of an associate amounting to approximately HK$20.8 million and loss on disposals of held for trading investments amounting to approximately HK$0.5 million.

Foreign exchange exposures

The Group's purchases and sales are mainly denominated in United States dollars, Hong Kong dollars and Renminbi. The investments are in Hong Kong dollars. The operating expenses of the Group are either in Hong Kong dollars or Renminbi. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in exchange rates.

Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2012 and 2011.

Capital commitments

At 31 December 2012 and 2011, the Group had capital commitments as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Contracted for but not provided:		
Capital injection in a jointly controlled entity	–	100,000
The Group's share of the capital commitments of its jointly controlled entity are as follows:		
Contracted for but not provided:		
Acquisition of property, plant and equipment	7,051	86,100
Authorised but not contracted for:		
Acquisition of property, plant and equipment	52,021	127,192
	59,072	213,292

Business prospects and future plan

The Group expected more challenges and complication in the global economy in the year 2013. There will be more unstableness and uncertainty in the recovery of the economy. The global economy is still under structural adjustments, as the recovery of the developed economies continues to be uncertain and the growth rate of the emerging economies remains slow. The continuous deterioration of European debt crisis led to the lack of development momentum and drop of market confidence in the developed countries, the global economy will probably retain a downturn in a long period. Although the growth of China's economy has stabilized, rapid rebound remains unlikely.

Despites the uncertainties, the Group will be proactive in face of challenges. We will continue to realign our business structure, further enhance port functions and broaden our scope of services. By leveraging on the advantages on geographical location and deep water condition, the Group will strengthen marketing activities and co-operation with customers,extend its service scope along the logistics chain and attract customers through working out integrated logistics solutions for customers and building up trade platform for iron ore. The Group will speed up the construction of infrastructure including storage and stacking yards so as to upgrade its hardware and port handling capacity.

The management is cautious of the outlook of the polishing products business. The Group will continue to enforce cost-saving measures, concentrate on selling products with high profit margin, expand its distribution network and develop new products in order to improve the profitability of this business segment.

The Group will also keep on evaluating and restructuring its investment portfolio and strategies in order to improve the performance of the investment segment.

The Board and the Group's management will continue to use their best endeavour to strengthen and strive for improvements in all the Group's business segments and to enhance the long-term growth potential of the Group.

Employees and remuneration

As at 31 December 2012, the Group had approximately 30 (2011: 30) employees (excluding employees of the Company's jointly controlled entities) in Hong Kong and Mainland China. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Company also operates a share option scheme of which the Board may, at its discretion, grant options to employees of the Group.

Note: The financial data of the Group for the year ended 31 December 2012 is extracted from the annual report of the Company for the year ended 31 December 2012, and does not take into account subsequent restatements on such figures which are disclosed in the annual report of the Company for the year ended 31 December 2013 in accordance with the Hong Kong Financial Reporting Standard.

** The English translation of Chinese names or words, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

3. INDEBTEDNESS STATEMENT

Borrowings

As at close of business on 31 August 2015, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$612.4 million. The outstanding indebtedness comprised (i) secured bank borrowings of approximately HK$611.3 million and; (ii) obligation under finance leases of approximately HK$1.1 million.

Securities

The aforesaid secured bank borrowings of approximately HK$611.3 million and obligation under finance leases of approximately HK$1.1 million were secured by the pledged finance lease receivables, restricted deposits and plant and equipment with a carrying amount of approximately HK$414.1 million, HK$77.5 million and HK$0.9 million respectively.

Contingent liabilities

As at close of business on 31 August 2015, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had no other material contingent liabilities outstanding.

Disclaimer

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 August 2015, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing as at close of business on 31 August 2015.

Save as disclosed above, the Directors were not aware of any material changes in the indebtedness and contingent liabilities of the Group after 31 August 2015 and up to the Latest Practicable Date.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstance, taking into account of the internal resources of the Enlarged Group and the available banking facilities, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months following the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The principal activities of the Group are manufacturing and trading of polishing materials and equipment, trading of equity securities, investment in terminal and logistics services business and investment holding. The Board considers that the Acquisition provides an opportunity for the Group to tap into the finance lease industry in the PRC. The Board also considers that the Acquisition is consistent with the Group's business developments, can generate diversified income for the Group, and can enhance the Shareholders' value. Given the satisfactory financial performance of the Target Group and the optimistic outlook of the finance lease market in the PRC, the Board considers that the Acquisition would provide positive contribution to the Group's income stream.

It is the current intention of the Company to continue to maintain the current management of the Target Group to carry on the business. The Company also intends to maintain the key management of Target PRC to continue their services in the Target Group for three years from the date of Acquisition Completion. The Directors consider that with the experienced management team of the Target Group together with the experience and expertise of the Group will have sufficient management expertise and personnel at operational level to operate the business of the Target Group. Also, the Directors will closely evaluate the performance of the Target Group after the Acquisition and will conduct further study on detailed business plans taking into account the economic condition in the PRC.

In view of the benefits of the proposed Acquisition mentioned above, the Directors believe that the proposed Acquisition is in the interest of the Company and the Shareholders as a whole.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial and trading position of the Group since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up).

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

RSM

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

30 October 2015

The Board of Directors
PME Group Limited
Room 2203, 22/F
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Ever Grand Capital Group Limited (the "Target BVI Company"), and its subsidiary (hereinafter collectively referred to as the "Target BVI Group") for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods") for inclusion in the circular dated 30 October 2015 issued by PME Group Limited (the "Company") in connection with the proposed acquisition of 100% equity interest in the Target BVI Group (the "Circular").

The Target BVI Company was incorporated on 25 March 2010 in the British Virgin Islands (the "BVI") and it is principally engaged in investment holdings. As at the date of this report, the Target BVI Company has the following subsidiary:

Name of subsidiary	Place and date of incorporation and operation	Share and paid up capital	Percentage of ownership interest directly held by the Target BVI Company	Principal activity
Hong Kong Ever Grand Capital Limited (the "Target HK Company")	Hong Kong 21 March 2013	HK$10,000	100%	Investment holdings

All the companies of the Target BVI Group have adopted 31 December as their financial year end date.

The statutory financial statements of the Target HK Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by RIW C.P.A. Limited, Certified Public Accountants registered in Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Name of company	Financial year	Name of auditor
The Target HK Company	For the period from 21 March 2013 (date of incorporation) to 31 December 2013	RIW C.P.A. Limited
	For the year ended 31 December 2014	RIW C.P.A. Limited

No audited financial statements of the Target BVI Company have been prepared for the Relevant Periods as there are no statutory audit requirements in the BVI.

For the purpose of this report, the director of the Target BVI Company has prepared the Financial Information of the Target BVI Group for the Relevant Periods in accordance with HKFRSs issued by the HKICPA (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The director of the Target BVI Company is responsible for the preparation of the HKFRS Financial Statements. The director of the Target BVI Company is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the director of Target BVI Company has prepared the comparative financial information for the six months ended 30 June 2014 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagement to Review Historical Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Target BVI Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests 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 Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target BVI Company and of the Target BVI Group as at 31 December 2012, 2013, 2014 and 30 June 2015 and of the Target BVI Group's results and cash flows for the Relevant Periods.

FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		HK$	*HK$*	*HK$*	*HK$*	*HK$*
					(unaudited)	
Continuing operations						
Revenue	*6*	–	–	–	–	–
Administrative expenses		(29,352)	(28,930)	(69,974)	(54,509)	(10,392)
Other income	*7*	2,637,362	20,640,979	3,659	2,826	2
Share of profit of an associate	*11*	356,749	2,309,024	15,357,733	1,733,071	13,536,079
Profit before tax		2,964,759	22,921,073	15,291,418	1,681,388	13,525,689
Income tax expense	*8*	–	(205,948)	(404,773)	–	–
Profit for the year/period from continuing operations	*9*	2,964,759	22,715,125	14,886,645	1,681,388	13,525,689
Discontinued operations						
Loss for the year/period from the discontinued operations	*10*	–	(37,783,777)	–	–	–
Profit/(loss) for the year/period		2,964,759	(15,068,652)	14,886,645	1,681,388	13,525,689

B. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Profit/(loss) for the year/period	2,964,759	(15,068,652)	14,886,645	1,681,388	13,525,689
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Exchange differences on translating foreign operations from an associate	278,600	1,410,559	(2,927,456)	(2,825,420)	156,910
Exchange differences reclassified to profit or loss upon step acquisition	–	(727,386)	–	–	–
Exchange differences reclassified to profit or loss upon deemed disposal of a subsidiary	–	(721,395)	–	–	–
Other comprehensive income for the year/period, net of tax	278,600	(38,222)	(2,927,456)	(2,825,420)	156,910
Total comprehensive income for the year/period	3,243,359	(15,106,874)	11,959,189	(1,144,032)	13,682,599
Profit/(loss) for the year/period attributable to:					
Owners of the Target BVI Company	2,964,759	(20,272,548)	14,886,645	1,681,388	13,525,689
Non-controlling interests	–	5,203,896	–	–	–
	2,964,759	(15,068,652)	14,886,645	1,681,388	13,525,689
Total comprehensive income attributable to:					
Owners of the Target BVI Company	3,243,359	(20,310,770)	11,959,189	(1,144,032)	13,682,599
Non-controlling interests	–	5,203,896	–	–	–
	3,243,359	(15,106,874)	11,959,189	(1,144,032)	13,682,599

C. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2012 HK$	As at 31 December 2013 HK$	As at 31 December 2014 HK$	As at 30 June 2015 HK$
Non-current asset					
Investment in an associate	*11*	22,821,459	79,930,793	84,265,603	97,958,592
Current asset					
Cash and cash equivalents	*13*	46,702	1,995,268	421,877	328,587
Current liability					
Accruals and other payables		50,000	70,670	72,900	–
Net current (liabilities)/assets		(3,298)	1,924,598	348,977	328,587
Total assets less current liability		22,818,161	81,855,391	84,614,580	98,287,179
Non-current liability					
Amount due to a director	*12*	19,586,544	98,934,544	89,734,544	89,724,544
NET ASSETS/(NET LIABILITIES)		3,231,617	(17,079,153)	(5,119,964)	8,562,635
Capital and reserves					
Share capital	*14*	8	8	8	8
Other reserves	*15*	3,231,609	(17,079,161)	(5,119,972)	8,562,627
NET EQUITY/(CAPITAL DEFICIENCIES)		3,231,617	(17,079,153)	(5,119,964)	8,562,635

D. STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2012 HK$	2013 HK$	2014 HK$	As at 30 June 2015 HK$
Non-current assets					
Investment in an associate	11	22,821,459	–	–	–
Investment in a subsidiary	20	–	10,000	10,000	10,000
Amount due from a subsidiary	20	–	–	–	1,725,456
Amount due from a director	12	–	215,456	1,715,456	–
		22,821,459	225,456	1,725,456	1,735,456
Current asset					
Cash and cash equivalents	13	46,702	1,897,590	358,086	293,172
Current liability					
Accruals and other payables		50,000	50,000	50,000	–
Net current (liabilities)/assets		(3,298)	1,847,590	308,086	293,172
Total assets less current liability		22,818,161	2,073,046	2,033,542	2,028,628
Non-current liability					
Amount due to a director	12	19,586,544	–	–	–
NET ASSETS		3,231,617	2,073,046	2,033,542	2,028,628
Capital and reserves					
Share capital	14	8	8	8	8
Other reserves	15	3,231,609	2,073,038	2,033,534	2,028,620
NET EQUITY		3,231,617	2,073,046	2,033,542	2,028,628

E. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target BVI Company					
	Share capital *HK$*	(Accumulated losses)/ Retained earnings *HK$*	Foreign currency translation reserve *HK$*	Total *HK$*	Non-controlling interest *HK$*	Total equity *HK$*
At 1 January 2012	8	(11,750)	–	(11,742)	–	(11,742)
Total comprehensive income for the year	–	2,964,759	278,600	3,243,359	–	3,243,359
At 31 December 2012 and 1 January 2013	8	2,953,009	278,600	3,231,617	–	3,231,617
Total comprehensive income for the year	–	(20,272,548)	(38,222)	(20,310,770)	5,203,896	(15,106,874)
Acquisition of a subsidiary upon step acquisition	–	–	–	–	66,846,958	66,846,958
Disposal of non-controlling interests upon deemed disposal	–	–	–	–	(72,050,854)	(72,050,854)
At 31 December 2013 and 1 January 2014	8	(17,319,539)	240,378	(17,079,153)	–	(17,079,153)
Total comprehensive income for the year	–	14,886,645	(2,927,456)	11,959,189	–	11,959,189
At 31 December 2014 and 1 January 2015	8	(2,432,894)	(2,687,078)	(5,119,964)	–	(5,119,964)
Total comprehensive income for the period	–	13,525,689	156,910	13,682,599	–	13,682,599
At 30 June 2015	8	11,092,795	(2,530,168)	8,562,635	–	8,562,635
At 1 January 2014	8	(17,319,539)	240,378	(17,079,153)	–	(17,079,153)
Total comprehensive income for the period	–	1,681,388	(2,825,420)	(1,144,032)	–	(1,144,032)
At 30 June 2014	8	(15,638,151)	(2,585,042)	(18,223,185)	–	(18,223,185)

F. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2012 HK$	2013 HK$	2014 HK$	Six months ended 30 June 2014 HK$ (unaudited)	2015 HK$
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax						
Continuing operation		2,964,759	22,921,073	15,291,418	1,681,388	13,525,689
Discontinued operation		–	(32,531,064)	–	–	–
		2,964,759	(9,609,991)	15,291,418	1,681,388	13,525,689
Adjustments for:						
Shares of profit of an associate		(356,749)	(2,309,024)	(15,357,733)	(1,733,071)	(13,536,079)
Gain on bargain purchase		(2,637,360)	–	–	–	–
Bank interest income		(2)	(3,292)	(3,209)	(2,376)	(2)
Loss on deemed disposal		–	51,660,832	–	–	–
Net gain on step acquisition		–	(20,374,437)	–	–	–
Operating (loss)/profit before working capital changes		(29,352)	19,364,088	(69,524)	(54,059)	(10,392)
Increase/(decrease) in accruals and other payables		50,000	20,670	2,230	(12,270)	(72,900)
Cash generated from/(used in) operations		20,648	19,384,758	(67,294)	(66,329)	(83,292)
Income tax paid		–	(205,948)	(404,773)	–	–
Net cash generated from/(used in) operating activities		20,648	19,178,810	(472,067)	(66,329)	(83,292)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of a subsidiary	*18*	–	(71,358,516)	–	–	–
Disposal of a subsidiary	*19*	–	(26,898,012)	–	–	–
Acquisition of an associate		(19,548,750)	–	–	–	–
Dividend income received		–	2,059,482	8,095,467	–	–
Interest received		2	3,292	3,209	2,376	2
Net cash (used in)/generated from investing activities		(19,548,748)	(96,193,754)	8,098,676	2,376	2
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase/(decrease) in amount due to a director		19,574,802	79,348,000	(9,200,000)	–	(10,000)
Net cash generated from/(used in) financing activities		19,574,802	79,348,000	(9,200,000)	–	(10,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		46,702	2,333,056	(1,573,391)	(63,953)	(93,290)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		–	46,702	1,995,268	1,995,268	421,877
Effect of foreign exchange rate changes		–	(384,490)	–	–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		46,702	1,995,268	421,877	1,931,315	328,587

G. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target BVI Company was incorporated on 25 March 2010 in the BVI with limited liability. The address of its registered office is Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands. The address of its principal place of business is 12/F, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

The Target BVI Company is principally engaged in investment holding. The principal activity of its subsidiary is set out in note 20 to the Financial Information.

In the opinion of the director of the Target BVI Company, Mr. Wong Lik Ping ("Mr. Wong"), is the ultimate controlling party of the Target BVI Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND REQUIREMENTS

In the Relevant Periods, the Target BVI Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Target BVI Group's accounting policies, presentation of the Target BVI Group's Financial Information and amounts reported for the Relevant Periods.

(a) New and revised HKFRSs in issue but not yet effective that are relevant to the Target BVI Group's operation

The Target BVI Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Target BVI Group's Financial Information when they become effective. The Target BVI Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

(b) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Stock Exchange in April 2015 released revised the Rules Governing the Listing of Securities in relation to disclosure of financial information in accountants' report that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Target BVI Group has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities in the Stock Exchange and by the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of the Target BVI Company and its subsidiaries made up to 31 December and 30 June. Subsidiaries are entities over which the Target BVI Group has control. The Target BVI Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target BVI Group has power over an entity when the Target BVI Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target BVI Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Target BVI Company. It is de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target BVI Group's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target BVI Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Target BVI Group. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Target BVI Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

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

In the Target BVI Group's statement of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of a subsidiary are accounted for by the Target BVI Group on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Target BVI Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Target BVI Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Target BVI Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Target BVI Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Associates

Associates are entities over which the Target BVI Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Target BVI Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the Financial Information by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Target BVI Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Target BVI Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Target BVI Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Target BVI Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Target BVI Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Target BVI Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Target BVI Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Target BVI Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Target BVI Group and its associates are eliminated to the extent of the Target BVI Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Target BVI Group.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target BVI Group's cash management are also included as a component of cash and cash equivalents.

(f) Discontinued operations

A discontinued operation is a component of the Target BVI Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Target BVI Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned or to be abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(g) Financial liabilities and equity instrument

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target BVI Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Equity instruments

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

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target BVI Group and the amount of revenue can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(i) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target BVI Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target BVI Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target BVI Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target BVI Group can no longer withdraw the offer of those benefits, and when the Target BVI Group recognises restructuring costs and involves the payment of termination benefits.

(j) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target BVI Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. 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 against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target BVI Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target BVI Group intends to settle its current tax assets and liabilities on a net basis.

(k) Related parties

A related party is a person or entity that is related to the Target BVI Group.

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

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

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

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

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

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

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

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

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

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

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

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

(l) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the Financial Information to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

(m) Impairment of financial assets

At the end of each reporting period, the Target BVI Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target BVI Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(o) Events after the reporting period

Events after the reporting period that provide additional information about the Target BVI Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Income taxes

The Target BVI Group is subject to income taxes in Hong Kong. Significant estimates are required in determining the provision for income taxes. 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 period in which such determination is made.

Impairment of investment in an associate

The policy for recognition of impairment loss in respect of investment in an associate of the Target BVI Group is based on the performance of that associate and the management's judgement. A considerable amount of judgement is required in assessing the recoverable amount of the associate. If the financial conditions of the associate were to deteriorate, resulting in an impairment of its ability to distribute back the return to the Target BVI Group, recognition of impairment loss may be required.

5. FINANCIAL RISK MANAGEMENT

The Target BVI Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Target BVI Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target BVI Group's financial performance.

(a) Foreign currency risk

The Target BVI Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target BVI Group entities, HK$ and Renminbi ("RMB"). The Target BVI Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target BVI Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances included in the consolidated statements of financial position represents the Target BVI Group's maximum exposure to credit risk in relation to the Target BVI Group's financial assets.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Interest rate risk

The Target BVI Group's exposure to interest-rate risk arises from its bank balances. These balances bear interests at variable rates that vary with the then prevailing market condition.

(d) Liquidity risk

The Target BVI Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target BVI Group's financial liabilities is as follows:

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total undiscounted cash outflow	Carrying amount
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
At 31 December 2012					
Amount due to a director	–	–	19,586,544	19,586,544	19,586,544
Accruals and other payables	50,000	–	–	50,000	50,000
At 31 December 2013					
Amount due to a director	–	–	98,934,544	98,934,544	98,934,544
Accruals and other payables	70,670	–	–	70,670	70,670
At 31 December 2014					
Amount due to a director	–	–	89,734,544	89,734,544	89,734,544
Accruals and other payables	72,900	–	–	72,900	72,900
At 30 June 2015					
Amount due to a director	–	–	89,724,544	89,724,544	89,724,544

(e) Categories of financial instruments at 31 December 2012, 2013, 2014 and 30 June 2015

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	46,702	1,995,268	421,877	328,587
Financial liabilities:				
Financial liabilities measured at amortised cost	19,636,544	99,005,214	89,807,444	89,724,544

(f) Fair values

The carrying amounts of the Target BVI Group's financial assets and financial liabilities as reflected in the Financial Information approximate their respective fair values.

6. REVENUE

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

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2012 *HK$*	2013 *HK$*	2014 *HK$*	2014 *HK$* (unaudited)	2015 *HK$*
Bank interest income	2	3,292	3,209	2,376	2
Exchange difference	–	263,250	–	–	–
Gain on bargain purchase	2,637,360	–	–	–	–
Net gain on step acquisition	–	20,374,437	–	–	–
Others	–	–	450	450	–
	2,637,362	20,640,979	3,659	2,826	2

8. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2012 *HK$*	2013 *HK$*	2014 *HK$*	2014 *HK$* (unaudited)	2015 *HK$*
Withholding tax on dividend – the PRC	–	205,948	404,773	–	–

No provision for Hong Kong Profits Tax has been made in the Financial Information since the Target BVI Group has no assessable profits during the years ended 31 December 2012, 2013 and 2014 and six months ended 30 June 2014 and 2015.

The Target BVI Group is subject to the withholding tax on dividends. According to a joint circular of Ministry of Finance and the State Administration of Taxation of the PRC, Cai Shui [2008] No. 1, only the profits earned by foreign-investment enterprises prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to Enterprise Income Tax at 10% and withheld by the PRC subsidiary, pursuant to Articles 3 and 27 of the Enterprise Income Tax Law and Article 91 of its Detailed Implementation Rules.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012 *HK$*	2013 *HK$*	2014 *HK$*	2014 *HK$* (unaudited)	2015 *HK$*
Profit before tax	2,964,759	22,921,073	15,291,418	1,681,388	13,525,689
Tax at the domestic income tax rate of 16.5%	489,185	3,781,977	2,523,084	277,429	2,231,739
Tax effect of share of profit of an associate	(58,864)	(380,989)	(2,534,026)	(285,957)	(2,233,453)
Tax effect of expenses that are not deductible	4,843	4,774	11,546	8,994	1,714
Tax effect of income not taxable	(435,164)	(3,405,762)	(604)	(466)	–
Withholding tax on dividend – PRC	–	205,948	404,773	–	–
Income tax expense	–	205,948	404,773	–	–

No provision for deferred taxation has been made in the Financial Information as the tax effect of taxable temporary differences is immaterial to the Target BVI Group.

9. PROFIT/(LOSS) FOR THE YEAR/PERIOD

The Target BVI Group's profit/(loss) for the year/period is stated after charging the following:

Continuing operations

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Auditors' remuneration	–	7,000	8,000	–	–

Discontinued operations

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Auditors' remuneration	–	–	–	–	–
Interest expenses included in cost of services	–	10,788,657	–	–	–
Depreciation	–	375,918	–	–	–
Minimum lease payments paid under operating leases during the year in respect of office premises	–	583,655	–	–	–
Staff costs:					
Directors' emoluments	–	753,916	–	–	–
Other staff costs					
– Salaries and other benefits	–	1,764,149	–	–	–
– Retirement benefits schemes contributions	–	379,264	–	–	–
	–	2,897,329	–	–	–

10. DISCONTINUED OPERATIONS

On 25 December 2013, the Target HK Company and 中安股權投資基金管理(天津)有限公司 ("Zhong An") entered into the capital injection agreement and agreed that 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd.) (the "Target PRC Company") shall apply for an increase in its registered capital from US$20,000,000 to US$30,000,000. The increased amount of US$10,000,000 shall be entirely contributed by Zhong An such that Zhong An's equity interest in the Target PRC Company shall increase from approximately 37.50% to approximately 58.33% after its contribution of the additional registered capital while Target HK Company's equity interest in the Target PRC Company shall decrease from approximately 62.50% to approximately 41.67%. Accordingly, the operation of the Target PRC Company and its subsidiary (collectively referred to as the "Target PRC Group") is presented as discontinued operations from 19 June 2013 to 25 December 2013.

	2013
	HK$
Profit for the year from discontinued operations:	
Revenue	44,752,993
Cost of services	(12,059,157)
Other gains	3,686,143
Administrative expenses	(17,250,211)
Profit before tax	19,129,768
Income tax expense	(5,252,713)
	13,877,055
Loss on deemed disposal of operations *(note 19)*	(51,660,832)
Income tax expense	–
	(37,783,777)
Profit/(loss) for the year from discontinued operations:	
– attributable to owners of the Company	(42,987,673)
– attributable to non-controlling interests	5,203,896
	(37,783,777)

11. INVESTMENT IN AN ASSOCIATE

The Target BVI Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Unlisted investments in the PRC:				
Share of net assets	22,821,459	112,411,939	116,746,749	130,439,738
Effect of fair value adjustments at acquisition	–	(32,481,146)	(32,481,146)	(32,481,146)
	22,821,459	79,930,793	84,265,603	97,958,592

Details of the Group's associate at 31 December 2012, 2013, 2014 and 30 June 2015 are as follows:

Name	Place of incorporation and operation	Registered capital	Percentage of ownership interest directly held by the Target BVI Group: As at 31 December 2012	2013	2014	As at 30 June 2015	Principal Activity
The Target PRC Company *(Note a)*	The PRC	US$30,000,000 *(Note b)*	25.00%	41.67%	41.67%	41.67%	Finance lease services and financing services

The Target BVI Company

	As at 31 December 2012 HK$	As at 31 December 2013 HK$	As at 31 December 2014 HK$	As at 30 June 2015 HK$
Investment in an associate	22,821,459	–	–	–

Name	Place of incorporation and operation	Registered capital	Percentage of ownership interest directly held by the Target BVI Company: As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015	Principal activity
The Target PRC Company *(Note a)*	The PRC	US$30,000,000 *(Note b)*	25.00%	–	–	–	Finance lease services and financing services

(a) Sino-foreign equity joint venture company established in the PRC.

(b) On 9 March 2012, the Target BVI Company signed an agreement to acquire 25% equity interests in the Target PRC Company at a purchase consideration of US$2,500,000. The Target PRC Company was established on 6 April 2010 in Beijing, the PRC, and principally engaged in the provision of finance lease services and financing services.

On 18 April 2013, the Target BVI Company signed an agreement to transfer 25% equity interest in the Target PRC Company to the Target HK Company at a consideration of US$2,540,000.

By the approval of increasing for registered capital from 北京市商務委員會 on 19 June 2013, the registered capital of the Target PRC Company was increased from US$10,000,000 to US$20,000,000 whereas the Target BVI Group had to pay US$10,000,000 to the Target PRC Company for this increase in registered capital. The Target BVI Group's equity interests in the Target PRC Company increased from 25% to 62.50% accordingly. The Target BVI Group made capital contribution of US$10,000,000 on 23 August 2013 to the Target PRC Company.

By the approval of increasing for registered capital from 北京市商務委員會 on 25 December 2013, the registered capital of the Target PRC Company was further increased from US$20,000,000 to US$30,000,000. It results in a dilution of the Target BVI Group's interest in the Target PRC Company from 62.50% to 41.67%. The investment in the Target PRC Company was accounted for investment in an associate as at 31 December 2013.

The following table shows information on the associate that is material to the Target BVI Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associate.

Name	The Target PRC Company: As at 31 December 2012	As at 31 December 2013	As at 31 December 2014	As at 30 June 2015
Principal place of business/country of incorporation	The PRC/The PRC			
Principal activities	Finance lease services and financing services			
% of ownership interests/voting rights held by the Target BVI Group	25%/ 25%	41.67%/ 41.67%	41.67%/ 41.67%	41.67%/ 41.67%

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Non-current assets	457,303,713	904,404,779	573,922,858	476,261,998
Current assets	175,183,201	379,449,591	559,726,880	628,977,897
Non-current liabilities	(428,605,659)	(737,269,887)	(521,414,499)	(395,601,986)
Current liabilities	(112,595,420)	(276,817,411)	(332,065,456)	(396,607,580)
Net assets	91,285,835	269,767,072	280,169,783	313,030,329
Group's share of net assets	22,821,459	112,411,939	116,746,749	130,439,738
Effect of fair value adjustments at acquisition	–	(32,481,146)	(32,481,146)	(32,481,146)
Group's share of carrying amount of interests	22,821,459	79,930,793	84,265,603	97,958,592
Year ended 31 December/ six months ended 30 June:				
Revenue	90,018,713	110,584,585	127,043,684	119,128,621
Profit from continuing operations	10,465,640	25,920,873	36,855,613	32,483,993
Profit after tax from discontinued operations	–	–	–	–
Other comprehensive income	1,814,055	3,425,735	(6,917,376)	376,556
Total comprehensive income	12,279,695	29,346,608	29,938,237	32,860,549
Dividends received from an associate	–	2,059,482	8,095,467	–

The Group's share of associate's profit for the year includes share of associate's taxation of HK$878,856, HK$961,185, HK$3,861,404, and HK$5,846,296 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 respectively.

The bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to HK$47,859,464, HK$22,286,475, HK$61,906,840 and HK$42,907,509. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

12. AMOUNT DUE FROM/(TO) A DIRECTOR

The Target BVI Group

The amount due to a director was unsecured and interest-free. In the opinion of the director of the Target BVI Group, the amount due to a director as at 31 December 2012, 2013, 2014 and 30 June 2015, was not required to be settled within 12 months from that dates and therefore, it was classified as non-current liabilities.

The Target BVI Company

Maximum outstanding amounts due from a director

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	HK$	*HK$*	*HK$*	*HK$*
Mr. Wong	–	215,456	1,715,456	–

The amount due from a director was unsecured and interest-free. No provisions for doubtful debts have been made for the year/period ended. In the opinion of the director of the Target BVI Group, the amount due from a director as at 31 December 2013 and 2014, was not required to be settled within 12 months from the dates and therefore, it was classified as non-current assets.

13. CASH AND CASH EQUIVALENTS

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

The Target BVI Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
HK$	46,702	138,450	417,276	323,989
RMB	–	1,856,818	4,601	4,598
	46,702	1,995,268	421,877	328,587

The Target BVI Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	HK$	*HK$*	*HK$*	*HK$*
HK$	46,702	40,772	357,068	292,157
RMB	–	1,856,818	1,018	1,015
	46,702	1,897,590	358,086	293,172

14. SHARE CAPITAL

The Target BVI Group and the Target BVI Company

	Ordinary shares, issued and fully paid of US$1 each
	HK$
At 1 January 2012, 31 December 2012, 2013, 2014 and 30 June 2015	8

15. RESERVES

(a) The Target BVI Group

The amounts of the Target BVI Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) The Target BVI Company

	(Accumulated losses)/retained earnings *HK$*	Foreign currency translation reserve *HK$*	Total *HK$*
At 1 January 2012	(11,750)	–	(11,750)
Total comprehensive income for the year	2,964,759	278,600	3,243,359
At 31 December 2012 and 1 January 2013	2,953,009	278,600	3,231,609
Total comprehensive income for the year	(879,971)	(278,600)	(1,158,571)
At 31 December 2013 and 1 January 2014	2,073,038	–	2,073,038
Total comprehensive income for the year	(39,504)	–	(39,504)
At 31 December 2014 and 1 January 2015	2,033,534	–	2,033,534
Total comprehensive income for the period	(4,914)	–	(4,914)
At 30 June 2015	2,028,620	–	2,028,620

The Target BVI Group's objectives when managing capital are to safeguard the Target BVI Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target BVI Group sets the amount of capital in proportion to risk. The Target BVI Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target BVI Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Target BVI Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises borrowings and obligations under finance leases. Adjusted capital comprises all components of equity (i.e. share capital, retained profits and other reserves).

16. CONTINGENT LIABILITIES

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target BVI Group and the Target BVI Company did not have any significant contingent liabilities.

17. RELATED PARTY TRANSACTION

In addition to those related party transactions and balances disclosed elsewhere in notes 12 the Financial Information, the Target BVI Group had the following transactions with its related parties during the Relevant Periods.

During the year ended 31 December 2012, China Merit Limited, a solely owned company held by the Target BVI Company's director, Mr. Wong, transferred its 25% equity interest in the Target PRC Company to the Target BVI Company, at a consideration of US$2,500,000.

18. STEP ACQUISITION OF A SUBSIDIARY

On 19 June 2013, the Target HK Company and Zhong An entered into the capital injection agreement and agreed that the Target PRC Company shall apply for an increase in its registered capital from US$10,000,000 to US$20,000,000. The increased amount of US$10,000,000 shall be entirely contributed by the Target HK Company such that the Target HK Company's equity interest in the Target PRC Company shall increase from approximately 25% to approximately 62.50% for a total consideration of US$10,000,000. After the contribution of the additional registered capital, Zhong An's equity interest in the Target PRC Company shall decrease from approximately 75% to approximately 37.50%. The Target PRC Company was engaged in finance lease services and financing services during the Relevant Periods.

The fair value of the identifiable assets and liabilities of the Target PRC Company acquired as at the date of acquisition are as follows:

Net assets acquired:

	HK$
Plant and equipment	2,613,324
Finance lease receivables	561,141,141
Available-for-sale financial assets	6,335,000
Loans and receivables investments	58,282,000
Restricted deposits and bank deposits	51,947,000
Prepayments, deposits and other receivables	6,829,701
Financial assets through profit or loss	25,467,227
Cash and cash equivalents	6,014,639
Amount due from the Target HK Company	77,373,155
Accruals and other payables	(7,477,022)
Amount due to related parties	(5,088,520)
Borrowings	(550,582,807)
Current tax liabilities	(3,013,167)
Deposits from customers	(50,816,027)
Deferred tax liabilities	(767,092)
	178,258,552
Non-controlling interests	(66,846,958)
Goodwill	10,829,960
	122,241,554
Satisfied by:	
Cash	77,373,155
Fair value of equity interest in the Target PRC Company held before the step acquisition	44,868,399
	122,241,554
Net cash outflow arising on acquisition:	
Cash consideration paid	77,373,155
Cash and cash equivalents acquired	(6,014,639)
	71,358,516

The Target BVI Group recognised a gain of HK$19,647,051 as a result of measuring at fair value its 25% equity interests in the Target PRC Company held before the step acquisition and exchange difference reclassified from profit or loss of HK$727,386 upon step acquisition. The gain is included in other income in the Target BVI Group's consolidated statements of profit or loss for the year ended 31 December 2013.

The fair values of previously held equity interest in the Target PRC Company held by the Target BVI Group were estimated by Peak Vision Appraisals Limited, an independent qualified professional valuer.

The Target PRC Company contributed HK$44,752,993 to the Target BVI Group's revenue for the year between the date of acquisition and the date of disposal. The Target PRC Company contributed HK$13,877,055 to the Target BVI Group's profit for the year between the date of acquisition and the date of disposal.

If the acquisition had been completed on 1 January 2013, total Target BVI Group revenue for the year ended 31 December 2013 would have been HK$110,584,585, and profit for the year would have been HK$25,920,873. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Target BVI Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is intended to be a projection of future results.

19. DISPOSAL OF A SUBSIDIARY

As referred to note 10 to the Financial Information, on 25 December 2013, the Target BVI Group discontinued its finance lease services and financing services business at the time of the disposal of its subsidiary, the Target PRC Company.

Net assets at the date of disposal were as follows:

	HK$
Plant and equipment	3,538,647
Finance lease receivables	967,988,584
Available-for-sale financial assets	6,386,500
Loans and receivables investments	70,251,500
Restricted deposits and bank deposits	129,007,300
Prepayments, deposits and other receivables	8,792,213
Amount due from Zhong An	78,366,573
Cash and cash equivalents	26,898,012
Accruals and other payables	(11,442,191)
Amount due to a related party	(9,489,831)
Borrowings	(871,192,175)
Current tax liabilities	(2,938,161)
Deposits from customers	(120,204,302)
Deferred tax liabilities	(2,689,036)
Net assets disposed of	273,273,633
Loss on deemed disposal:	
Fair value of the equity interest retained in the Target PRC Company	81,391,977
Net assets disposed of	(273,273,633)
Goodwill on acquisition	(10,917,998)
Non-controlling interests	72,050,854
Contribution from Zhong An	78,366,573
Exchange differences arising on translation released	721,395
	(51,660,832)
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	26,898,012

The fair value of the equity interest retained in the Target PRC Company has been arrived at on the basis of a valuation carried out by Peak Vision Appraisals Limited, an independent qualified professional valuer.

20. INVESTMENT IN A SUBSIDIARY

The Target BVI Company

The amount due from a subsidiary was unsecured and interest-free. In the opinion of the director of the Target BVI Group, the amount due from the Target HK Company as at 30 June 2015 was not required to be settled within 12 months from that date and therefore, it was classified as non-current assets.

The maximum amount outstanding during the six months ended 30 June 2015 is HK$1,725,456.

Particulars of the subsidiary are as follows:

Name	Place of incorporation and operation	Share and paid up capital	Percentage of ownership interest directly held by the Target BVI Company				Principal activity
			As at 31 December			As at 30 June	
			2012	2013	2014	2015	
The Target HK Company	Hong Kong	HK$10,000	N/A[1]	100%	100%	100%	Investment holdings

The Target HK Company is a limited company established in Hong Kong.

[1] The Target HK Company incorporated on 21 March 2013.

21. EVENTS AFTER THE REPORTING PERIOD

On 21 July 2015, the Company and Mr. Wong entered into the acquisition agreement and Mr. Wong conditionally agreed to sell the entire issued share capital of the Target BVI Company and assign the loans owned by the Target BVI Group to Mr. Wong at consideration of RMB170,847,000 (equivalent to approximately HK$213,558,750), which shall be payable by the Company to Mr. Wong in cash within 30 days from the date of completion.

In addition, on 21 July 2015, the Target HK Company and Zhong An entered into the capital injection agreement and agreed that the Target PRC Company shall apply for an increase in its registered capital from US$30,000,000 to US$36,000,000. The increased amount of US$6,000,000 shall be entirely contributed by the Target HK Company such that the Target HK Company's equity interest in the Target PRC Company shall increase from approximately 41.67% to approximately 51.39% after its contribution of the additional registered capital while Zhong An's equity interest in the Target PRC Company shall decrease from approximately 58.33% to approximately 48.61%.

The extraordinary general meeting of the Company will be convened for the purpose of considering and, if though fit, approving the acquisition agreement, the capital injection agreement and the transactions contemplated thereunder.

22. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target BVI Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET BVI

Target BVI is a company incorporated in the BVI, which is an investment holding company and its sole investment is the interests in Target HK. As at the day of this circular, the Target BVI has not commenced any business operation.

The revenue of the Target BVI for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were nil. For the three years ended 31 December 2014 and for the six months ended 30 June 2015, the profit of the Target BVI was mainly derived from share of profit of an associate, where the share of profit of an associate of Target BVI for the three years ended 31 December 2012, 2013, and 2014 and the six months ended 30 June 2015 were approximately HK$356,749, HK$2,309,024, HK$15,357,733 and HK$13,536,079 respectively.

The net loss of the Target BVI for the year ended 31 December 2013 was approximately HK$15,068,652. The net profit of the Target BVI for the years ended 31 December 2012 and 31 December 2014 and the six months ended 30 June 2015 were approximately HK$2,964,759, HK$14,886,645 and HK$13,525,689 respectively.

The total assets of the Target BVI as at 31 December 2012, 2013, 2014 and 30 June 2015 were approximately HK$22,868,161, HK$81,926,061, HK$84,687,480 and HK$98,287,179 respectively, which mainly consisted of its investment in its associate.

The total liabilities of the Target BVI as at 31 December 2012, 2013, 2014 and 30 June 2015 amounted to approximately HK$19,636,544, HK$99,005,214 HK$89,807,444 and HK$89,724,544 respectively, which mainly consisted of the amount due to a director.

(1) ACCOUNTANT'S REPORT OF THE TARGET PRC

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

RSM

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

30 October 2015

The Board of Directors
PME Group Limited
Room 2203, 22/F
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of 北京恒嘉國際融資租賃有限公司 (formerly known as 北京恒嘉盈國際融資租賃有限公司) (Beijing Ever Grand International Finance Lease Co., Ltd.*) (the "Target PRC Company") and its subsidiary (hereinafter collectively referred to as the "Target PRC Group") for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 (the "Relevant Periods") for inclusion in the circular dated 30 October 2015 issued by PME Group Limited (the "Company") in connection with the proposed acquisition of approximately 41.67% equity interest in the Target PRC Company (the "Circular").

The Target PRC Company was incorporated on 6 April 2010 in the People's Republic of China (the "PRC") and is principally engaged in finance lease services and financing services. As at the date of this report, the Target PRC Company has the following subsidiary:

Name of subsidiary	Place and date of incorporation and operation	Registered and paid up capital	Percentage of ownership interest directly held by the Target PRC Company	Principal activity
恒嘉(天津)融資租賃有限公司 (Ever Grand (Tianjin) Finance Lease Co., Ltd.*) ("Ever Grand Tianjin")	The PRC 27 November 2013	RMB50,000,000	100%	Finance lease services and financing services

Note 1: The Target PRC Company is a sino-foreign equity joint venture established in the PRC.

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

All the companies of the Target PRC Group have adopted 31 December as their financial year end date.

The statutory financial statements of the Target PRC Company have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited in accordance with Independent Auditing Standards for Chinese Certified Public Accountants by the following certified public accountants registered in the PRC.

Name of company	Financial year	Name of auditor
The Target PRC Company	For the year ended 31 December 2012	中瑞岳華會計師事務所 (RSM China Certified Public Accountants)
	For the year ended 31 December 2013	瑞華會計師事務所 (Ruihua Certified Public Accountants)
	For the year ended 31 December 2014	瑞華會計師事務所 (Ruihua Certified Public Accountants)

No statutory financial statements of Ever Grand Tianjin have been prepared since its date of incorporation.

For the purpose of this report, the directors of the Target PRC Company have prepared the Financial Information of the Target PRC Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The directors of the Target PRC Company are responsible for the preparation of the HKFRS Financial Statements. The directors of the Target PRC Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the directors of Target PRC Company have prepared the comparative financial information for the six months ended 30 June 2014 (the "Comparative Financial Information") in accordance with HKFRSs. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2400 "Engagement to Review Historical Financial Statements" issued by the HKICPA. A review consists principally of making enquiries of the Target PRC Group management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests 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 Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target PRC Company and of the Target PRC Group as at 31 December 2012, 2013, 2014 and 30 June 2015 and of the Target PRC Group's results and cash flows for the Relevant Periods.

FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Note	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
					(unaudited)	
Revenue	*7*	73,164,172	87,523,905	100,911,832	35,813,174	95,649,333
Cost of services		(33,834,717)	(39,033,093)	(52,004,424)	(25,754,608)	(55,562,529)
Gross profit		39,329,455	48,490,812	48,907,408	10,058,566	40,086,804
Administrative expenses		(30,467,647)	(25,985,260)	(21,114,341)	(9,170,874)	(14,695,785)
Other income	*8*	2,617,466	4,898,790	8,842,205	3,562,470	11,955,433
Profit before tax		11,479,274	27,404,342	36,635,272	4,450,162	37,346,452
Income tax expense	*10*	(2,973,155)	(6,888,860)	(7,360,559)	(1,146,674)	(11,264,791)
Profit for the year/period	*11*	8,506,119	20,515,482	29,274,713	3,303,488	26,081,661
Total comprehensive income for the year/period attributable to owners of the Target PRC Company		8,506,119	20,515,482	29,274,713	3,303,488	26,081,661

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2012 RMB	As at 31 December 2013 RMB	As at 31 December 2014 RMB	As at 30 June 2015 RMB
Non-current assets					
Plant and equipment	13	982,614	2,712,503	2,891,880	2,481,512
Finance lease receivables	14	312,034,810	548,755,331	347,439,057	265,207,349
Amount due from an immediate holding company	28	–	49,098,400	–	–
Available-for-sale financial assets	15	5,000,000	5,000,000	–	–
Loans and receivables investments	16	10,000,000	–	5,600,000	11,600,000
Restricted deposits and bank deposits	20	39,000,000	101,000,000	103,980,000	101,980,000
		367,017,424	706,566,234	459,910,937	381,268,861
Current assets					
Finance lease receivables	14	75,871,145	209,084,318	262,963,789	279,076,540
Trade receivables	18	–	–	–	21,510,000
Prepayments, deposits and other receivables		5,494,048	7,650,102	9,062,439	15,695,700
Amount due from a non-controlling shareholder	28	–	24,462	–	–
Amount due from an immediate holding company	28	–	7,254,902	7,000,000	57,000,000
Amounts due from related parties	28	600,000	19,900	50,000,000	50,000,000
Available-for-sale financial assets	15	–	–	5,000,000	–
Loans and receivables investments	16	10,000,000	55,000,000	45,900,000	15,000,000
Financial assets at fair value through profit or loss	17	10,220,791	–	–	9,893,110
Restricted deposits and bank deposits	20	–	–	19,000,000	21,000,000
Cash and cash equivalents	20	38,410,485	17,411,308	49,608,815	34,349,365
		140,596,469	296,444,992	448,535,043	503,524,715
Current liabilities					
Deposits from customers	14	–	–	1,000,000	25,920,635
Accruals and other payables		9,409,667	9,964,935	9,289,064	10,009,912
Amount due to ultimate holding company	19	–	–	–	1,561,677
Amount due to a related party	19	6,000,000	–	–	–
Borrowings	21	72,537,811	203,237,027	250,429,180	270,471,382
Current tax liabilities		2,418,027	3,061,639	5,381,167	9,538,358
		90,365,505	216,263,601	266,099,411	317,501,964
Net current assets		50,230,964	80,181,391	182,435,632	186,022,751
Total assets less current liabilities		417,248,388	786,747,625	642,346,569	567,291,612
Non-current liabilities					
Deposits from customers	14	37,979,810	95,385,662	119,369,559	96,184,141
Borrowings	21	305,368,144	478,820,575	297,279,111	218,590,457
Deferred tax liabilities	22	637,328	1,785,865	1,184,890	1,922,344
		343,985,282	575,992,102	417,833,560	316,696,942
NET ASSETS		73,263,106	210,755,523	224,513,009	250,594,670
Capital and reserves					
Share capital	23	63,940,050	186,361,352	186,361,352	186,361,352
Other reserves	24	9,323,056	24,394,171	38,151,657	64,233,318
NET EQUITY		73,263,106	210,755,523	224,513,009	250,594,670

C. STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2012 RMB	2013 RMB	2014 RMB	As at 30 June 2015 RMB
Non-current assets					
Plant and equipment	13	982,614	2,712,503	2,891,880	2,481,512
Investment in a subsidiary	29	–	100,000	50,000,000	50,000,000
Finance lease receivables	14	312,034,810	548,755,331	347,439,057	265,207,349
Amount due from an immediate holding company	28	–	49,098,400	–	–
Available-for-sale financial assets	15	5,000,000	5,000,000	–	–
Loans and receivables investments	16	10,000,000	–	5,600,000	11,600,000
Restricted deposits and bank deposits	20	39,000,000	101,000,000	103,980,000	101,980,000
		367,017,424	706,666,234	509,910,937	431,268,861
Current assets					
Finance lease receivables	14	75,871,145	209,084,318	262,963,789	279,076,540
Trade receivables	18	–	–	–	21,510,000
Prepayments, deposits and other receivables		5,494,048	7,650,102	9,062,439	15,695,700
Amount due from a non-controlling shareholder	28	–	24,462	–	–
Amount due from an immediate holding company	28	–	7,254,902	7,000,000	57,000,000
Amounts due from related parties	28	600,000	19,900	–	–
Available-for-sale financial assets	15	–	–	5,000,000	–
Loans and receivables investments	16	10,000,000	55,000,000	45,900,000	1,000,000
Financial assets at fair value through profit or loss	17	10,220,791	–	–	9,893,110
Restricted deposits and bank deposits	20	–	–	19,000,000	21,000,000
Cash and cash equivalents	20	38,410,485	17,311,280	49,503,278	34,097,669
		140,596,469	296,344,964	398,429,506	439,273,019
Current liabilities					
Deposits from customers	14	–	–	1,000,000	25,920,635
Accruals and other payables		9,409,667	9,964,935	9,290,592	10,009,912
Amount due to ultimate holding company	19	–	–	–	1,561,677
Amount due to a related party	19	6,000,000	–	–	–
Amount due to a subsidiary	29	–	–	13,298,950	10,699,950
Borrowings	21	72,537,811	203,237,027	250,429,180	270,471,382
Current tax liabilities		2,418,027	3,061,639	3,904,663	6,016,861
		90,365,505	216,263,601	277,923,385	324,680,417
Net current assets		50,230,964	80,081,363	120,506,121	114,592,602
Total assets less current liabilities		417,248,388	786,747,597	630,417,058	545,861,463
Non-current liabilities					
Deposits from customers	14	37,979,810	95,385,662	119,369,559	96,184,141
Borrowings	21	305,368,144	478,820,575	297,279,111	218,590,457
Deferred tax liabilities	22	637,328	1,785,865	1,184,890	1,922,344
		343,985,282	575,992,102	417,833,560	316,696,942
NET ASSETS		73,263,106	210,755,495	212,583,498	229,164,521
Capital and reserves					
Share capital	23	63,940,050	186,361,352	186,361,352	186,361,352
Other reserves	24	9,323,056	24,394,143	26,222,146	42,803,169
NET EQUITY		73,263,106	210,755,495	212,583,498	229,164,521

D. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB*	Capital reserve *RMB* *(Note 24(c)(i))*	Statutory surplus reserve *RMB* *(Note 24(c)(ii))*	Retained profits *RMB*	Total *RMB*
At 1 January 2012	63,940,050	–	55,107	761,830	64,756,987
Total comprehensive income for the year	–	–	–	8,506,119	8,506,119
Transfer	–	–	645,075	(645,075)	–
At 31 December 2012 and 1 January 2013	63,940,050	–	700,182	8,622,874	73,263,106
Total comprehensive income for the year	–	–	–	20,515,482	20,515,482
Increase of capital	122,421,302	977,088	–	–	123,398,390
Transfer	–	–	1,724,136	(1,724,136)	–
Distribution of dividend	–	–	–	(6,421,455)	(6,421,455)
At 31 December 2013 and 1 January 2014	186,361,352	977,088	2,424,318	20,992,765	210,755,523
Total comprehensive income for the year	–	–	–	29,274,713	29,274,713
Transfer	–	–	2,758,187	(2,758,187)	–
Distribution of dividend	–	–	–	(15,517,227)	(15,517,227)
At 31 December 2014 and 1 January 2015	186,361,352	977,088	5,182,505	31,992,064	224,513,009
Total comprehensive income for the period	–	–	–	26,081,661	26,081,661
At 30 June 2015	186,361,352	977,088	5,182,505	58,073,725	250,594,670
At 1 January 2014	186,361,352	977,088	2,424,318	20,992,765	210,755,523
Total comprehensive income for the period	–	–	–	3,303,488	3,303,488
At 30 June 2014 (unaudited)	186,361,352	977,088	2,424,318	24,296,253	214,059,011

E. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	11,479,274	27,404,342	36,635,272	4,450,162	37,346,452
Adjustments for:					
Bank interest income	(1,395,539)	(1,642,144)	(2,986,259)	(1,975,309)	(1,946,727)
Interest income from national debt reverse repurchase	–	–	(16,322)	–	(485,953)
Interest income from available-for-sale financial assets	–	(575,000)	(543,375)	(287,500)	(50,411)
Interest income from loans and receivables investments	(908,265)	(2,407,022)	(2,454,947)	(1,310,201)	(1,676,943)
Unrealised fair value (gain)/loss on financial assets at fair value through profit or loss	(220,791)	–	–	–	1,270,131
Realised fair value gain on financial assets at fair value through profit or loss	–	(274,624)	–	–	(7,121,643)
Interest (income)/expenses from deposits from customers	(2,549,311)	(4,594,148)	2,403,897	376,177	1,735,217
Depreciation	151,157	511,497	853,456	398,790	449,259
Operating profit before working capital changes	6,556,525	18,422,901	33,891,722	1,652,119	29,519,382
(Increase)/decrease in finance lease receivables	(387,905,955)	(369,933,694)	147,436,803	8,816,118	66,118,957
Increase in trade receivables	–	–	–	(499,241)	(21,510,000)
Increase/(decrease) in amount due to a related party	6,000,000	(6,000,000)	–	–	–
Decrease/(increase) in prepayments, deposits and other receivables	10,119,702	(2,156,054)	(1,412,337)	(1,743,636)	(6,633,261)
(Increase)/decrease in amount due from a non-controlling shareholder	–	(24,462)	24,462	24,462	–
Increase in amount due to ultimate holding company	–	–	–	–	1,561,677
Increase in deposits from customers	21,000,000	62,000,000	22,580,000	10,580,000	–
(Increase)/decrease in amounts due from related parties	(600,000)	580,100	19,900	19,900	–
Increase/(decrease) in accruals and other payables	8,895,014	555,268	(675,871)	(3,916,624)	720,848
Decrease in amount due from a director	21,698	–	–	–	–
Cash (used in)/generated from operations	(335,913,016)	(296,555,941)	201,864,679	14,933,098	69,777,603
Income tax paid	(190,112)	(5,096,711)	(5,642,006)	(3,578,116)	(6,370,146)
Net cash (used in)/generated from operating activities	(336,103,128)	(301,652,652)	196,222,673	11,354,982	63,407,457

	Year ended 31 December 2012 RMB	2013 RMB	2014 RMB	Six months ended 30 June 2014 RMB (unaudited)	2015 RMB
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of loans and receivables investments	(30,000,000)	(605,000,000)	(1,209,100,000)	(492,500,000)	(553,500,000)
Placement of restricted deposits and bank deposits	(20,000,000)	(62,000,000)	(21,980,000)	(10,000,000)	–
Purchase of plant and equipment	(1,117,783)	(2,241,386)	(1,032,833)	(1,017,795)	(38,891)
Purchase of available-for-sale financial assets	(5,000,000)	–	–	–	–
Purchase of financial assets at fair value through profit or loss	(10,000,000)	–	–	–	(47,867,263)
Proceeds from disposal of available-for-sale financial assets	–	–	–	–	5,000,000
Proceeds from disposal of loans and receivables investments	10,000,000	570,000,000	1,212,600,000	532,500,000	578,400,000
Interest income from loans and receivables investments	908,265	2,407,022	2,454,947	1,310,201	1,676,943
Bank interest income	1,395,539	1,642,144	2,986,259	1,975,309	1,946,727
Interest income from national debt reverse repurchase	–	–	16,322	–	485,953
Proceeds from disposal of financial assets at fair value through profit or loss	–	10,495,415	–	–	43,825,665
Interest income from available-for-sale financial assets	–	575,000	543,375	287,500	50,411
Net cash (used in)/generated from investing activities	(53,813,979)	(84,121,805)	(13,511,930)	32,555,215	29,979,545
CASH FLOWS FROM FINANCING ACTIVITIES					
Inception of new borrowings	400,000,000	400,000,000	100,000,000	100,000,000	70,000,000
Registered capital contribution	50,412,900	62,045,088	61,353,302	12,254,902	–
Advance from/(repayment to) immediate holding company	–	5,000,000	(5,000,000)	(5,000,000)	–
Advance to immediate holding company	–	–	(7,000,000)	–	(50,000,000)
Advance to a related company	–	–	(120,000,000)	–	–
Repayment from a related company	–	–	70,000,000	–	–
Repayments of borrowings	(22,094,045)	(95,848,353)	(234,349,311)	(115,251,444)	(128,646,452)
Dividend paid to a holding company	–	(4,816,091)	(9,051,199)	–	–
Dividend paid to a non-controlling shareholder	–	(1,605,364)	(6,466,028)	–	–
Net cash generated from/(used in) financing activities	428,318,855	364,775,280	(150,513,236)	(7,996,542)	(108,646,452)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,401,748	(20,999,177)	32,197,507	35,913,655	(15,259,450)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	8,737	38,410,485	17,411,308	17,411,308	49,608,815
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	38,410,485	17,411,308	49,608,815	53,324,963	34,349,365

F. NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target PRC Company was incorporated on 6 April 2010 in the PRC with limited liability. The address of its registered office is No.568 Shun Ping Road, Shun Yi District, Beijing, the PRC. The address of its principal place of business is 16th Floor, Jinyu Mansion, No. 129 West Street, Xuanwumen, Xicheng District, Beijing, the PRC.

The Target PRC Company is principally engaged in the provision of finance lease services and financing services in the PRC. The principal activity of its subsidiary is set out in note 29 to the Financial Information.

As at 31 December 2012, 2013, 2014 and 30 June 2015, in the opinion of the directors of the Target PRC Company, 中安股權投資基金管理(天津)有限公司 (the "Zhong An") and 北京平安富通投資有限責任公司, companies incorporated in the PRC, was the immediate parent and ultimate parent of the Target PRC Company respectively.

At a general meeting of the shareholders of the Target PRC Company held on 16 November 2010, a resolution was passed to change the name of the Target PRC Company from 北京恒嘉盈國際融資租賃有限公司 to 北京恒嘉國際融資租賃有限公司.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND REQUIREMENT

In the Relevant Periods, the Target PRC Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Target PRC Group's accounting policies, presentation of the Target PRC Group's Financial Information and amounts reported for the Relevant Period.

(a) New and revised HKFRSs in issue but not yet effective that are relevant to the Target PRC Group's operation

The Target PRC Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Target PRC Group's Financial Information when they become effective. The Target PRC Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

(b) Amendments to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Stock Exchange in April 2015 released revised the Rules Governing the Listing of Securities in relation to disclosure of financial information in accountants' report that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Target PRC Group has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities in the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets through profit or loss which are carried at their fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information includes the financial statements of the Target PRC Company and its subsidiary made up to 31 December and 30 June. Subsidiary is entity over which the Target PRC Group has control. The Target PRC Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target PRC Group has power over an entity when the Target PRC Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Target PRC Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiary is consolidated from the date on which control is transferred to the Target PRC Group. It is de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Target PRC Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of a subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Target PRC Group.

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

In the Target PRC Company's statement of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The results of a subsidiary are accounted for by the Target PRC Company on the basis of dividends received and receivable.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of each of the Target PRC Group'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 Renminbi ("RMB"), which is the presentation currency and the functional currency of the Target PRC Company and its subsidiary.

(ii) Transactions and balances in each entity's Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (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 exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Office equipment	5 years
Motor vehicles	5 years
Leasehold improvements	Over the lease term

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

The Target PRC Group as lessee

(i) Operating lease

Leases that do not substantially transfer to the Target PRC Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Target PRC Group as lessor

(i) Finance lease

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Target PRC Group's net investment in the leases. Finance lease interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target PRC Group's net investment outstanding in respect of the leases.

(e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target PRC Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target PRC Group transfers substantially all the risks and rewards of ownership of the assets; or the Target PRC Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(f) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Target PRC Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

Investments in equity instruments 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 instruments, are measured at cost less impairment losses.

(g) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target PRC Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target PRC Group's cash management are also included as a component of cash and cash equivalents.

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target PRC Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

(ii) Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

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

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target PRC Group and the amount of revenue can be measured reliably.

Finance lease interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of finance lease.

Service fee income represents advisory service income and handling fee in conjunction with the provision of finance lease services. Service fee income is recognised when the services are rendered.

Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(k) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target PRC Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target PRC Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target PRC Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target PRC Group can no longer withdraw the offer of those benefits and when the Target PRC Group recognises restructuring costs and involves the payment of termination benefits.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are 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, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target PRC Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(m) Government grants

A government grant is recognised when there is reasonable assurance that the Target PRC Group will comply with the conditions attaching to it and that the grant will be received.

Government grant relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

(n) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target PRC Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. 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 against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target PRC Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target PRC Group intends to settle its current tax assets and liabilities on a net basis.

(o) Related parties

A related party is a person or entity that is related to the Target PRC Group.

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

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

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

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

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

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

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

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

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

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

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

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

(p) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

(q) Impairment of financial assets

At the end of each reporting period, the Target PRC Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

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

In addition, for trade receivables that are assessed not to be impaired individually, the Target PRC Group assesses them collectively for impairment, based on the Target PRC Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target PRC Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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

(s) Events after the reporting period

Events after the reporting period that provide additional information about the Target PRC Group's position at the end of the reporting period are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Classification between finance leasing and operating leasing

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor).

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the lease assets are of a specialised nature such that only the lessee can use them without major modifications being made.

The carrying amounts of finance lease receivables as at 31 December 2012, 2013, 2014, and 30 June 2015 were RMB387,905,955, RMB757,839,649, RMB610,402,846 and RMB544,283,889 respectively.

Key sources of estimation uncertainty

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

Income taxes

The Target PRC Group is subject to income taxes in the PRC. Significant estimates are required in determining the provision for income taxes. 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 period in which such determination is made.

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Target PRC Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell.

During the year ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, no impairment loss has been recognised for finance lease receivables. As at 31 December 2012, 2013, 2014 and 30 June 2015, the carrying amounts of the finance lease receivables were RMB387,905,955, RMB757,839,649, RMB610,402,846 and RMB544,283,889.

5. FINANCIAL RISK MANAGEMENT

The Target PRC Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Target PRC Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target PRC Group's financial performance.

(a) Foreign currency risk

The Target PRC Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Target PRC Group entities, RMB. The Target PRC Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target PRC Group will monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Target PRC Group's financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Target PRC Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2012, if the prices of the financial assets at fair value through profit or loss increase/decrease by 10%, profit after tax for the year would have been RMB766,559 higher/lower, arising as a result of the fair value gain/loss on financial assets at fair value through profit or loss.

At 31 December 2013 and 2014, the Target PRC Group did not hold any financial assets at fair value through profit or loss.

At 30 June 2015, if the prices of the financial assets at fair value through profit or loss increase/decrease by 10%, profit after tax for the year would have been RMB741,983 higher/lower, arising as a result of the fair value gain/loss on financial assets at fair value through profit or loss.

(c) Credit risk

The carrying amount of the cash and bank balances, finance lease receivables, other receivables, loans and receivables investments, amount due from ultimate holding company, amount due from a director and amounts due from related parties included in the statement of financial position represents the Target PRC Group's maximum exposure to credit risk in relation to the Target PRC Group's financial assets.

The Target PRC Group's concentration of credit risk on finance lease receivables as at 31 December 2012, 2013, 2014 and 30 June 2015 included five major customers accounting for 100%, 98%, 90% and 85% respectively of the respective balances of total finance lease receivables. The Target PRC Group has closely monitored the recoverability of the advances to these customers, ensure adequate collaterals are received from these customers and taken effective measures to ensure timely collection of outstanding balances.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on investments is limited because the counterparties are well-established financial institutes in the PRC.

The Target PRC Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2012, 2013, 2014 and 30 June 2015 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Target PRC Group's credit risk is primarily attributable to its finance lease receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual finance lease receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Target PRC Group's credit risk is significantly reduced.

(d) Liquidity risk

The Target PRC Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Target PRC Group's financial liabilities is as follows:

	On demand or less than 1 year *RMB*	Between 1 and 2 years *RMB*	Between 2 and 5 years *RMB*	Total undiscounted cash outflow *RMB*	Carrying amount *RMB*
At 31 December 2012					
Borrowings	90,440,549	94,795,564	253,815,056	439,051,169	377,905,955
Deposits from customers	–	–	44,512,500	44,512,500	37,979,810
Amount due to a related party	6,000,000	–	–	6,000,000	6,000,000
Accruals and other payables	5,641,493	–	–	5,641,493	5,641,493
At 31 December 2013					
Borrowings	237,584,580	243,202,573	279,858,216	760,645,369	682,057,602
Deposits from customers	–	1,000,000	105,512,500	106,512,500	95,385,662
Accruals and other payables	9,290,520	–	–	9,290,520	9,290,520
At 31 December 2014					
Borrowings	276,123,686	250,921,101	62,561,918	589,606,705	547,708,291
Deposits from customers	1,000,000	68,212,500	62,580,000	131,792,500	120,369,559
Accruals and other payables	7,917,935	–	–	7,917,935	7,917,935
At 30 June 2015					
Borrowings	292,484,278	193,329,344	35,582,418	521,396,040	489,061,839
Deposits from customers	26,512,500	63,280,000	42,000,000	131,792,500	122,104,776
Amount due to ultimate holding company	1,561,677	–	–	1,561,677	1,561,677
Accruals and other payables	7,464,646	–	–	7,464,646	7,464,646

(e) Interest rate risk

The Target PRC Group exposed to fair value interest rate risks in relation to the following fixed-rate financial instruments:

	As at 31 December			As at 30 June
	2012 *RMB*	**2013** *RMB*	**2014** *RMB*	**2015** *RMB*
Fixed-rate financial assets:				
Restricted deposits and bank deposits	19,000,000	49,000,000	122,980,000	122,980,000
Finance lease receivables	–	4,825,380	2,513,958	–
Cash and cash equivalents	–	–	35,000,000	–
	19,000,000	53,825,380	160,493,958	122,980,000

The Target PRC Group exposed to cash flow interest rate risk in relation to the following variable-rate financial instruments which bear interests at variable rates varied with the then prevailing market condition:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB	*RMB*	*RMB*	*RMB*
Variable-rate financial assets:				
Restricted deposits and bank deposits	20,000,000	52,000,000	–	–
Finance lease receivables	387,905,955	753,014,269	607,888,888	544,283,889
Cash and cash equivalents	38,369,577	17,364,522	14,592,223	17,969,804
	446,275,532	822,378,791	622,481,111	562,253,693
Variable-rate financial liabilities:				
Deposits from customers	20,456,754	50,289,994	52,534,461	53,667,963
Borrowings	377,905,955	682,057,602	547,708,291	489,061,839
	398,362,709	732,347,596	600,242,752	542,729,802

The sensitivity analysis below has been determined assuming that the change in interest rates had occurred at the end of the reporting period and all other variables were held constant. Such change has been applied to financial instruments that would have affected the profit or loss. A change of +100 basis points ("bps") and -100 bps was applied at the end of the reporting period. The applied change of bps represented management's assessment of the reasonably possible change in interest rates based on the current market conditions.

	Increase/(decrease) in post-tax profit or loss	
	+100 bps	-100 bps
	RMB	*RMB*
As at 31 December 2012	501,846	(501,846)
As at 31 December 2013	1,078,924	(1,078,924)
As at 31 December 2014	1,370,492	(1,370,492)
As at 30 June 2015	1,068,779	(1,068,779)

(f) Categories of financial instruments at 31 December 2012, 2013, 2014 and 30 June 2015

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB	*RMB*	*RMB*	*RMB*
Financial assets:				
Financial assets at fair value through profit or loss held for trading	10,220,791	–	–	9,893,110
Loans and receivables (including cash and cash equivalents)	452,410,488	894,265,473	777,291,991	744,273,157
Restricted deposits and bank deposits	39,000,000	101,000,000	122,980,000	122,980,000
Available-for-sale financial assets	5,000,000	5,000,000	5,000,000	–
Financial liabilities:				
Financial liabilities measured at amortised cost	427,527,258	786,733,784	675,995,785	620,192,938

(g) Fair value

The carrying amounts of the Target PRC Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target PRC Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target PRC Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Description	**At 31 December 2012 Fair value measurement using: Level 2** *RMB*
Recurring fair value measurements:	
Financial assets at fair value through profit or loss	
Unlisted fund investments	10,220,791
Total recurring fair value measurements	10,220,791

At 31 December 2013 and 2014, the Target PRC Group did not hold any financial assets at fair value through profit or loss.

Description	**At 30 June 2015 Fair value measurement using: Level 1** *RMB*
Recurring fair value measurements:	
Financial assets at fair value through profit or loss	
Listed securities in the PRC	9,893,110
Total recurring fair value measurements	9,893,110

During the years ended 31 December 2012, 2013, 2014 and the six months ended 30 June 2015, there were no transfers of measurement between level 1, level 2 and level 3.

(b) Disclosure of valuation process used by the Target PRC Group and valuation techniques and inputs used in fair value measurements:

The Target PRC Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of directors of the Target PRC Group for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of directors at least twice a year.

Level 2 fair value measurements		**As at 31 December**			**As at 30 June**
		2012	**2013**	**2014**	**2015**
Description	**Basis of fair value measurement**	*RMB*	*RMB*	*RMB*	*RMB*
Unlisted fund investments	Based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.	10,220,791	–	–	–

7. REVENUE

The Target PRC Group's revenue which represents finance lease interest income and service fee income are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Service fee income	59,729,465	56,977,818	53,144,656	11,300,729	75,187,144
Finance lease interest income	13,434,707	30,546,087	47,767,176	24,512,445	20,462,189
	73,164,172	87,523,905	100,911,832	35,813,174	95,649,333

Revenue from finance lease services and financing services are net of business tax and local government levies of RMB2,665,036, RMB1,914,659, RMB1,260,739, RMB189,837 and RMB1,623,500 for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015 respectively.

8. OTHER INCOME

	Year ended 31 December			**Six months ended 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Bank interest income	1,395,539	1,642,144	2,986,259	1,975,309	1,946,727
Interest income from national debt reverse repurchase	–	–	16,322	–	485,953
Interest income from available-for-sale financial assets	–	575,000	543,375	287,500	50,411
Interest income from loans and receivables investments	908,265	2,407,022	2,454,947	1,310,201	1,676,943
Unrealised fair value gains/(loss) on financial assets at fair value through profit or loss	220,791	–	–	–	(1,270,131)

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Realised gains on financial assets at fair value through profit or loss	–	274,624	–	–	7,121,643
Government subsidies	–	–	2,850,850	–	1,533,266
Net foreign exchange (loss)/gain	15,781	–	(10,769)	(10,743)	–
Others	77,090	–	1,221	203	410,621
	2,617,466	4,898,790	8,842,205	3,562,470	11,955,433

Government subsidies include subsidies for the tax rebate from the local government in Beijing of RMB2,850,850 for the year ended 31 December 2014 and the local government in Tianjin of RMB1,533,266 for the six months ended 30 June 2015. The Target PRC Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

9. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Target PRC Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Target PRC Group has carried on a single business in a single geographical location, which is the provision of finance lease services and financing services in the PRC, and all the assets are principally located in the PRC. Accordingly, there is only one single reportable segment of the Target PRC Group which is regularly reviewed by the chief operating decision maker.

Revenue from major customers

Revenue from customers before net of business tax and local government levies of the corresponding years contributing over 10% of the total revenue of the Target PRC Group is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Customer a	10,082,000	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer b	33,108,567	21,393,747	16,620,867	8,925,982	N/A[1]
Customer c	19,624,955	9,793,113	N/A[1]	N/A[1]	N/A[1]
Customer d	10,000,000	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Customer e	N/A[1]	13,458,492	N/A[1]	N/A[1]	N/A[1]
Customer f	N/A[1]	12,000,000	N/A[1]	N/A[1]	N/A[1]
Customer g	N/A[1]	10,000,000	N/A[1]	N/A[1]	N/A[1]
Customer h	N/A[1]	N/A[1]	17,942,615	9,791,174	N/A[1]
Customer i	N/A[1]	N/A[1]	15,042,735	N/A[1]	15,042,735
Customer j	N/A[1]	N/A[1]	N/A[1]	4,716,981	N/A[1]
Customer k	N/A[1]	N/A[1]	N/A[1]	4,089,010	N/A[1]
Customer l	N/A[1]	N/A[1]	N/A[1]	6,009,244	N/A[1]
Customer m	N/A[1]	N/A[1]	N/A[1]	N/A[1]	20,192,308
Customer n	N/A[1]	N/A[1]	N/A[1]	N/A[1]	20,835,849

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Target PRC Group.

10. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
PRC Enterprise Income Tax:					
Current tax	2,334,370	5,830,181	7,961,534	1,240,719	10,527,337
Under-provision/(Over)-provision in prior years	1,457	(89,858)	–	–	–
	2,335,827	5,740,323	7,961,534	1,240,719	10,527,337
Deferred tax *(Note 22)*	637,328	1,148,537	(600,975)	(94,045)	737,454
	2,973,155	6,888,860	7,360,559	1,146,674	11,264,791

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Target PRC Company and its PRC subsidiary are subject to tax rate at 25% during the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Profit before tax	11,479,274	27,404,342	36,635,272	4,450,162	37,346,452
Tax at the domestic income tax rate of 25%	2,869,819	6,851,086	9,158,818	1,112,541	9,336,613
Tax effect of expenses that are not deductible	101,879	127,632	76,741	34,133	53,178
Tax effect of temporary differences not recognised	–	–	(1,875,000)	–	–
Tax effect of utilisation of temporary difference not previously recognised	–	–	–	–	1,875,000
Under-provision/(Over)-provision in prior years	1,457	(89,858)	–	–	–
Income tax expense	2,973,155	6,888,860	7,360,559	1,146,674	11,264,791

11. PROFIT FOR THE YEAR/PERIOD

The Target PRC Group's profit for the year/period is stated after charging the following:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Auditors' remuneration	6,000	58,683	53,887	51,887	81,038
Interest expenses included in cost of services	10,559,256	23,184,330	46,687,324	24,321,908	19,145,229
Depreciation	151,157	511,497	853,456	398,790	449,259
Minimum lease payments paid under operating leases during the year in respect of office premises	476,883	777,312	2,220,624	1,299,832	1,089,169
Staff costs:					
Directors' emoluments	775,968	1,233,107	1,546,562	811,541	680,565
Other staff costs					
– Salaries and other benefits	1,617,751	3,356,309	4,684,370	1,791,904	2,548,839
– Retirement benefits schemes contributions	326,129	543,778	748,743	341,877	377,725
	2,719,848	5,133,194	6,979,675	2,945,322	3,607,129

The employees of the Target PRC Group established in the PRC are members of a central pension scheme operated by the local municipal government. The Target PRC Group is required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Target PRC Group. The only obligation of the Target PRC Group with respect to the central pension scheme is to meet the required contributions under the scheme.

12. DIVIDENDS

The Target PRC Company paid the dividend in respect of the year ended 31 December 2012 of RMB6,421,455 to its shareholders during the year ended 31 December 2013.

The Target PRC Company paid the dividend in respect of the year ended 31 December 2013 of RMB15,517,227 to its shareholders during the year ended 31 December 2014.

The directors of the Target PRC Company do not recommend the payment of a dividend to its shareholders in respect of the year ended 31 December 2014 during the period ended 30 June 2015.

13. PLANT AND EQUIPMENT

The Target PRC Group and the Target PRC Company

	Office equipment *RMB*	Motor vehicles *RMB*	Leasehold improvements *RMB*	Total *RMB*
Cost				
At 1 January 2012	24,800	–	–	24,800
Additions	115,805	825,813	176,165	1,117,783
At 31 December 2012 and 1 January 2013	140,605	825,813	176,165	1,142,583
Additions	3,600	2,237,786	–	2,241,386
At 31 December 2013 and 1 January 2014	144,205	3,063,599	176,165	3,383,969
Additions	120,256	386,077	526,500	1,032,833
Disposals	–	–	(176,165)	(176,165)
At 31 December 2014 and 1 January 2015	264,461	3,449,676	526,500	4,240,637
Additions	38,891	–	–	38,891
At 30 June 2015	303,352	3,449,676	526,500	4,279,528
Accumulated depreciation				
At 1 January 2012	8,812	–	–	8,812
Charge for the year	20,394	94,062	36,701	151,157
At 31 December 2012 and 1 January 2013	29,206	94,062	36,701	159,969
Charge for the year	26,284	397,130	88,083	511,497
At 31 December 2013 and 1 January 2014	55,490	491,192	124,784	671,466
Charge for the year	38,905	619,579	194,972	853,456
Disposals	–	–	(176,165)	(176,165)
At 31 December 2014 and 1 January 2015	94,395	1,110,771	143,591	1,348,757
Charge for the period	25,904	327,628	95,727	449,259
At 30 June 2015	120,299	1,438,399	239,318	1,798,016
Carrying amount				
At 31 December 2012	111,399	731,751	139,464	982,614
At 31 December 2013	88,715	2,572,407	51,381	2,712,503
At 31 December 2014	170,066	2,338,905	382,909	2,891,880
At 30 June 2015	183,053	2,011,277	287,182	2,481,512

14. FINANCE LEASE RECEIVABLES

The Target PRC Group and the Target PRC Company

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2012	2013	2014	2015	2012	2013	2014	2015
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Within one year	94,210,997	246,960,311	292,069,629	303,580,027	75,871,145	209,084,318	262,963,789	279,076,540
In the second to fifth years, inclusive	355,731,419	601,448,803	370,583,427	281,743,843	312,034,810	548,755,331	347,439,057	265,207,349
	449,942,416	848,409,114	662,653,056	585,323,870	387,905,955	757,839,649	610,402,846	544,283,889
Less: Unearned finance income	(62,036,461)	(90,569,465)	(52,250,210)	(41,039,981)				
Present value of minimum lease payments receivable	387,905,955	757,839,649	610,402,846	544,283,889				
Less: Amount receivable within 12 months (shown under current assets)					(75,871,145)	(209,084,318)	(262,963,789)	(279,076,540)
Amount receivable after 12 months					312,034,810	548,755,331	347,439,057	265,207,349

The Target PRC Group's and the Target PRC Company's finance leases receivable are denominated in RMB which is the functional currency of the Target PRC Group and the Target PRC Company. The effective interest rates of the finance leases as at 31 December 2012, 2013, 2014 and 30 June 2015, range from 6.40% to 6.77% per annum, from 6.15% to 18.00% per annum, from 6.15% to 18.00% per annum and from 6.00% to 8.78% per annum respectively.

As at 31 December 2012, finance lease receivables amounting to RMB387,905,955 were guaranteed by related parties of customers and secured by customers' deposits.

As at 31 December 2013, finance lease receivables amounting to RMB393,549,649 were guaranteed by related parties of customers and secured by customers' deposits and pledged assets of a related party of a customer.

As at 31 December 2014, finance lease receivables amounting to RMB354,399,852 were guaranteed by related parties of customers and secured by customers' deposits and pledged assets of a related party of a customer.

As at 30 June 2015, finance lease receivables amounting to RMB274,597,879 were guaranteed by related parties of customers and secured by customers' deposits and pledged assets of a related party of a customer.

Deposits from customers as at 31 December 2012, 2013, 2014 and 30 June 2015 represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases. As at 31 December 2012, 2013, 2014 and 30 June 2015, deposits from customers amounting to RMB19,000,000, RMB49,000,000, RMB49,000,000 and RMB49,000,000 were interest-bearing respectively. The effective interest rate as at 31 December 2012, 2013, 2014 and 30 June 2015 ranged from 4.25% to 4.75% per annum.

As at 31 December 2012, 2013, 2014 and 30 June 2015, no finance lease receivables were past due but not impaired.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Target PRC Group and the Target PRC Company that needed to be recorded as at the end of the reporting period.

As at 31 December 2012, 2013, 2014 and 30 June 2015, the finance lease receivables with carrying amounts of RMB377,905,955, RMB382,057,602, RMB340,804,806 and RMB331,267,932 were pledged as security for the Target PRC Group's and the Target PRC Company's borrowings (Notes 21 and 30).

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Target PRC Group and the Target PRC Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Trust products, at cost	5,000,000	5,000,000	5,000,000	–
Analysed as:				
Current assets	–	–	5,000,000	–
Non-current assets	5,000,000	5,000,000	–	–
	5,000,000	5,000,000	5,000,000	–

The trust products mainly invest in equity interest in a private company established in the PRC, which the Target PRC Group did not have control over it.

The trust products were carried at cost less impairment loss as they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

All available-for-sale financial assets are denominated in RMB.

16. LOANS AND RECEIVABLES INVESTMENTS

(a) The Target PRC Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Trust products	10,000,000	15,000,000	10,600,000	11,600,000
Wealth management products	10,000,000	40,000,000	40,900,000	15,000,000
	20,000,000	55,000,000	51,500,000	26,600,000
Analysed as:				
Current assets	10,000,000	55,000,000	45,900,000	15,000,000
Non-current assets	10,000,000	–	5,600,000	11,600,000
	20,000,000	55,000,000	51,500,000	26,600,000

(b) The Target PRC Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Trust products	10,000,000	15,000,000	10,600,000	11,600,000
Wealth management products	10,000,000	40,000,000	40,900,000	1,000,000
	20,000,000	55,000,000	51,500,000	12,600,000
Analysed as:				
Current assets	10,000,000	55,000,000	45,900,000	1,000,000
Non-current assets	10,000,000	–	5,600,000	11,600,000
	20,000,000	55,000,000	51,500,000	12,600,000

The trust products and the wealth management products mainly represent investment in debt securities in the PRC.

All loans and receivables investments are denominated in RMB.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Target PRC Group and the Target PRC Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Unlisted fund investments, at fair value	10,220,791	–	–	–
Listed securities in the PRC	–	–	–	9,893,110
	10,220,791	–	–	9,893,110

The financial assets at fair value through profit or loss are classified as held for trading.

The investments included above represent investments in unlisted funds investments and listed securities in the PRC that offer the Target PRC Group and the Target PRC Company the opportunity for return through fair value gain.

The fair value of the Target PRC Group's and the Target PRC Company's investments in funds are valued based on the net asset values of the funds calculated by the respective fund managers by reference to their underlying assets and liabilities' fair values.

18. TRADE RECEIVABLES

The Target PRC Group and the Target PRC Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Trade receivables	–	–	–	21,510,000

As at 31 December 2012, 2013, 2014 and 30 June 2015, the fair values of trade receivables approximated their carrying amounts.

The Target PRC Group and the Target PRC Company allow an average credit period of 0 to 5 days for its customers.

The following is an aged analysis of trade receivables net of allowance of doubtful debts presented based on dates on which revenue was recognised:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
0 to 90 days	–	–	–	21,510,000

The carrying amounts of the Target PRC Group's and the Target PRC Company's trade receivables are all denominated in RMB.

As at 31 December 2012, 2013, 2014 and 30 June 2015, none of the trade receivables were impaired and there were no provision for impairment required.

19. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/A RELATED PARTY

The Target PRC Group and the Target PRC Company

The amounts are unsecured, interest-free and have no fixed term of repayment.

20. RESTRICTED DEPOSITS AND BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

The Target PRC Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Bank balances and cash *(Note a)*	38,410,485	17,411,308	14,608,815	34,349,365
National debt reverse repurchase	–	–	35,000,000	–
	38,410,485	17,411,308	49,608,815	34,349,365

	As at 31 December 2012 RMB	2013 RMB	2014 RMB	As at 30 June 2015 RMB
Restricted deposits *(Note b)*				
– current portion	–	–	–	2,000,000
– non-current portion	20,000,000	82,000,000	103,980,000	101,980,000
Bank deposits *(Note c)*				
– with maturity over 3 months but less than 1 year	–	–	19,000,000	19,000,000
– with maturity over 1 year	19,000,000	19,000,000	–	–
	39,000,000	101,000,000	122,980,000	122,980,000

The Target PRC Company

	As at 31 December 2012 RMB	2013 RMB	2014 RMB	As at 30 June 2015 RMB
Bank balances and cash *(Note a)*	38,410,485	17,311,280	14,503,278	34,097,669
National debt reverse repurchase	–	–	35,000,000	–
	38,410,485	17,311,280	49,503,278	34,097,669
Restricted deposits *(Note b)*				
– current portion	–	–	–	2,000,000
– non-current portion	20,000,000	82,000,000	103,980,000	101,980,000
Bank deposits *(Note c)*				
– with maturity over 3 months but less than 1 year	–	–	19,000,000	19,000,000
– with maturity over 1 year	19,000,000	19,000,000	–	–
	39,000,000	101,000,000	122,980,000	122,980,000

Note a:

As at 31 December 2014 and 30 June 2015, RMB15,208 and RMB16,368,807 of cash amounts was kept in the Target PRC Group's and the Target PRC Company's securities trading account opened in a securities trading firm respectively, without interest-bearing.

As at 31 December 2012, 2013, 2014, and 30 June 2015, all bank balances and cash of the Target PRC Group and the Target PRC Company were denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Note b:

The Target PRC Group's and the Target PRC Company's restricted deposits of RMB20,000,000, RMB82,000,000, RMB103,980,000 and RMB103,980,000 as at 31 December 2012, 2013, 2014 and 30 June 2015 respectively, were pledged to banks to secure banking facilities granted to the Target PRC Group as set out in note 21 to the Financial Information. The restricted deposits are denominated in RMB and at fixed interest rate ranging from 2.0% to 4.4% per annum and therefore are subject to fair value interest rate risk.

Note c:

All bank deposits of the Target PRC Group and the Target PRC Company were denominated in RMB.

21. BORROWINGS

The Target PRC Group and the Target PRC Company

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Bank borrowings	377,905,955	682,057,602	547,708,291	424,567,375
Other borrowings	–	–	–	64,494,464
	377,905,955	682,057,602	547,708,291	489,061,839

The borrowings are repayable as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
On demand or within one year	72,537,811	203,237,027	250,429,180	270,471,382
In the second year	77,254,510	216,971,168	236,894,095	184,020,032
In the third to fifth years, inclusive	228,113,634	261,849,407	60,385,016	34,570,425
	377,905,955	682,057,602	547,708,291	489,061,839
Less: Amount due for settlement within 12 months (shown under current liabilities)	(72,537,811)	(203,237,027)	(250,429,180)	(270,471,382)
	305,368,144	478,820,575	297,279,111	218,590,457

The carrying amounts of the Target PRC Group's and the Target PRC Company's borrowings are denominated in RMB.

The interest rate for the borrowings at 31 December 2012 was 6.40% per annum. The interest rates for borrowings at 31 December 2013 ranged from 6.15% to 6.95% per annum. The interest rates for borrowings at 31 December 2014 ranged from 6.15% to 6.95% per annum. The interest rates for borrowings at 30 June 2015 ranged from 6.15% to 7.19% per annum.

Borrowings are arranged at floating rates, thus exposing the Target PRC Group and the Target PRC Company to cash flow interest rate risk.

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target PRC Group's and the Target PRC Company's borrowings of RMB377,905,955, RMB382,057,602, RMB340,902,938 and RMB331,380,778 were secured by the pledge of certain of the Target PRC Group's and the Target PRC Company's finance lease receivables.

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target PRC Group's and the Target PRC Company's borrowings of RMB182,912,293, RMB523,313,173, RMB427,570,164 and RMB324,663,813 were secured by the pledge of restricted deposits.

As at 31 December 2013, 2014 and 30 June 2015, the Target PRC Group's and the Target PRC Company's borrowings of RMB300,000,000, RMB206,805,353 and RMB157,681,061 were guaranteed by a finance lease customer.

The transfers of financial assets are disclosed in note 30.

At 31 December 2012, 2013, 2014 and 30 June 2015, the Target PRC Group and the Target PRC Company did not have any undrawn borrowing facilities.

22. DEFERRED TAX LIABILITIES

The following are the deferred tax liabilities recognised by the Target PRC Group and the Target PRC Company.

	Deposits received from customers	**Trading of stocks**	**Total**
	RMB	*RMB*	*RMB*
At 1 January 2012	–	–	–
Charge/(credit) to profit or loss for the year	637,328	–	637,328
At 31 December 2012 and 1 January 2013	637,328	–	637,328
Charge/(credit) to profit or loss for the year	1,148,537	–	1,148,537
At 31 December 2013 and 1 January 2014	1,785,865	–	1,785,865
(Credit)/charge to profit or loss for the year	(600,975)	–	(600,975)
At 31 December 2014 and 1 January 2015	1,184,890	–	1,184,890
(Credit)/charge to profit or loss for the period	(433,804)	1,171,258	737,454
At 30 June 2015	751,086	1,171,258	1,922,344

At the end of the reporting period, the Target PRC Group and the Target PRC Company have no unused tax losses.

23. SHARE CAPITAL

	Fully paid registered capital	**Registered capital**	
	US$	*US$*	*RMB*
At 1 January 2012	2,000,000	10,000,000	63,940,050
Capital contribution during the year *(Note a)*	8,000,000	–	–
At 31 December 2012 and 1 January 2013	10,000,000	10,000,000	63,940,050
Increase of registered capital	–	20,000,000	122,421,302
Capital contribution during the year *(Note b)*	10,000,000	–	–
At 31 December 2013 and 1 January 2014	20,000,000	30,000,000	186,361,352
Capital contribution during the year *(Note c)*	10,000,000	–	–
At 31 December 2014 and 30 June 2015	30,000,000	30,000,000	186,361,352

Note:

(a) The shareholder contributed capital of US$8,000,000 to provide additional working capital. US$7,500,000 and US$500,000 (equivalent to RMB47,262,094 and RMB3,150,806) were credited to fully paid registered capital on 2 February 2012 and 15 February 2012 respectively.

(b) On 23 August 2013, the shareholder contributed capital of US$10,000,000 (equivalent to RMB61,068,000) to provide additional working capital. Capital contribution of US$10,000,000 was credited to fully paid registered capital.

(c) On 26 February 2014, the shareholder contributed capital of US$2,000,000 (equivalent to RMB12,254,902) to provide additional working capital.

On 5 December 2014, the shareholder contributed capital of US$8,000,000 (equivalent to RMB49,098,400) to provide additional working capital.

The Target PRC Group's objectives when managing capital are to safeguard the Target PRC Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Target PRC Group currently does not have any specific policies and processes for managing capital.

The Target PRC Group is not subject to any externally imposed capital requirements.

24. RESERVES

(a) The Target PRC Group

The amounts of the Target PRC Group's reserves and movements therein are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of changes in equity.

(b) The Target PRC Company

	Capital reserve *RMB* *(Note (c)(i))*	**Statutory surplus reserve** *RMB* *(Note (c)(ii))*	**Retained profits** *RMB*	**Total** *RMB*
At 1 January 2012	–	55,107	761,830	816,937
Total comprehensive income for the year	–	–	8,506,119	8,506,119
Transfer	–	645,075	(645,075)	–
At 31 December 2012 and 1 January 2013	–	700,182	8,622,874	9,323,056
Total comprehensive income for the year	–	–	20,515,454	20,515,454
Capital contribution	977,088	–	–	977,088
Transfer	–	1,724,136	(1,724,136)	–
Distribution of dividend	–	–	(6,421,455)	(6,421,455)
At 31 December 2013 and 1 January 2014	977,088	2,424,318	20,992,737	24,394,143
Total comprehensive income for the year	–	–	17,345,230	17,345,230
Transfer	–	2,758,187	(2,758,187)	–
Distribution of dividend	–	–	(15,517,227)	(15,517,227)
At 31 December 2014 and 1 January 2015	977,088	5,182,505	20,062,553	26,222,146
Total comprehensive income for the period	–	–	16,581,023	16,581,023
At 30 June 2015	977,088	5,182,505	36,643,576	42,803,169

(c) Nature and purpose of reserves

(i) Capital reserve

Capital reserve of the Target PRC Company represents the excess of the contribution from a shareholder over the registered capital of the Target PRC Company amounting to US$10,000,000.

(ii) Statutory surplus reserve

In accordance with relevant laws and regulations for foreign investment enterprises in the PRC, the Target PRC Company and Ever Grand Tianjin are required to transfer 10% of their profit after tax reported in their statutory financial statements prepared under relevant accounting principles and financial regulations applicable to enterprises established in the PRC to the statutory surplus reserve. Appropriation to statutory surplus reserve shall be approved by the shareholders and may cease if the balance of statutory surplus reserve has reached 50% of the respective company's registered capital.

The Target PRC Company and Ever Grand Tianjin may, upon the approval by a resolution, convert their surplus reserve into capital in proportion to their then existing shareholdings. However, when converting the Target PRC Company's and Ever Grand Tianjin's statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

25. COMMITMENTS

The Target PRC Group and the Target PRC Company

(a) Capital commitment

The Target PRC Group and the Target PRC Company did not have any material capital commitments at 31 December 2012, 2013, 2014 and 30 June 2015.

(b) Credit commitments

The Target PRC Group and the Target PRC Company had the following irrevocable credit commitments as of each of the dates indicated:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Contracted, but not provided for:				
Irrevocable credit commitment	–	100,000,000	–	–

The Target PRC Group's and the Target PRC Company's irrevocable credit commitment represent the lease that has been signed but the term of the lease has not started.

26. LEASE COMMITMENTS

The Target PRC Group and the Target PRC Company

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*
Within one year	635,845	2,007,101	1,852,122	2,009,958
In the second to fifth years inclusive	158,960	3,783,161	1,852,122	841,874
	794,805	5,790,262	3,704,244	2,851,832

Operating lease payments represent rentals payable by the Target PRC Group and the Target PRC Company for certain of its offices. Leases are negotiated for an average term of three years and rentals are fixed over the lease terms and do not include contingent rentals.

27. CONTINGENT LIABILITIES

As at 31 December 2012, 2013, 2014 and 30 June 2015, the Target PRC Group and the Target PRC Company did not have any significant contingent liabilities.

28. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in note 19 to the Financial Information, the Target PRC Group had the following transactions with its related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB	*RMB*	*RMB*	*RMB* (unaudited)	*RMB*
Administrative expense – a solely owned company held by the Target PRC Company's director provided consultancy service *(Note (i))*	6,000,000	6,264,151	3,600,000	1,800,000	1,800,000
Administrative expense – a non-controlling shareholder of the immediate holding company provided consultancy service	250,000	498,000	–	–	–
Administrative expense – ultimate holding company provided consultancy service	–	–	60,000	–	–
Administrative expense – ultimate holding company provided investment service	–	–	–	–	1,561,677
Administrative expense – a related company provided consultancy service	–	950,000	–	–	–
	6,250,000	7,712,151	3,660,000	1,800,000	3,361,677

(b) Particulars of amounts due from a non-controlling shareholder, an immediate holding company and related parties are as follows:

i) Name	Relationship	As at 31 December 2012	2013	2014	As at 30 June 2015
		RMB	*RMB*	*RMB*	*RMB*
安潤國際保險經紀(北京)有限公司	Related party *(Note (ii))*	–	–	50,000,000	50,000,000
Zhong An	Immediate holding company	–	–	7,000,000	57,000,000

The amounts are secured by a personal guarantee from Mr. Wong Lik Ping ("Mr. Wong"), interest-free and will be repaid before 31 December 2015.

Mr. Wong provided an undertaking that the repayment of the amounts due from the related party and immediate holding company to the Target PRC Group shall take place within six months after the date of Completion. If such amounts due from the related party and immediate holding company have not been repaid to the Target PRC Group within the prescribed period, Mr. Wong will be responsible for the full repayment by way of setting off the amount of RMB107,000,000 from the Consideration.

ii) Name	Relationship	As at 31 December			As at 30 June
		2012	**2013**	**2014**	**2015**
		RMB	*RMB*	*RMB*	*RMB*
安潤國際保險經紀(北京)有限公司	Related party *(Note (ii))*	600,000	–	–	–
Zhong An	Immediate holding company	–	56,353,302	–	–
China Ever Grand Capital Group Limited	Non-controlling shareholder	–	24,462	–	–
Mr. Yang Zhifei	Related party *(Note (iii))*	–	19,900	–	–

The amounts are unsecured, interest-free and have no fixed term of repayment.

Maximum amounts outstanding during the year/period are as follows:

Name	**Relationship**	**As at 1 January 2012**	**As at 31 December 2012**	**2013**	**2014**	**As at 30 June 2015**
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
China Ever Grand Capital Group Limited	Non-controlling shareholder	–	–	160,536	24,462	–
安潤國際保險經紀(北京)有限公司	Related party *(Note (ii))*	–	2,000,000	600,000	70,000,000	50,000,000
Zhong An	Immediate holding company	–	–	61,353,302	7,000,000	57,000,000
Mr. Yang Zhifei	Related party *(Note (iii))*	–	–	1,351,788	418,000	–

Notes:

(i) A key personnel of the Target PRC Group has control over 楽堡有限公司.

(ii) A key personnel of the Target PRC Group has control over 安潤國際保險經紀(北京)有限公司. As at 31 December 2014 and 30 June 2015, the balance of RMB50,000,000 was due to Ever Grand Tianjin.

(iii) Mr. Yang Zhifei is a key personnel of the Target PRC Group and a director of the ultimate holding company of the Target PRC Company.

(c) During the year ended 31 December 2013, the Target PRC Group purchased a motor vehicle from a related company at a consideration of RMB1,174,230.

(d) The remuneration of directors of the Target PRC Group and other members of key management during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB	*RMB*	*RMB*	*RMB*	*RMB*
				(unaudited)	
Salaries and other benefits	1,468,457	2,958,836	2,998,181	1,537,350	2,184,447
Retirement benefits scheme contributions	215,776	290,276	157,098	78,549	78,492
	1,684,233	3,249,112	3,155,279	1,615,899	2,262,939

29. INVESTMENT IN A SUBSIDIARY

The amount due to a subsidiary is unsecured, interest-free and has no fixed term of repayment.

Particulars of the subsidiary are as follows:

Name	**Place of incorporation and operation**	**Registered and paid up capital**	**Percentage of ownership interest directly held by the Target PRC Company**				**Principal activity**
			As at 31 December			**As at 30 June**	
			2012	**2013**	**2014**	**2015**	
Ever Grand Tianjin	The PRC	As at 31 December 2013 – RMB100,000 As at 31 December 2014 & 30 June 2015 – RMB50,000,000	–	100%	100%	100%	Finance lease services and financing services

Ever Grand Tianjin is a limited company established in the PRC. On 27 November 2013, the Target PRC Company contributed capital of RMB100,000. On 31 July 2014, the Target PRC Company contributed an additional capital of RMB49,900,000, the registered and paid up capital have increased to RMB50,000,000.

30. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2012, 2013, 2014 and 30 June 2015, the Target PRC Group entered into lease receivable transfer agreements (the "Agreements") and transferred certain finance lease receivables (the "Transferred Lease Receivables") to banks for financing. Under the Agreements, the banks have recourse right and the Target PRC Group has the obligation to reimburse the banks for loss of rental if any lessees have late payment. Subsequent to the transfers, the Target PRC Group did not retain any rights on the use of the finance lease receivables, including the sale, transfer or pledge of the finance lease receivables to any other third parties. The original carrying value of the finance lease receivables transferred under the agreements that have not been settled as at 31 December 2012, 2013, 2014 and 30 June 2015 amounted to RMB377,905,955, RMB382,057,602, RMB340,804,806 and RMB331,267,932 respectively. The carrying amount of the assets that the Target PRC Group continued to recognise as at 31 December 2012, 2013, 2014 and 30 June 2015 amounted to RMB377,905,955, RMB382,057,602, RMB340,804,806 and RMB331,267,932 respectively and that of the associated liabilities as at 31 December 2012, 2013, 2014 and 30 June 2015 amounted to RMB377,905,955, RMB382,057,602, RMB340,902,938 and RMB331,380,778 respectively.

31. EVENTS AFTER THE REPORTING PERIOD

On 21 July 2015, Hong Kong Ever Grand Capital Limited (the "Target HK Company") and Zhong An entered into the Capital Injection Agreement and agreed that the Target PRC Company shall apply for an increase in its registered capital from US$30 million to US$36 million. The increased amount of US$6 million shall be entirely contributed by the Target HK Company such that the Target HK Company's equity interest in the Target PRC Company shall increase from approximately 41.67% to approximately 51.39% after its contribution of the additional registered capital while Zhong An's equity interest in the Target PRC Company shall decrease from approximately 58.33% to approximately 48.61%.

The extraordinary general meeting of the Company will be convened for the purpose of considering and, if though fit, approving the acquisition agreement, the capital injection agreement and the transactions contemplated thereunder.

32. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target PRC Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,
RSM Hong Kong
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET PRC

Set out below is the management discussion and analysis of the Target PRC for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 as extracted from the accountant's report of the Target PRC.

Consolidated statements of profit or loss and other comprehensive loss for the six months ended 30 June 2015 comparing with the six months ended 30 June 2014

	Six months ended 30 June 2015 *(RMB)*	**Six months ended 30 June 2014** *(RMB)* (unaudited)
Revenue	95,649,333	35,813,174
Cost of services	(55,562,529)	(25,754,608)
Gross profit	40,086,804	10,058,566
Administrative expenses	(14,695,785)	(9,170,874)
Other Income	11,955,433	3,562,470
Profit after tax	26,081,661	3,303,488

Revenue

Revenue of the Target PRC derived mainly from finance lease and related consultancy services in the PRC. For the six months ended 30 June 2015, the revenue of the Target PRC was approximately RMB95,649,333, which increased from RMB35,813,174 for the six months ended 30 June 2014, representing an increase of 167.1%. Such increase was mainly ascribed to the significant growth of service fee income as the Target PRC had entered into more finance lease agreements, while a majority of the Group's finance leases in 2014 were entered into during the second half of the year, resulting in less service fee income from finance lease recognised for the six months ended 30 June 2014.

Cost of services

Cost of services has increase from RMB25,754,608 for the six months ended 30 June 2014 to RMB55,562,529 for the six months ended 30 June 2015, representing an increase of approximately 115.7%. The significant increase in cost of services was mainly attributable to the rising handling fee and finance advisory fee paid to the financing institutions involved in the finance lease arrangement.

Gross profit

The gross profit of the Target PRC has increased from RMB10,058,566 for the six months ended 30 June 2014 to RMB40,086,804 for the six months ended 30 June 2015, representing a growth of approximately 298.5%. Such significant increase was mainly due to that less service fee income from finance lease recognised for the six months ended 30 June 2014 which dragged down the gross profit margin for the period relative to that for the six months ended 30 June 2015.

Administrative expenses

The administrative expenses increased from RMB9,170,874 for the six months ended 30 June 2014 to RMB14,695,785 for the six months ended 30 June 2015, representing an increase of approximately 60.2%. The increase was mainly ascribable to the (i) increase in consultancy fee; (ii) increase in staff costs; (iii) increase in expense on motor vehicles; and (iv) commission expenses due to the performance fee paid to the investment agencies (for the six months ended 30 June 2014: nil).

Other income

The other income of the Target PRC has increased from RMB3,562,470 for the six months ended 30 June 2014 to RMB11,955,433 for the six months ended 30 June 2015, representing a growth of approximately 235.6%. Such growth was mainly attributed to the realised gains on the financial assets at fair value through profit or loss, which amounted to RMB7,121,643.

Net profit

For the six months ended 30 June 2015, the net profit of the Target PRC was approximately RMB26,081,661, which was approximately 7.9 times of the unaudited net profit of RMB3,303,488 for the six months ended 30 June 2014. Such significant increase was mainly due to (i) the increasing amount of finance lease under the favourable market condition and the fast growth of the whole finance lease industry in the PRC; and (ii) less service fee income from finance lease recognised for the six months ended 30 June 2014 relative to that for the six months ended 30 June 2015.

For the year ended 31 December 2014 comparing with the year ended 31 December 2013

	For the year ended 31 December 2014 *(RMB)*	**For the year ended 31 December 2013** *(RMB)*
Revenue	100,911,832	87,523,905
Cost of services	(52,004,424)	(39,033,093)
Gross profit	48,907,408	48,490,812
Administrative expenses	(21,114,341)	(25,985,260)
Other Income	8,842,205	4,898,790
Profit after tax	29,274,713	20,515,482

Revenue

For the year ended 31 December 2014, the revenue of the Target PRC was RMB100,911,832, which increased from RMB87,523,905 for the year ended 31 December 2013, representing an increase of 15.3%. Such increase was mainly attributable to the increase in finance lease interest income from approximately RMB30,546,087 for the year ended 31 December 2013 to approximately RMB47,767,176 for the year ended 31 December 2014.

Cost of services

Cost of services of the Target PRC increased from RMB39,033,093 for the year ended 31 December 2013 to RMB52,004,424 for the year ended 31 December 2014, representing an increase of approximately 33.2%. The increase in cost of services was mainly attributable to the rising interest expenses on borrowing.

Gross profit

The gross profit of the Target PRC for the year ended 31 December 2014 remained steady at RMB48,907,408, as compared with the gross profit of the Target PRC for the year ended 31 December 2013 of RMB48,490,812, with gross profit margin of the Target PRC decreased slightly from approximately 55.4% for the year ended 31 December 2013 to approximately 48.5% for the year ended 31 December 2014.

Administrative expenses

The administrative expenses mainly consisted of consultancy fee, staff costs, conference and training fees, entertainment, rent and property management fee, office supplies and travelling expense, and has decreased from RMB25,985,260 for the year ended 31 December 2013 to RMB21,114,341 for the year ended 31 December 2014, representing a decrease of approximately 18.7%. The decrease was mainly due to the combined effect of (i) decrease in expenses on consultancy fee for finance lease referral due to the expansion of the Group's marketing division; and (ii) increase in staff cost; (iii) increase in training expenses; and (iv) increase in rent and property management fee.

Other income

The other income of the Target PRC has increased from RMB4,898,790 for the year ended 31 December 2013 to RMB8,842,205 for the year ended 31 December 2014, representing a growth of approximately 80.5%. Such growth was mainly attributed to the increased bank interest income and the recognition of the government subsidies of approximately RMB2,850,850.

Net profit

For the year ended 31 December 2014, the net profit of the Target PRC was approximately RMB29,274,713, which was increased from the net profit of RMB20,515,482 for the year ended 31 December 2013, representing a growth of 42.7%. Such growth was mainly due to the increasing amount of finance lease under the favourable market condition and the fast growth of the whole finance lease industry in the PRC.

For the year ended 31 December 2013 comparing with the year ended 31 December 2012

	For the year ended 31 December 2013 *(RMB)*	**For the year ended 31 December 2012** *(RMB)*
Revenue	87,523,905	73,164,172
Cost of services	(39,033,093)	(33,834,717)
Gross profit	48,490,812	39,329,455
Administrative expenses	(25,985,260)	(30,467,647)
Other Income	4,898,790	2,617,466
Profit after tax	20,515,482	8,506,119

Revenue

For the year ended 31 December 2013, the revenue of the Target PRC was RMB87,523,905, which increased from RMB73,164,172 for the year ended 31 December 2012, representing an increase of 19.6%. Such increase was mainly attributable to the increase in finance lease interest income from approximately RMB13,434,707 for the year ended 31 December 2012 to approximately RMB30,546,087 for the year ended 31 December 2013.

Cost of services

Cost of services of the Target PRC increased from RMB33,834,717 for the year ended 31 December 2012 to RMB39,033,093 for the year ended 31 December 2013, representing an increase of approximately 15.4%. The increase in cost of services was mainly attributable to the rising interest expenses on borrowing.

Gross profit

For the year ended 31 December 2013, the gross profit of the Target PRC amounted to RMB48,490,812, representing a growth of approximately 23.3% when comparing with the corresponding figures of RMB39,329,455 for the year ended 31 December 2012, with the gross profit margin remained steady at approximately 55.4% for the year ended 31 December 2013, as compared with that of approximately 53.8% for the year ended 31 December 2012.

Administrative expenses

The administrative expenses decreased from RMB30,467,647 for the year ended 31 December 2012 to RMB25,985,260 for the year ended 31 December 2013, representing a reduction of approximately 14.7%. The decrease was mainly due to the (i) decrease in the consultancy fee; and (ii) advertising expense incurred in the year ended 31 December 2012 which was not incurred for the year ended 31 December 2013.

Other income

The other income of the Target PRC has increased from RMB2,617,466 for the year ended 31 December 2012 to RMB4,898,790 for the year ended 31 December 2013, representing a considerable growth of approximately 87.2%. Such growth was mainly contributed to the increase of approximately RMB1,498,757 in interest income from loans and receivables investment.

Net profit

For the year ended 31 December 2013, the net profit of the Target PRC was approximately RMB20,515,482, which increased from the net profit of RMB8,506,119 for the year ended 31 December 2013, representing a growth of 141.2%. Such improvement was mainly due to the increasing amount of finance lease under the fast growth of the whole finance lease industry in the PRC.

ANALYSIS OF FINANCIAL POSITION

Set out below is the financial position of the Target PRC as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012.

	As at 30 June 2015 (RMB'000)	As at 31 December 2014 (RMB'000)	As at 31 December 2013 (RMB'000)	As at 31 December 2012 (RMB'000)
Current assets	503,525	448,535	296,445	140,596
Non-current assets	381,269	459,911	706,566	367,017
Current liabilities	317,502	266,099	216,264	90,366
Non-current liabilities	316,697	417,834	575,992	343,985
Net assets (liabilities)	250,595	224,513	210,756	73,263

Liquidity and financial resources

The current ratios (represented by current assets as a ratio of current liabilities) of the Target PRC were approximately 1.59, 1.69, 1.37 and 1.56 as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 respectively. The overall increase in current ratio was mainly due to the reason that the growth rate of current assets is higher than the growth rate of non-current assets.

The non-current assets as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 amounted to approximately RMB381,269,000, RMB459,911,000, RMB706,566,000 and RMB367,017,000 respectively, which mainly consisted of (i) plant and equipment; (ii) finance lease receivables; (iii) amount due from an immediate holding company; (iv) financial assets available for sale; (v) investment on loans and receivables; and (vi) restricted deposits and bank deposits. Non-current assets of the Target PRC increased by approximately 92.5% in 31 December 2013 (as compared to that of as at 31 December 2012) was mainly attributed to the significant increases in plant and equipment, finance lease receivables and restricted deposits and bank deposits. Non-current assets of the Target PRC decreased by approximately 34.9% in 31 December 2014 as compared to that of as at 31 December 2013 and decreased by approximately 17.1% in 30 June 2015 as compared to that of as at 31 December 2014 which were mainly attributable to the declining of the finance lease receivables. The decreasing trend of the non-current finance lease receivables was driven by that (i) some of the finance lease receivables becoming payable within one year; and (ii) increase in finance lease financed by non-recourse financing relative to recourse financing, in which no finance lease receivables were involved.

The current assets of the Target PRC as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 amounted to approximately RMB503,525,000, RMB448,535,000 RMB296,445,000 and RMB140,596,000 respectively. The current assets mainly comprised of (i) finance lease receivables; (ii) trade receivables; (iii) prepayments, deposits and other receivables; (iv) amount due from a non-controlling shareholder; (v) amount due from an immediate holding company; (vi) amount due from related parties; (vii) financial assets available for sale; (viii) investment on loans and receivables; (ix) financial assets at fair value through profit or loss; (x) restricted deposits and bank deposits; and (xi) cash and cash equivalents. Current assets of the Target PRC increased by approximately 51.3% in 31 December 2014 as compared to that of as at 31 December 2013 and increased by approximately 12.3% in 30 June 2015 as compared to that of as at 31 December 2014. The increasing trend of the current finance lease receivables was driven by that some of the finance lease receivables becoming payable within one year. As at 30 June 2015, the Target PRC had an amount due from an immediate holding company of RMB57,000,000 (as at 31 December 2014: RMB7,000,000; as at 31 December 2013: RMB7,254,902 in current assets and RMB49,098,400 in non-current assets; 31 December 2012: nil) and an amount due from related parties of RMB50,000,000 (as at 31 December 2014: RMB50,000,000; as at 31 December 2013: RMB19,900; as at 31 December 2012: RMB600,000).

As at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012, the non-current liabilities of the Target PRC were RMB316,697,000, RMB417,834,000, RMB575,992,000 and RMB343,985,000 respectively, which consists of deposits from customers, borrowings and deferred tax liabilities. The Target PRC recorded an increase of the non-current liabilities of approximately 67.4% in 31 December 2013, as compared to that of as at 31 December 2012, which is in line with the increasing amount of borrowings. Non-current liabilities of the Target PRC decreased by approximately 27.5% in 31 December 2014 as compared to that of as at 31 December 2013, and by approximately 24.2% in 30 June 2015 as compared to that of as at 31 December 2014. Such decreasing trend were mainly attributable to the combined effect of that some of the finance lease becoming repayable within one year and therefore, the corresponding deposits from customers and borrowings became repayable within one year and were classified from non-current liabilities to current liabilities.

The current liabilities as at 30 June 2015, 31 December 2014, 31 December 2013 and 31 December 2012 amounted to RMB317,502,000, RMB266,099,000, RMB216,264,000 and RMB90,366,000 respectively. The current liabilities were mainly comprised of the (i) deposits from customers; (ii) accruals and other payables; (iii) amount due to ultimate holding company; (iv) amount due to a related party; (v) borrowings; and (vi) current tax liabilities. Current liabilities of the Target PRC increased by approximately 139.3% in 31 December 2013 as compared to that of as at 31 December 2012, by approximately 23.0% in 31 December 2014 as compared to that of as at 31 December 2013, and by approximately 19.3% in 30 June 2015 as compared to that of as at 31 December 2014. Such increasing trend of the Target PRC's current liabilities were mainly due to the combined effect of that some of the finance lease becoming repayable within one year and therefore, the corresponding deposits from customers and borrowings became repayable within one year and were classified from non-current liabilities to current liabilities.

Gearing ratio

The gearing ratio, represented by the total liabilities over total assets, were approximately 0.72, 0.75, 0.79 and 0.86 as at 30 June 2015, 31 December 2014, 31 December 2013, 31 December 2012 respectively. The decrease in gearing ratio was mainly attributable to the decrease in non-current liabilities of the Target PRC.

Capital Structure

As at the Latest Practicable Date, Target PRC has a registered capital of US$30 million (equivalent to approximately HK$233 million), which has been fully contributed as to US$12.5 million (equivalent to approximately HK$96.9 million) by Target HK and as to US$17.5 million (equivalent to approximately HK$135.6 million) by Zhong An prior to the Latest Practicable Date. Therefore, approximately 41.67% equity interest in Target PRC is owned by Target HK. The remaining equity interest of approximately 58.33% in Target PRC is owned by Zhong An, an independent third party.

Capital management

The Target PRC's objective on managing capital is to safeguard the Target PRC ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Target PRC currently does not have any specific policies and processes for managing capital. Also, the Target PRC is not subject to any externally imposed capital requirements. According to the Measures for Administration of Foreign Investments in Leasing Industry as set out in the paragraph headed "Regulatory overview" in the Letter from the Board, the Target PRC, being a foreign-invested finance lease company, is required to, among other things, have a registered capital of no less than US$10 million.

Capital commitments

The Target PRC did not have any material capital commitments as at 31 December 2012, 2013, 2014 and 30 June 2015.

Lease Commitments

The total future minimum lease payments of the Target PRC under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
RMB				
Within one year	635,845	2,007,101	1,852,122	2,009,958
in the second to fifth years inclusive	158,960	3,783,161	1,852,122	841,874
	794,805	5,790,262	3,704,244	2,851,832

Operating lease payments represent rentals payable by the Target PRC for certain of its offices. Leases are negotiated for an average term of three years and rentals are fixed over the lease terms and do not include contingent rentals.

Save for the above, the Target PRC did not have any material lease commitments as at 31 December 2012, 2013, 2014 and 30 June 2015.

Charge on group assets

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Target PRC did not have any charges on assets.

Foreign exchange exposure

The Target PRC revenue from finance lease and consultancy service is largely received in RMB. The Target Group does not actively manage foreign exchange fluctuations. The Target PRC did not hedge against foreign exchange rate risk in the Track Record Period.

Contingent liabilities

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Target PRC did not have any contingent liabilities.

Significant investment, material acquisition and disposals

Investment in a subsidiary

The amount due to a subsidiary is unsecured, interest-free and has no fixed term of repayment.

The particulars of the subsidiary are as follows:

Name	Place of incorporation and operation	Registered and paid up capital	Percentage of ownership interest directly held by the Target PRC Company				Principal activity
			As at 31 December			As at 30 June	
			2012	2013	2014	2015	
Ever Grand Tianjin	The PRC	As at 31 December 2013 – RMB100,000 As at 31 December 2014 & 30 June 2015 – RMB50,000,000	–	100%	100%	100%	Finance lease services and financing services

Target Tianjin is a limited company established in the PRC. On 27 November 2013, the Target PRC contributed capital of RMB100,000. On 31 July 2014, the Target PRC contributed an additional capital of RMB49,900,000, the registered and paid up capital have increased to RMB50,000,000

Save for the reorganisation and the above, the Target PRC did not have any significant investments, material acquisition or disposals for each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 respectively.

Employee information

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, the Target PRC employed a total number of 24, 35, 41, 43 employees respectively. The staff costs were RMB2,719,848, RMB5,133,194, RMB6,979,675 and RMB3,607,129 for each of the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and the six months ended 30 June 2015 respectively. Target PRC has a dedicated senior management team with extensive experience in finance industry in the PRC. The management team includes qualified and experienced professionals for the finance lease operation. Set out below is the staff costs of the Target PRC for the six months ended 30 June 2015, the year ended 31 December 2014, 31 December 2013 and 31 December 2012.

	For year ended 31 December			**For six months ended 30 June**	
	2012	**2013**	**2014**	**2014**	**2015**
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)* (unaudited)	*(RMB)*
Directors' emoluments	775,968	1,233,107	1,546,562	811,541	680,565
Salaries and other benefits	1,617,751	3,356,309	4,684,370	1,791,904	2,548,839
Retirement benefits schemes contributions	326,129	543,778	748,743	341,877	377,725
Total staff costs	2,719,848	5,133,194	6,979,675	2,945,322	3,607,129

Business review and prospects

Given that the Capital Injection of US$6 million will (assuming and subject to Completion) be paid shortly by the Target Group after Completion, the Target Group will continue to expand its finance lease business in the coming years. Looking forward, in view of the continued growth of the PRC economy, the business of the Target PRC is expected to grow in line with the growth of the finance lease industry in the PRC and the aforesaid capital injection.

Underlying factors affecting the performance of the Target PRC

The Directors consider that the performance of the Target PRC is affected by the change of the interest rate charged, the amount of consultancy fee charged, the economic environment of the PRC, the bank loans available to Target PRC, and the repayment capability of the lessee.

Future plans for capital and other investment in the Target PRC

Save for the payment of the Capital Injection to the Target PRC, there is no plan for any material capital or other investment in the Target PRC.

Interest rate

The interest rate for the borrowings as at 31 December 2012 was 6.40% per annum. The interest rates for borrowings as at 31 December 2013 ranged from 6.15% to 6.95% per annum. The interest rates for borrowings as at 31 December 2014 ranged from 6.15% to 6.95% per annum. The interest rates for borrowings as at 30 June 2015 ranged from 6.15% to 7.19% per annum. Borrowings were arranged at floating rates, thus exposing the Target PRC to cash flow interest rate risk.

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Enlarged Group's pro forma financial information for the purpose of inclusion in this circular.

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

The following is an illustrative and unaudited pro forma financial information of the Enlarged Group ("Unaudited Pro Forma Financial Information") comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group, which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition of the entire issued share capital in China Ever Grand Capital Group Limited, the assignment of shareholder's loan and the capital injection in Beijing Ever Grand International Finance Leases Co., Limited (the "Acquisition") as if it had taken place on 30 June 2015 for the unaudited pro forma consolidated statement of financial position and as if it had taken place on 1 January 2014 for the unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statements of cash flows.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with that of the Group as set out in the published annual report of the Company for the year ended 31 December 2014.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial positions, financial results and cash flows of the Enlarged Group had the Acquisition been completed as at 30 June 2015 or 1 January 2014 or any future dates.

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

	Audited consolidated statement of profit or loss the Group for the year ended 31 December 2014	Audited consolidated statement of profit or loss of the Target BVI Group for the year ended 31 December 2014	Audited consolidated statement of profit or loss of the Target PRC for the year ended 31 December 2014	Pro forma adjustments			Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1a)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 6(c))*	*(Note 7)*	
Turnover	138,309	–	–				138,309
Revenue	89,797	–	127,395				217,192
Cost of sales	(87,397)	–	(65,652)				(153,049)
Gross profit	2,400	–	61,743				64,143
Other income and gain	15,873	4	11,162				27,039
Selling and distribution expenses	(8,852)	–	–				(8,852)
Administrative expenses	(88,814)	(70)	(26,655)			(3,190)	(118,729)
Loss on partial disposal of an associate	(14,852)	–	–				(14,852)
Loss on derecognition of an associate	(26,907)	–	–				(26,907)
Increase in fair value of convertible bonds designated as financial assets at fair value through profit or loss	10,699	–	–				10,699
Decrease in fair value of held for trading investments	(11,626)	–	–				(11,626)
Share of results of an associate	6,082	15,358	–	(15,358)			6,082
Share of results of joint venture	167,388	–	–				167,388
Finance costs	(839)	–	–				(839)
Profit before taxation	50,552	15,292	46,250				93,546
Taxation	(22,945)	(405)	(9,293)				(32,643)
Profit for the year	27,607	14,887	36,957				60,903
Attributable:							
Owners of the Company	27,607	14,887	36,957		(29,605)		31,298
Non-controlling interest	–	–	–		29,605		29,605
	27,607	14,887	36,957				60,903

	Audited consolidated statement of comprehensive income of the Group for the year ended 31 December 2014	Audited consolidated statement of comprehensive income of the Target BVI Group for the year ended 31 December 2014	Audited consolidated statement of comprehensive income of the Target PRC for the year ended 31 December 2014		Pro forma adjustments		Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1a)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 6(c))*	*(Note 7)*	
Profit for the year	27,607	14,887	36,957	(15,358)		(3,190)	60,903
Other comprehensive income/(expense)							
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation	(638)	–	–				(638)
Exchange difference on translating foreign operations	–	(2,927)	–				(2,927)
Share of other comprehensive income of an associate	550	–	–				550
Share of other comprehensive income of joint ventures	1,404	–	–				1,404
Other comprehensive income for the year, net of tax	1,316	(2,927)	–				(1,611)
Total comprehensive income for the year	28,923	11,960	36,957				59,292
Attributable:							
Owners of the Company	28,923	11,960	36,957		(29,605)		29,687
Non-controlling interest	–	–	–		29,605		29,605
	28,923	11,960	36,957				59,292

	Unaudited consolidated statement of financial position of the Group as at 30 June 2015	**Audited consolidated statement of financial position of the Target BVI Group as at 30 June 2015**	**Audited consolidated statement of financial position of the Target PRC as at 30 June 2015**	**Pro forma adjustments**				**Unaudited pro forma consolidated statement of financial position of the Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1b)	*(Note 2)*	*(Note 3)*	*(Note 5)*	*(Note 6(a), (b), (d))*	*(Note 7)*	*(Note 8)*	
Non-current assets								
Plant and equipment	1,608	–	3,100					4,708
Finance leases receivables	–	–	331,284					331,284
Loans and receivables investments	–	–	14,490					14,490
Restricted deposits and bank deposits	–	–	127,388					127,388
Available-for-sale investments	2,500	–	–					2,500
Investment in an associate	–	97,959	–	115,271	(213,230)			–
Interests in joint venture	901,725	–	–					901,725
Club debenture	350	–	–					350
Goodwill	–	–	–		74,968			74,968
	906,183	97,959	476,262					1,457,413
Current assets								
Inventories	7,844	–	–					7,844
Finance leases receivables	–	–	348,609					348,609
Trade receivables, other receivables, deposits and prepayments	18,642	–	46,475					65,117
Amount due from an immediate holding company	–	–	71,202				(71,202)	–
Amounts due from related parties	–	–	62,458				(62,458)	–
Loans and receivables investments	–	–	18,737					18,737
Financial assets at fair value through profit or loss	–	–	12,358					12,358
Convertibles bonds designated as financial assets at fair value through profits or loss	74,079	–	–					74,079
Held for trading investments	33,465	–	–					33,465
Restricted deposits and bank deposits	–	–	26,232					26,232
Deposits placed with financial institutions	144,529	–						144,529
Bank balances and cash	243,273	329	42,907	(213,559)		(3,190)	133,660	203,420
	521,832	329	628,978					934,390

	Unaudited consolidated statement of financial position of the Group as at 30 June 2015	Audited consolidated statement of financial position of the Target BVI Group as at 30 June 2015	Audited consolidated statement of financial position of the Target PRC as at 30 June 2015	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1b)	*(Note 2)*	*(Note 3)*	*(Note 5)*	*(Note 6(a), (b), (d))*	*(Note 7)*	*(Note 8)*	
Current liabilities								
Deposits from customers	–	–	32,379					32,379
Trade and other payables	51,194	–	12,505		1,951			65,650
Amount due to ultimate holding company	–	–	1,951		(1,951)			–
Borrowings	–	–	337,859					337,859
Amount due to joint venture	73	–	–					73
Taxation payable	38,480	–	11,914					50,394
Obligation under finance leases	730	–	–					730
	90,477	–	396,608					487,085
Net current assets	431,355	329	232,370					447,305
Total assets less current liabilities	1,337,538	98,288	708,632					1,904,718
Non-current liabilities								
Deposits from customers	–	–	120,148					120,148
Borrowings	–	–	273,053					273,053
Obligation under finance leases	504	–	–					504
Amount due to a director	–	89,725	–	(89,725)				–
Deferred tax liabilities	20,468	–	2,401					22,869
	20,972	89,725	395,602					416,574
Net assets	1,316,566	8,563	313,030					1,488,144
Capital and Reserves								
Share capital	119,192	–	233,400		(233,400)			119,192
Reserves	1,196,512	8,563	79,630	(8,563)	(79,630)	(3,190)		1,193,322
Equity attributable to owners of the Company	1,315,704	8,563	313,030					1,312,514
Non-controlling interests	862	–	–		174,768			175,630
	1,316,566	8,563	313,030					1,488,144

	Audited consolidated statement of cash flow of the Group for the year ended 31 December 2014	Audited consolidated statement of cash flow of the Target BVI Group for the year ended 31 December 2014	Audited consolidated statement of cash flow of the Target PRC for the year ended 31 December 2014	Pro forma adjustments						Unaudited pro forma consolidated statement of cash flow of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1a)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6(e))*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Operating activities										
Profit before taxation	50,552	15,292	46,250	(15,358)			(3,190)			93,546
Adjustments for:										
Change in fair value of convertible bonds designated as financial assets at fair value through profit or loss	(10,699)	–	–							(10,699)
Change in fair value of held for trading investments	11,626	–	–							11,626
Depreciation of plant and equipment	716	–	1,076							1,792
Finance costs	839	–	–							839
Interest income	(6,784)	(3)	(7,575)							(14,362)
Interest expenses	–	–	3,035							3,035
Reversal of impairment loss on trade receivables	(3,294)	–	–							(3,294)
Loss on partial disposal of an associate	14,852	–	–							14,852
Loss on derecognition of an associate	26,907	–	–							26,907
Reversal of impairment loss recognised on inventories	(4,193)	–	–							(4,193)
Realised gain for held for trading investments	(3,030)	–	–							(3,030)
Share of results of joint venture	(167,388)	–	–							(167,388)
Share of results of an associate	(6,082)	(15,358)	–	15,358						(6,082)
Net foreign exchange loss	671	–	–							671
Operating cash flows before movements in working capital	(95,307)	(69)	42,786							(55,780)
Decrease in trade receivables, other receivables, deposits and prepayments	17,561	–	–					133,660		151,221
Decrease in finance lease receivables	–	–	184,171							184,171
Increase in held for trading investments	(124,793)	–	(1,764)							(126,557)
Decrease in amount due from ultimate holding company	–	–	30							30
Decrease in amount due from related parties	–	–	25							25
Increase in deposits from customers	–	–	28,206							28,206
Increase in deposits placed with financial institutions	(6,936)	–	–							(6,936)
Increase/(decrease) in trade and other payables and accruals	15,313	2	(844)							14,471
Cash (used in)/ generated from operations	(194,162)	(67)	252,610							188,851
Income tax paid	(439)	(405)	(7,123)							(7,967)
Net cash (used in)/ generated from operating activities	(194,601)	(472)	245,487							180,884

	Audited consolidated statement of cash flow of the Group for the year ended 31 December 2014	Audited consolidated statement of cash flow of the Target BVI Group for the year ended 31 December 2014	Audited consolidated statement of cash flow of the Target PRC for the year ended 31 December 2014	Pro forma adjustments					Unaudited pro forma consolidated statement of cash flow of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1a)	*(Note 2)*	*(Note 3)*	*(Note 5)*	*(Note 6(e))*	*(Note 7)*	*(Note 8)*	*(Note 9)*	
Investing activities									
Purchase of plant and equipment	(34)	–	(1,304)						(1,338)
Net cash outflow of acquisition of the Target BVI Group	–	–	–	(213,559)					(213,559)
Net cash inflow of the deemed acquisition	–	–	–		42,907				42,907
Advance to a joint venture	392	–	–						392
Dividend income received	–	8,095	–					(8,095)	–
Dividend from joint venture	146,536	–	–						146,536
Investment in joint venture	(63,831)	–	–						(63,831)
Interest received	5,443	3	7,575						13,021
Purchase of loans and receivables investments	–	–	(1,526,412)						(1,526,412)
Placement of restricted deposits and bank deposits	–	–	(27,748)						(27,748)
Proceeds from disposal of associates	11,091	–	–						11,091
Proceeds from disposal of loan and receivables investment	–	–	1,530,830						1,530,830
Proceeds from held for trading investments	48,512	–	–						48,512
Net cash generated from/ (used in) investing activities	148,109	8,098	(17,059)						(39,599)
Financing activities									
Interests paid	(744)	–	–						(744)
Decrease in amount due to a director	–	(9,200)	–						(9,200)
Repayments of obligation under a finance leases	(594)	–	–						(594)
Finance lease charges paid	(95)	–	–						(95)
Inception of new borrowings	–	–	126,244						126,244
Registered capital contribution	–	–	77,454						77,454
Repayment to a non-controlling shareholder	–	–	(6,312)						(6,312)
Advance to immediate holding company	–	–	(8,837)						(8,837)
Advance to a related company	–	–	(151,493)						(151,493)
Repayment from a related company	–	–	88,371						88,371
Repayments of borrowings	–	–	(295,851)						(295,851)
Dividend paid to a holding company	–	–	(11,426)						(11,426)
Dividend paid to a non-controlling shareholder	–	–	(8,163)					8,163	–
Net cash used in financing activities	(1,433)	(9,200)	(190,013)						(192,483)
Net (decrease)/increase in cash and cash equivalents	(47,925)	(1,574)	38,415						(51,198)
Cash and cash equivalents at the beginning of the year	394,069	1,995	21,749						417,813
Exchange difference	–	–	1,805					(68)	1,738
Cash and cash equivalents at the end of the year	346,144	421	61,969						368,353

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. (a) The amounts were extracted from 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 2014, as set out in the published annual report of the Company for the year ended 31 December 2014.

   (b) The balances were extracted from the unaudited consolidated statement of financial position of the Group as at 30 June 2015, as set out in the published interim report of the Company for the six-month ended 30 June 2015.

2. The amounts were derived from the consolidated financial information of the Target BVI Group as set out in Appendix IIA to this circular. For the purpose of preparation of the unaudited pro forma financial information, all of the values of the consolidated financial information are rounded to the nearest thousand (HK$'000) except otherwise indicated.

3. The amounts were derived from the consolidated financial information of the Target PRC as set out in Appendix IIB to this circular. The consolidated financial information of Target PRC were presented in Renminbi ("RMB"). For the purpose of preparation of the unaudited pro forma financial information, the presentation currency of the Target PRC is changed from RMB to Hong Kong dollars ("HKD"). The consolidated financial performance and consolidated cash flow of the Target PRC for the year ended 31 December 2014 and the consolidated financial position as at 30 June 2015 presented in RMB are translated into HKD at the exchange rate of approximately HKD1 to RMB0.8. Also, the values of the consolidated financial information are rounded to the nearest thousand (HK$'000) except otherwise indicated.

4. The adjustment represent the elimination of the share of results of the Target PRC as if the Target PRC become a wholly owned subsidiary of the Group as at 31 December 2014.

5. Pursuant to the Acquisition Agreement, the Group through its wholly owned subsidiary to acquire the shares and shareholder's loan of Target BVI Group at the cash Consideration for not less than RMB170,847,000 (equivalent to approximately HK$213,558,750). After completion of the Acquisition Agreement, the Target BVI Company will become a wholly owned subsidiary of the Group.

   Under HKFRSs, the Transaction was accounted for as an acquisition of assets and liabilities as the Target BVI Group proposed to be acquired by the Group does not constitute a business. The Target BVI Company and Target HK are the investment holdings company and do not have any operation. Before the completion of the acquisition, the Target HK holds 41.67% equity interest of Target PRC and shares its result by using equity method. Assuming that the Transaction is completed on 30 June 2015, an analysis of the assets arising from the acquisition of the Target BVI Group as at 30 June 2015 after the pro forma adjustment as disclosed in this circular are as follows:

	HK$'000
Cash Consideration to acquire entire equity interest of the Target BVI Group	213,559
Presented by:	
Carrying amount of identified assets acquired and liabilities of the Target BVI Group as at 30 June 2015	8,563
Assignment of shareholder's loan as at 30 June 2015	89,725
Fair value adjustment on the acquisition of assets	115,271
	213,559

6. Pursuant to the Capital Injection Agreement, the Target HK and Zhong An agreed that Target PRC shall apply for an increase in its registered capital from US$30,000,000 (equivalent to approximately HK$233,000,000) to US$36,000,000 (equivalent to approximately HK$279,000,000). Upon completion of the capital injection, the Target HK's equity interest in Target PRC shall increase from approximately 41.67% to 51.39%, and the Target PRC will become a non-wholly owned subsidiary of the Group.

(a) The following pro-forma adjustment represents the deemed acquisition of the Target PRC as if the capital injection is completed on 30 June 2015:

		HK$'000
Carrying amount of previous held interest		
– Investment in an associate	97,959	
– Fair value adjustment on the acquisition of assets	115,271	213,230
Non-controlling interest *(Note ((a))*		174,768
		387,998
Less: Fair value of net assets acquired		(313,030)
Goodwill arising from the deemed acquisition		74,968

For the purpose to preparing the unaudited pro forma financial information of the Enlarged Group, the net identifiable assets acquired is taken to be its fair value.

(b) The non-controlling interest of Target PRC was recognised as following:

Carrying amount of net assets acquired as at 30 June 2015	313,030
Add: Capital injection of US$6 million contributed by Target HK	46,500
	359,530
Carrying amount of Target PRC shared by non-controlling interest at 48.61%	174,768

For the purpose of this unaudited pro forma financial information, the Directors have assessed that there is no impairment in the value of goodwill based on their assessment performed in accordance with HKAS 36 – Impairment of Asset. In accordance with HKAS 36, which requires the recoverable amount of a cash generating unit determined as the higher of its value in use or fair value less costs of disposal. The Directors measured the fair value less costs of disposal of the cash generating unit by adopting the valuation methodology – Guideline Public Company Method. The recoverable amount of the 100% equity interest of the Target Group is RMB439,000,000 (equivalent to HK$548,750,000), with reference to the valuation which is carried out by Peak Vision Appraisals Limited.

Upon completion of the acquisition, the Company will adopt consistent accounting policies and principal assumptions as used in this unaudited pro forma financial information to assess the impairment of the Enlarged Group's goodwill during the preparation of the future consolidated financial statements of the Enlarged Group and the auditors will perform the audit according to the Hong Kong Standards on Auditing.

(c) The adjustment represents the profit for the year attributable to non-controlling interest of approximately HK$29,605,000 of Target PRC as if the consolidated financial statement of profit or loss had taken place on 1 January 2014.

(d) The adjustment of amount due to ultimate holding company of approximately HK$1,951,000 is reallocated to other payables after the acquisition completed.

(e) The adjustment represents the cash inflow of approximately HK$42,907,000 arising from the deemed acquisition of Target PRC.

7. The adjustment represents the estimated transaction costs of approximately HK$3,190,000, which are mainly professional fees payable by the Group in connection with the Acquisition.

8. Pursuant to the supplemental agreement entered by the Group and Vendor on 26 October 2015, to ensure the repayment of approximately HK$133,660,000 (equivalent to approximately RMB107,000,000) would be repaid in 30 days after completion by 安潤國際保險經紀(北京)有限公司 and Zhong An. HK$133,660,000 out of total consideration will be deposited into the designated bank account of an agent. Such amount will be released to the Vendor upon repayment has been completed.

9. The adjustment represents the elimination of dividend received between Target HK and Target PRC of approximately HK$8,095,000.

10. No adjustments have been made to reflect any results or transactions of the Group and the Target BVI Group entered into subsequent to 30 June 2015.

(B) ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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11 Pedder Street
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30 October 2015

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF PME GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of PME Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "Group"), China Ever Grand Capital Group Limited and its subsidiaries (the "**Target BVI Group**") and Beijing Ever Grand International Finance Lease Co., Ltd. and its subsidiary (the "**Target PRC**") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated other comprehensive income, the unaudited pro forma consolidated statement of cash flow for the year ended 31 December 2014 and related notes as set out on pages 177 to 186 of the circular issued by the Company dated 30 October 2015 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on Section A of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of the entire issued share capital in China Ever Grand Capital Group Limited, the assignment of shareholder's loan and the capital injection to Beijing Ever Grand International Finance Leases Co. Limited on the Group's consolidated financial position as at 30 June 2015 (the "**Acquisition**") and the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2014 as if the Acquisition had taken place at 30 June 2015 and 1 January 2014, respectively. As part of this process, information about the Group's consolidated financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2015 on which an interim report has been published, while the Group's consolidated financial performance and consolidated cash flow have been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2014, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or acquisition at 1 January 2014 or 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

- such basis is consistent with the accounting policies of the Group; and

- the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895
Hong Kong

The following is the text of a business valuation report, prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer, in connection with the business valuation of Target PRC as at 30 June 2015.

Peak Vision
Appraisals Limited

12/F, Effectual Building
14-16 Hennessy Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

30 October 2015

The Board of Directors
PME Group Limited
Room 2203, 22nd Floor
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest of 北京恒嘉國際融資租賃有限公司

In accordance with your instructions, we have conducted a valuation of the market value of the 100% equity interest of 北京恒嘉國際融資租賃有限公司 (officially translated as "**Beijing Ever Grand International Finance Lease Co., Ltd.**" and hereinafter, the "**Business Enterprise**" or "**Target PRC**"). It is our understanding that the Business Enterprise is principally engaged in the provision of finance lease and related consultation services to enterprises in the People's Republic of China (the "**PRC**" or "**China**"). We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Business Enterprise as at 30 June 2015 (the "**Valuation Date**").

This report states the purpose of valuation and premise of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared solely for the use of directors and management of PME Group Limited (the "**Company**") for internal reference and incorporation into this circular. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised, the Company is considering the acquisition (the "**Proposed Acquisition**") of the entire issued share capital of China Ever Grand Capital Group Limited, which currently indirectly owns 41.67% of the Business Enterprise and will effectively own 51.39% of the Business Enterprise upon completion of the Proposed Acquisition and capital injection of USD6,000,000 into the Business Enterprise (the "**Proposed Capital Injection**").

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be made available to the Company as one of the sources of information for the Proposed Acquisition. This report will also be used by the independent financial advisor of the Company as one of the sources of information for formulating its advice in relation to the Proposed Acquisition to the independent directors and shareholders of the Company and, if requested, regulators. The Proposed Acquisition, if materialized, and the corresponding transaction price would be the result of negotiations between the transacting parties. The management of the Company should be solely responsible for determining the consideration of the Proposed Acquisition, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Furthermore, Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the directors and management of 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 on their own risk.

2.0 PREMISE OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2012 Edition published by the Hong Kong Institute of Surveyors, the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum and the International Valuation Standards 2013 published by the International Valuation Standards Council, where applicable.

Our valuation is based on the going concern premise and conducted on a market value basis. **Market value** is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

Further to the above, our valuation of the Business Enterprise is conducted on a pre-money basis before completion of the Proposed Capital Injection.

3.0 SOURCES OF INFORMATION

We relied on the following major documents and information in the valuation analysis. Some of the information and materials are furnished by the management of the Company, the Business Enterprise and their representatives (collectively, the "**Management**"). Other information is extracted from public sources such as government sources, Bloomberg and Morningstar, etc.

The major documents and information include the following :

- Copy of business licence, certificate of tax registration, certificate of approval for establishment of enterprise and relevant permits of the Business Enterprise provided by the Management;

- Announcement(s) made by the Company in relation to the Proposed Acquisition; and

- Historical financial information such as income statements and balance sheets of the Business Enterprise provided by the Management.

In the course of our valuation, we conducted a company visit in May 2014 and had discussion with the Management on the finance lease industry in the PRC and the development of the Business Enterprise. Furthermore, we have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

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 more extensive examination might disclose.

4.0 BUSINESS ENTERPRISE

4.1 Background

The Business Enterprise is a Sino-Foreign Joint Venture (中外合資) with limited liability incorporated in the PRC on 6 April 2010. The following table summarizes the background information of the Business Enterprise, according to 營業執照 (unofficially translated and hereinafter, the "**Business Licence**") issued by 北京市工商行政管理局 (unofficially translated as the "**Beijing Administration for Industry and Commerce**").

Registration number	:	110000450132149
Name	:	北京恒嘉國際融資租賃有限公司 (the Business Enterprise)
Registered address	:	中華人民共和國北京市順義區順平路578號 (天竺綜合保稅區FTZ-2-005) (unofficially translated as "**No. 578 Shunping Road, Shunyi District, Beijing, the PRC (Tianzhu Free Trade Zone FTZ-2-005)**")
Registered capital	:	USD30,000,000

Incorporation date	:	6 April 2010
Expiry date	:	5 April 2040
Confined business scope	:	Finance lease business; leasing business; purchasing local or overseas leased assets; salvage treatment and maintenance of leasing assets; lease transaction advisory and guarantees; technology development, technology consulting, technology services; import and export of goods, related agency services for import and export, technology import and export; wholesale of mechanical equipment and accessories, commission agency services (exclude auctions); enterprise management consulting. (Not involving state-traded and managed commodities; commodities involving quota or license are required to apply for relevant permits or licenses according to state regulations)

Table 1: Business Licence of the Business Enterprise

Source: Management

4.2 Shareholding Structure

As represented by the Management, the Business Enterprise is indirectly partially owned by Mr. Wong Lik Ping (the "**Vendor**"). The shareholding structure immediately before completion of the Proposed Acquisition of the Business Enterprise is tabulated in the figure below:

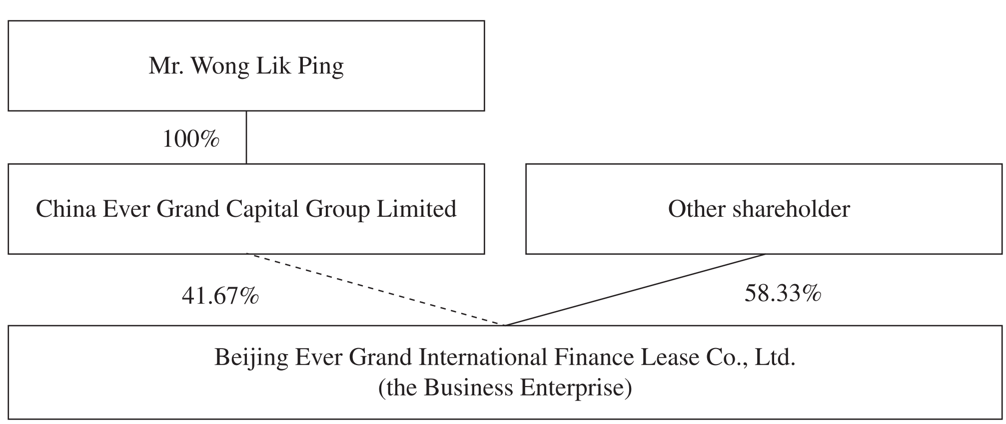

Figure 1: Shareholding structure of the Business Enterprise immediately before the completion of the Proposed Acquisition

Source: Management

Upon the completion of the Proposed Acquisition and the Proposed Capital Injection, the Company will indirectly own 51.39% equity interest in the Business Enterprise. The shareholding structure immediately after the Proposed Acquisition and the Proposed Capital Injection is tabulated as follows:

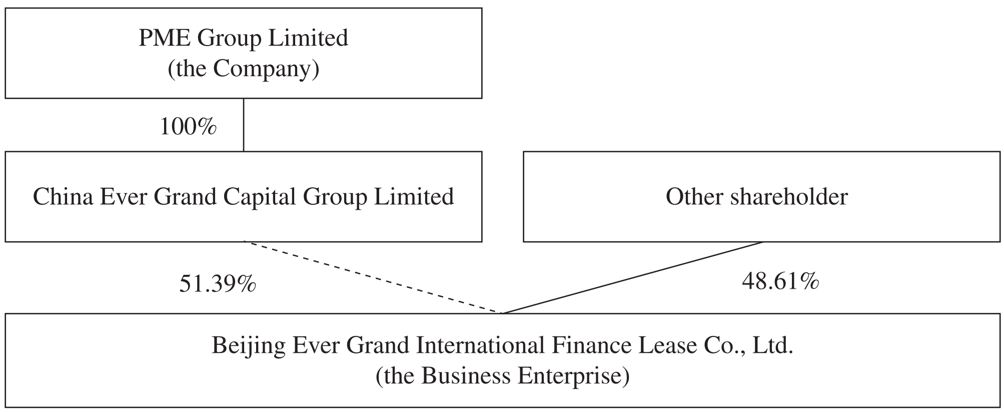

Figure 2: Shareholding structure of the Business Enterprise immediately after the completion of the Proposed Acquisition and the Proposed Capital Injection

Source: Management

5.0 BUSINESS OVERVIEW

The Business Enterprise, based in Beijing, is specialized in provision of customized financing solutions through finance lease arrangements, as well as provision of related consulting services to customers in targeted major industries in the PRC. The Business Enterprise offers finance lease to its customers with a commercial arrangement where:

- The lessee (i.e. customers or borrowers) will select an asset (i.e. machinery, equipment or vehicle, etc.);
- The lessor (i.e. leasing company) will purchase that asset;
- The lessee will use of the asset during the lease term;
- The lessee will make a series of lease payments for the use of that asset;
- The lessor will recover a large part or all of the cost of the asset and receive interest from the lease payments made by the lessee; and
- The lessee normally has the option to acquire ownership of the asset from the lessor upon expiry of the lease.

Based on the above leasing arrangement, most of the risk and rewards of the leased asset are transferred to the lessee but the actual ownership remains with the lessor. The finance lease service provided by the Business Enterprise is in the form of direct financing lease and sale & leaseback. Revenue of the Business Enterprise is contributed from interest income and consultancy fee income. Interest income consists entirely of income from finance lease whilst consultancy fee income relates to income primarily from valued added consultancy services accompanying the finance lease business. The major operating costs of the Business Enterprise include service fees paid to financial institutions which provide the financing, finance cost, rental payments and staff costs.

By leveraging its management expertise, the Business Enterprise has established closer customer relationships. The Business Enterprise was awarded 2012年中國融資租賃新生力量獎 (unofficially translated as "**2012 China Finance Lease Industry New Force Award**") during the 2012中國融資租賃年會 (unofficially translated as "**2012 China Finance Lease Annual Meeting**") and 金典獎 – 中國融資租賃行業客戶滿意最佳典範品牌 (unofficially translated as "**Golden Award – Customer Satisfaction Of China Finance Lease Industry**") in 第三屆全國服務業公眾滿意度專項調研揭曉新聞發佈盛典大會 (unofficially translated as "**the 3rd News Conference of National Service Industry Public Satisfaction Research**").

Since its establishment, revenue has grown with an increasing asset size. According to audited accounts provided by the Management, the revenue grew from RMB73.16 million for the year ended 31 December 2012 to RMB100.91 million for the year ended 31 December 2014. As of 31 December 2012, 2013 and 2014, the Business Enterprise had lease receivables of RMB387.91 million, RMB757.84 million and RMB610.40 million respectively, representing a compound annual growth rate of approximately 25.4%.

5.1 Business Model

Finance lease is the principal business activity of the Business Enterprise. It primarily includes two types of leasing services, (i) direct financing lease and (ii) sale & leaseback. The leasing operations mainly serve large corporations in asset intensive industries in the PRC. However, since its establishment, most of the finance leases were provided in form of sale & leaseback, which represents the major source of income to the Business Enterprise.

Most lease contracts are priced at a fixed rate ranging from approximately 5% to 10% for a term of approximately 1 to 8 years. Subject to the credit of the lessees and the size of finance lease, collateral and/or guarantee may be required from lessees for the performance of the obligations. As advised by the Management, there are currently no regulatory restrictions on the interest rate charged on the finance lease. The rate is determined on commercial terms with reference to market which is negotiable on a case by case basis based on, including but not limited to, the financial performance and financial position of the customers, the amount of deposit (if any), the presence of guarantors and the customers' industry. The lease payments are usually scheduled on a quarterly or semi-annually basis.

Further advised by the Management, the grant of financing under the finance lease to the lessees amounts to approximately RMB11.4 billion for the three and half years ended 30 June 2015, which is the total sum of original principal amount of 37 finance lease transactions under non-recourse financing and recourse financing, involving a total of 30 customers. Based on the foregoing, the average size of finance lease transaction was approximately RMB300 million. Through the financing lease services, the Business Enterprise also provides customers with professional and customized advisory services. The consultancy fee varies on the basis of ultimate services provided to the individual customers and are negotiable on a case by case basis. The fees are normally based on size, nature and term of financing projects or assets. According to the Management, the consultancy fee is either a flat fee or a flat rate ranging from 0.2% to 4.5% of the principal of finance lease.

5.1.1 Direct Financing Lease

A direct financing lease usually involves three parties, namely lessor (i.e. the Business Enterprise), lessee (i.e. the customers) and supplier. It is a customary financing arrangement in which the lessor purchases the asset in need by the lessee from the supplier, and then lease the asset to the lessee in return for periodic lease payments during the lease term. The lessor will cover most of the purchasing cost from lease payables by the lessee. Eventually, the lessee will normally have an option to acquire the asset or the ownership might transfer at the final lease payment. The lessee benefits from avoiding huge capital investment on the needed asset which relieves the financing burden of the actual user (i.e. the lessee). The following diagram illustrates the relationship among the three parties in the direct financing lease:

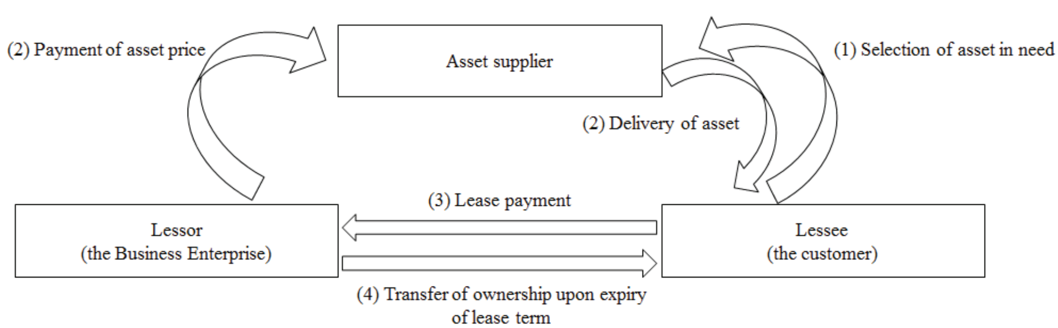

Figure 3: Direct financing lease arrangement

Source: Management

5.1.2 Sale & Leaseback

A sale & leaseback usually involves two parties, namely lessor (i.e. the Business Enterprise) and lessee (i.e. the customer). It is a form of financing which the lessee who originally owned the asset sells such asset to the lessor to satisfy its financing needs. The lessee will then lease the asset back from the lessor for a relatively long period of time and pay periodic lease payments for the use of the asset. Upon expiry of the lease term, the lessee is provided with an option to purchase the asset underlying the lease at a predetermined value. Under the sale & leaseback, the lessee benefits from improving liquidity while enjoying the use of the asset. The following diagram illustrates the relationship among the two parties in the sale & leaseback:

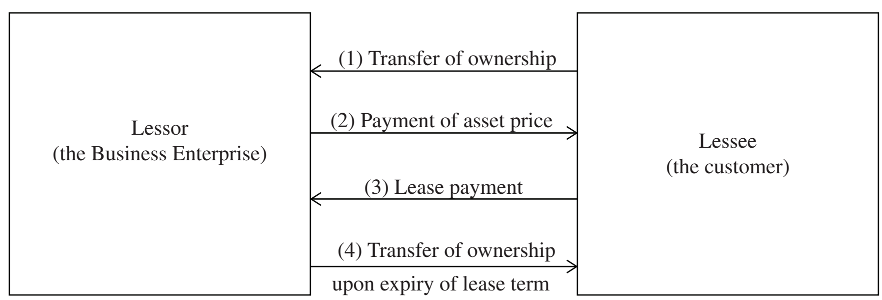

Figure 4: Sale & leaseback arrangement

Source: Management

5.2 Corporate structure

The Business Enterprise has five divisions with different duties and functions for running its leasing business, including marketing division, financial market division, risk management division, account & finance division and administration and personnel division. As of the Valuation Date, there were in total 41 staffs working in these divisions. On top of these five divisions, there is a risk review committee and a management team for further review and supervision.

The duties and functions of these five divisions are briefly summarized as below:

- ***Marketing Division***

  The primary duty of this division is customer relationship development. They will identify potential customers based on referral and market research. Besides, they will conduct finance lease application and preliminary due diligence, including credit analysis of financial position, collateral quality, repayment ability and credit profiling of the borrowers and quotation of finance lease terms.

- ***Financial Market Division***

This division is to manage the financial resources of the Business Enterprise. To ensure the Business Enterprise has sufficient capital for finance lease, they will closely monitor the leasing market and update relevant market information.

- ***Risk Management Division***

This division is responsible for risk control activities. They will review and check all the materials provided by the marketing division, in particular the credit information, lease terms and conditions. They will also monitor the credit activities and supervise the debt collections performed by the marketing division.

- ***Account and Finance Division***

This division is in charge of account and administrative works of the Business Enterprise. They will gather data and statistics and prepare management accounts and reports on the operations as well as financial performance of the Business Enterprise.

- ***Administration and personnel division***

This division primarily focuses on human resource management of the Business Enterprise. It provides secretarial services, documents processing and daily administrative affairs for the directors and senior management of the Business Enterprise.

5.3 Source of Funding

As represented by the Management, the Business Enterprise funds its leasing operations through internal resources and from other financial institutions. To improve liquidity, the Business Enterprise closely monitors its balance sheet to avoid any mismatch of assets and liabilities. The Business Enterprise makes use of receivables factoring to access funds from other financial institutions for the leasing business, pursuant to which the Business Enterprise will assign the receivable of periodic lease payments due from the lease during the lease term to the financial institutions and the financial institutions will finance the Business Enterprise an amount equal to the lease principal. This type of financing enables the Business Enterprise to free up capital that is stuck in the receivables.

The Business Enterprise endeavors to continuously maintain a diversified funding channel. To ensure its capital supply, the Business Enterprise has developed a close relationship with major domestic and foreign financial institutions as follows:

Types of financial institutions	Name of financial institutions
Domestic bank	Bank of China, Industrial and Commercial Bank of China, China CITIC Bank, China Guangfa Bank
Foreign bank	Deutsche Bank

Types of financial institutions	Name of financial institutions
Trust company	China Credit Trust Co. Ltd., CITIC Trust Co. Ltd.
Finance leasing company	ICBC Financial Leasing Co., Ltd., Industrial Bank Financial Leasing Co. Ltd.

Table 2: Cooperating financial institutions

Source: Management

5.4 Customer

The main customer base includes large corporations covering primarily three industries, namely energy resources, chemical and infrastructure construction. The Business Enterprise has provided finance lease to projects involving coal mining, steel production, road and bridge construction, power facilities and water and gas supply, etc.

The leasing work is initiated when the financing needs of the customers are identified. The Business Enterprise collects information about the projects or assets and the lessee, including the business plan, profitability and financial position. The next stage is due diligence and credit assessment of the customer which involves a more detailed research into the background and credit worthiness of the customers. They arrange a company visit and perform a site inspection of the projects or assets. A detailed due diligence report of the lessee regarding the operations, financial plans and risks, etc. is then submitted for further approval. Upon obtaining approval, the Business Enterprise will prepare contract negotiation and review relevant legal documents.

The table below illustrates some of the finance lease transactions completed or proposed by the Business Enterprise:

Project name	Principal	Financial institutions
恆通化工	RMB600 million	中信銀行
太鋼嵐礦	RMB1 billion	工銀租賃
兆豐一期、二期	RMB1.5 billion	中誠信託
長春城開	RMB3 billion	中誠信託

Table 3: Major financial leasing arrangements completed or proposed by the Business Enterprise

Source: Management

6.0 CHINA ECONOMIC OVERVIEW

According to the annual report 2014 issued by The People's Bank of China ("**PBC**"), based on initial calculation of the National Bureau of Statistics, China's GDP registered RMB63.65 trillion in 2014, up 7.4% in real terms year on year, a deceleration of 0.3% as compared with previous year. For the four quarters in 2014, GDP growth stood at 7.4%, 7.5%, 7.3% and 7.3% respectively, showing a stable trend. Broken down by sectors, the primary, secondary and tertiary industries grew RMB5.83 trillion with a year-on-year increase of 4.1%, RMB27.14 trillion with a year-on-year increase of 7.3% and RMB30.67 trillion with a year-on-year increase of 8.1% respectively, showing a deceleration of 0.3%, 0.5% and 0.2% respectively as compared with the previous year. The restructuring showed favorable developments. The contribution of consumption to economic growth increased 3.0%, reaching 51.2%, as the demand structure further optimized. The value-added of the tertiary industry accounted for 48.2% of GDP, higher than the 46.9% in 2013, and 5.6% higher than that of the secondary industry.

New industries, new types of businesses and new commercial models emerged constantly with the surprising rise of internet finance and the rapid growth of e-commerce, logistics and express delivery and other new types of businesses. Economic growth in the central and western regions was faster than that in the eastern region. The quality of economic development showed new improvement. The R&D expenses were more than 2% of GDP and energy consumption showed the largest decline in recent years, decreasing by 4.8% year on year.

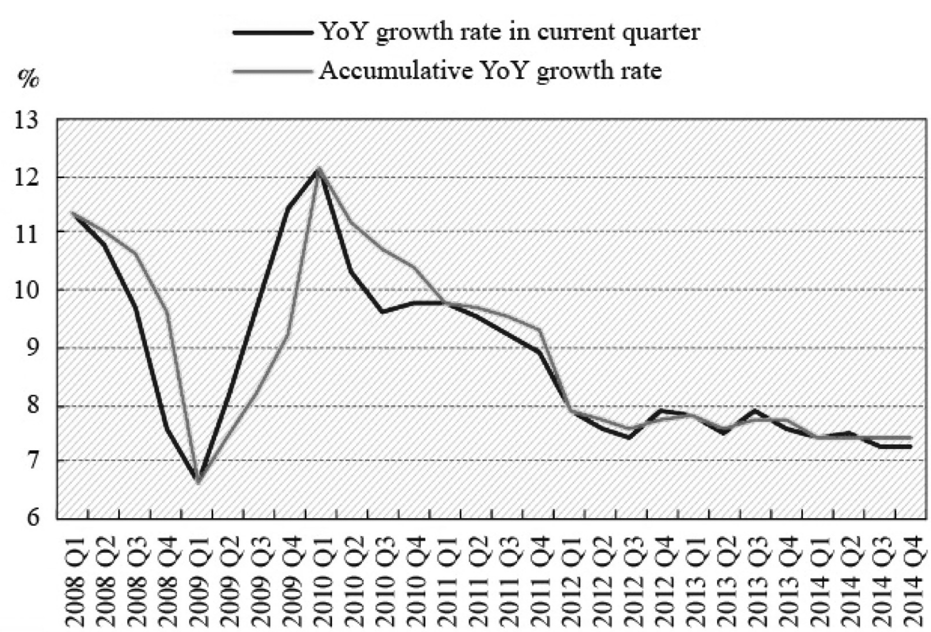

Figure 5: China's economic growth

Source: National Bureau of Statistics

7.0 CHINA FINANCE LEASE INDUSTRY OVERVIEW

According to 2015 Global Leasing Report issued by White Clarke Group, the leasing industry maintains a positive outlook after three years' robust recovery from the global economic crisis. The top 50 countries reported modest growth in new business volume for 2013 of 1.7% to USD883.96 billion. Two regions, Europe and South America, stated positive growth. An apparent decline in North America is the result of a reappraisal in the way the Canadian Finance & Leasing Association (CFLA) interprets industry data. Apart from this adjustment, the region experienced growth of 8% in real terms. The global industry experienced considerably slower growth of 1.7% than in 2011 and 2012 (over 20% in 2011 and almost 9% in 2012). In part this was due to the earlier years enjoying essential capital reinvestment following the recession and, in part, due to fiscal changes in a single national market in 2013.

The European and North American share of world market are remarkably similar, with new business volumes of US$333.6 billion and US$335.1 billion respectively. Europe accounts for 37.7% of world volume and 28 European countries feature in the world's top 50 countries for new business. New business volume in the Asian region contracted (-1.6%) to US$177.3 billion, resulting in a fall in world share from 20.8% to 20.1% during 2013. The Australia and New Zealand region accounted for 1.4% of world volume, slipping behind Latin America to fifth position in world ranking. New business declined (-22.3%) to US$12.5 billion. Much of this decline is explained by the weakening of the Australian dollar against the US dollar in 2013. New business volume in Australia decreased by just 9.9% expressed in local currency and 22.6% after conversion to US dollar. Africa accounts for 0.8% of the world market in leasing and four African countries achieved a placing within the top 50 leasing threshold: South Africa, Morocco, Nigeria and Egypt. The region declined in volume (-8.2%) to US$7.5 billion.

Ranking	**Country**	**Annual volume leasing only** *(USD billion)*	**% Growth 2012-13**	**% Market penetration**
1	USA	317.88	8.00	22.0
2	China	88.90	-2.59	3.1
3	Germany	71.31	-0.33	16.6
4	United Kingdom	69.79	12.61	31.0
5	Japan	67.26	30.00	9.8
6	France	34.31	-2.88	12.5
7	Russia	25.22	0.39	N/A
8	Sweden	20.82	-2.57	24.4
9	Italy	12.47	8.00	32.0
10	Canada	12.47	8.00	32.0

Table 4: Top ten leasing countries in 2013

Source: White Clarke Group

7.1 Number of Leasing Companies in China

In 2013, the number of registered and operated lease companies in China increased from 560 to 1,026, of which 23 of them are financial leasing companies (i.e. leasing company set up by financial institutions such as banks), 123 of them are domestic leasing companies and 880 of them are foreign-funded leasing companies.

Type	Number of companies in 2013	Number of companies in 2012	Growth rate	Ratio
			(%)	*(%)*
Financial leasing	23	20	15.0	2.2
Domestic leasing	123	80	53.8	12.0
Foreign-funded leasing	880	460	91.3	85.8
Total:	1,026	560	83.2	100.0

Table 5: Number of leasing companies in China

Source: China Leasing Alliance

7.2 Capital Investment

By the end of 2013, the registered capital of the industry totaled RMB306 billion, representing an increase of 61.9% over the previous year. The registered capital of financial leasing companies, domestic leasing companies and foreign-funded leasing companies increased by RMB14.7 billion, RMB18.7 billion and RMB83.6 billion respectively in 2013.

Type	Registered funds in 2013	Registered funds in 2012	Increase in amount	Growth rate	Ratio
	(in RMB100 million)	*(in RMB100 million)*	*(in RMB100 million)*	*(%)*	*(%)*
Financial leasing	769	622	147	23.6	25.1
Domestic leasing	551	364	187	51.4	18.0
Foreign-funded leasing	1,740	904	836	92.4	56.9
Total:	3,060	1,890	1,170	61.9	100.0

Table 6: Registered capital of leasing companies in China

Source: China Leasing Alliance

7.3 Leasing Volume

The total leasing volume in 2013 reached about RMB2.1 trillion, representing an increase of 35.5% over the previous year.

Type	Total business volume in 2013 *(in RMB100 million)*	Total business volume in 2012 *(in RMB100 million)*	Increase in amount *(in RMB100 million)*	Growth rate *(%)*	Ratio *(%)*
Financial leasing	8,600	6,600	2,000	30.3	40.9
Domestic leasing	6,900	5,400	1,500	27.8	32.9
Foreign-funded leasing	5,500	3,500	2,000	57.1	26.2
Total:	21,000	15,500	5,500	35.5	100.0

Table 7: Leasing volume of leasing companies in China

Source: China Leasing Alliance

8.0 INVESTIGATION AND ANALYSIS

Our investigation included discussion with the Management in relation to the finance lease industry in the PRC, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant enquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Business Enterprise;
- Historical information of the Business Enterprise;
- Financial position of the Business Enterprise;
- Proposed business development of the Business Enterprise;
- Regulations and rules of finance lease industry in PRC;
- Economic and industry data affecting the finance lease industry and other dependent industries in the PRC;
- Market-derived investment return(s) of similar business; and

- General global economic outlook.

9.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the value of a business subject:

- Market Approach;
- Asset Approach; and
- Income Approach.

Under each approach, a number of methods are available which can be used to assess the value of a business subject. Each method uses a specific procedure to determine the business value.

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 in valuing business that are similar in nature. It is also common practice to employ a number of valuation methods under each approach. Therefore, no one business valuation approach or method is definitive.

9.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests 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 pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

The right transactions employed in analyzing for 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.

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then to be applied to the fundamental financial variables of the subject business entity to derive an indication of value.

9.2 Asset Approach

The Asset 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 debt capital). 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, the sum of such assets equals the value of the business entity.

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

9.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this 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.

10.0 VALUATION ANALYSIS

10.1 Methodology

In the process of valuing the business subject, we have taken into consideration of the business nature, the specialty of its operation and the industry it is participating. Having considered the three general valuation methodologies, we believed that the Market Approach would be appropriate and reasonable in the valuation of the market value of the Business Enterprise.

In this valuation, the Income Approach is not adopted as the projections would involve a high level of uncertain, long-term forecast estimates and underlying assumptions. On a going concern basis, the Asset Approach is not appropriate as the cost of reproducing and replacing the assets ignores the future economic benefits of the business as a whole. We have therefore relied solely on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are certain publicly traded companies engaged in the same or similar line of business as the Business Enterprise that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of the Comparable Transaction Method is limited as there are insufficient comparable transactions to form a reliable opinion of value.

For valuation of financial services companies, equity multiples are more commonly suitable than value multiples such as Enterprise Value-to-Earnings Before Interests & Taxes ratio (EV/EBIT) or Enterprise Value-to-Earnings Before Interests, Taxes, Depreciation & Amortization ratio (EV/EBITDA), as the operating and financing activities of financial services companies cannot be clearly separated. With respect to equity multiples, Price-to-Sales ratio (P/S) is not applicable as the revenue does not account for relevant costs which are critical to the finance lease operations including the interest expenses and impairment loss for bad debts, and thereby fails to demonstrate the true earning power of the financial services companies. We have therefore employed Price-to-Earnings ratio (P/E) and Price-to-Book Value ratio (P/B). P/E ratio and P/B ratio are considered to be the most appropriate for valuing the Business Enterprise for the following reasons:

- Earnings power is the primary determinant of value; and
- Book value is an appropriate measure of net asset value for firms that primarily hold liquid assets. Examples include finance, investment, insurance and banking firms.

10.2 Comparable Companies

In the course of our valuation, we have identified a total of 5 guideline public companies for our analysis. There is no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the business subject but these comparable companies operate in the same industry as the Business Enterprise, although in slightly different industry segments and/or locations. However, we consider that the identified comparable companies are subject to the same economic and industry forces and risk exposures as the business subject, and hence in this respect they offer useful valuation benchmarks. Selection criteria of comparable companies are listed below:

- Companies that are actively traded and publicly listed in the Greater China Region;
- Major operations in the Greater China Region; and
- Major operations in finance lease with over 90% of revenue generated from relevant business.

Based on our search of the Bloomberg database using the criteria above, the 5 guideline public companies are set out below:

China Aircraft Leasing Group Holdings Limited (Bloomberg stock code: 1848 HK)

China Aircraft Leasing Group Holdings Limited operates as investment holding company. The company, through its subsidiaries, provides aircraft leasing services and offers its services throughout China. According to Bloomberg, the revenue generated from aircraft leasing segment represented 100% of total revenue of the company for the financial year ended 31 December 2014.

Far East Horizon Limited (Bloomberg stock code: 3360 HK)

Far East Horizon Limited 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. According to Bloomberg, the leasing and advisory segments accounted for approximately 90% of total revenue of the company for the financial year ended 31 December 2014.

Bohai Leasing Co., Ltd (Bloomberg stock code: 000415 CH)

Bohai Leasing Co., Ltd offers lease financing services. The company finances the leasing of aircraft, ships and other transportation equipment. According to Bloomberg, the operation lease and finance lease segments together represented 100% of total revenue of the company for the financial year ended 31 December 2014.

Chailease Holding Company Limited (Bloomberg stock code: 5871 TT)

Chailease Holding Company Limited provides financing services such as leasing, installment sale, import/export factoring and direct financing. According to Bloomberg, 100% of the revenue of the Company were generated from the industrial leasing, installments, factoring and direct financing segments for the financial year ended 31 December 2014

HH Leasing and Financial Corporation (Bloomberg stock code: 8913 TT)

HH Leasing and Financial Corporation operates in the leasing business. The company, through its subsidiaries, leases building, machinery, and aircrafts. The company also operates agricultural business. According to Bloomberg, the revenue contributed from machinery & equipment leasing segments were approximately 98% of total revenue of the company for the financial year ended 31 December 2014.

10.3 Multiple Ratio

In calculating all multiple ratios, we applied the latest, publicly available financial data of the comparable companies. In some cases, it is useful to apply projected financial data, however, such data is unavailable for both the comparable companies and the Business Enterprise.

The multiples calculated from the comparable companies are presented below:

Comparable company		Multiples P/E	P/B
1848 HK		23.92x	3.68x*
3360 HK		9.64x	1.18x
000415 CH		30.33x	2.54x
5871 TT		12.50x	2.14x
8913 TT		50.15x*	1.25x
	Maximum	50.15x	3.68x
	Minimum	9.64x	1.18x
	Mean	25.30x	2.16x
	Median	23.92x	2.14x
	Standard deviation	16.23	1.03
	*Mean excluding outliers	19.09x	1.78x
	Applied ratio	19.09x	1.78x

* *Sample values outside one standard deviation of the mean are determined as outliers (marked above)*

** *Figures above are subject to rounding*

Table 8: Average multiple ratios of guideline public companies

Source: Bloomberg, Peak Vision Appraisals

Based on the above table, the P/E ratios of the comparable companies ranged from the minimum of 9.64x to the maximum of 50.15x, resulting in a mean of approximately 25.30x. The simple average of the P/B ratios was approximately 2.16x with a range from 1.18x to 3.68x. Statistically, median is preferable as it is not influenced by extreme values. However, instead of simply applying the central tendency of the selected equity multiples, we further measured the dispersion of the multiples by using standard deviation. To avoid distortions from outliers, we have adjusted the ratios by only including the sample values within the range of one standard deviation from the mean, resulting in lower P/E and P/B ratios than their respective median. We then applied the selected multiple ratios to the corresponding measurement bases, which is based on the latest available financial data of the Business Enterprise as at the Valuation Date.

To determine net profit, reference is made to the consolidated statements of profit or loss of the Business Enterprise for the six months ended 30 June 2015:

	Six months ended 30 June 2015 *RMB*
Profit before tax excluding other income	25,391,019
Other income	11,955,433
Profit before tax	37,346,452
Income tax expense	(11,264,791)
Profit for the period before adjustment	26,081,661
Total comprehensive income for the period attributable to owners of the Business Enterprise	*26,081,661*

For our valuation, we have excluded other income from net profit because it is outside the operating business of the Business Enterprise. Profit before tax excluding other income was approximately RMB25.39 million and profit after tax excluding other income was approximately RMB17.77 million, using the effective tax rate for the period. As advised by the Management, given the nature of the finance lease business, the Business Enterprise is unlikely to be subject to seasonal effect and thus the income is relatively stable throughout the financial year. As such, on annualized basis, the normalized net profit is therefore estimated to be approximately RMB35.55 million, which is two times of 6-month profit after tax excluding other income of RMB17.77 million as of the Valuation Date.

To determine net book value, reference is made to the consolidated statements of financial position of the Business Enterprise as at 30 June 2015:

	As at 30 June 2015 *RMB*
Total assets excluding available-for-sale financial assets, financial assets at fair value through profit or loss and amounts due from an immediate holding company and related parties	767,900,466
Available-for-sale financial assets and financial assets at fair value through profit or loss	9,893,110
Amounts due from an immediate holding company and related parties	107,000,000
Total assets	884,793,576

	As at 30 June 2015 *RMB*
Total liabilities excluding amount due to ultimate holding company	632,637,229
Amount due to ultimate holding company	1,561,677
Total liabilities	634,198,906
Net book value before adjustment	250,594,670

For our valuation, we have excluded non-operating assets and liabilities from net book value because we consider such assets and liabilities to be outside the operating business of the Business Enterprise. Non-operating assets and liabilities were determined to be available-for-sale financial assets, financial assets at fair value through profit or loss and amounts due from and to holding companies and related parties. The adjusted net book value excluding such items is therefore estimated to be approximately RMB135.26 million. After determining the value under the P/B ratio, these items are added back because they represent additional claims to and from the Business Enterprise.

The financial data applied are summarized below:

	RMB million
Adjusted net profit	35.55
Adjusted net book value	135.26

* *Figures above are subject to rounding*

** *Net profit has been annualized and adjusted for other revenue*

*** *Net book value has been adjusted for non-operating assets and liabilities*

10.4 Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Business Enterprise. Based on research published by Mergerstat Control Premium Study, the average control premium was approximately 24%.

10.5 Marketability Discount

In addition, we have adopted a lack of marketability discount of approximately 30% for the Business Enterprise as ownership interest in closely held companies are typically not readily marketable compared to similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Marketability discount for ownership interest in private companies can range from 3% to 35% according to empirical research. 30% discount is a professional judgment for this valuation based on our experience and the valuation subject.

10.6 Non-operating Assets and Liabilities

In computing the market value of the Business Enterprise, we have adjusted the assessed value based on P/B ratio for the non-operating assets and liabilities as at the Valuation Date. Based on the management accounts provided by the Management, the non-operating assets and liabilities of the Business Enterprise are as follows:

	RMB million
Non-operating assets	116.89
Non-operating liabilities	1.56

** Figures above are subject to rounding*

10.7 Valuation Summary

Under the P/E ratio, we determined a multiple of 19.09x and an adjusted net profit of approximately RMB35.55 million, resulting in an indicative value of approximately RMB679 million before adjustments for control premium and marketability discount. After adjustments for control premium and marketability discount, the indicative value under the P/E ratio is approximately RMB589,000,000 (RENMINBI FIVE HUNDRED AND EIGHTY NINE MILLION ONLY).

Under the P/B ratio, we determined a multiple of 1.78x and an adjusted net book value of approximately RMB135.26 million, resulting in an indicative value of approximately RMB241 million before adjustments for control premium, non-operating assets and liabilities and marketability discount. After adjustments for control premium, non-operating assets and liabilities and marketability discount, the indicative value under the P/B ratio is approximately RMB290,000,000 (RENMINBI TWO HUNDRED AND NINETY MILLION ONLY).

Upon above analysis, the implied value of the Business Enterprise is in the range of RMB290,000,000 to RMB589,000,000. Both the P/E ratio and the P/B ratio are considered to be the best available indicators especially for the valuation of the financial services companies. We have therefore assigned equal weights to the values implied under each multiple, which is acceptable to the general market practice for valuation. Using simple average of the indicative values, the market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was approximately RMB439,000,000 (RENMINBI FOUR HUNDRED AND THIRTY NINE MILLION ONLY).

11.0 VALUATION ASSUMPTIONS

- For the Business Enterprise to continue as a going concern, the Business Enterprise will successfully carry out all necessary activities for the development of its business;

- The availability of finance will not be a constraint on the forecast growth of the Business Enterprise's operations in accordance with the business plans and the projections;

- The financial statements of the Business Enterprise as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Business Enterprise as at the respective balance sheet dates;

- Market trends and conditions where the Business Enterprise operates will not deviate significantly from the economic forecasts in general;

- Key management, competent personnel and technical staff will all be retained to support the ongoing operations of the Business Enterprise;

- There will be no material changes in the business strategy of the Business Enterprise and its operating structure;

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Business Enterprise operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and

- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues and profits attributable to the Business Enterprise.

12.0 LIMITING CONDITIONS

Our conclusion of the market value is 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.

This valuation reflects facts and conditions existing at the Valuation Date. 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 is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracy.

We have made reference to the information provided by the Management 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 that any material facts have been omitted from the information provided. No responsibility for the operational and financial information that have not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We believe that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

The Management has reviewed and agreed on the report and confirmed the content of the report.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise.

Save as and except for the purpose stated above, neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our written approval of the form and context in which it will appear.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value(s) are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value(s) represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

We would particularly point out that our valuation was based on the information such as company background, business nature, market share, future prospect as well as the business plan of the Business Enterprise provided to us.

13.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Business Enterprise, the Company and its subsidiaries and associated companies, or the value reported herein.

14.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the market value of the 100% equity interest of the Business Enterprise as at the Valuation Date was in the sum of **RMB439,000,000 (RENMINBI FOUR HUNDRED AND THIRTY NINE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited

Nick C. L. Kung
Registered Business Valuer of
HKBVF, MRICS, MHKIS, RPS (G.P.),
RICS Registered Valuer
Director

Damon S. T. Wan
CFA, FRM
Senior Manager

Notes:

(a) Mr. Nick C. L. Kung is a Registered Professional Surveyor and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) who has more than 10 years of experience in the valuation of trade-related business assets and businesses in Hong Kong and the PRC.

(b) Mr. Damon S. T. Wan is a CFA® charterholder and Certified FRM and has extensive experience in valuation of businesses and intangible assets for the purposes of corporate advisory, merger & acquisition and public listing.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Assuming that the number of issued Shares will not be changed by any allotment and issue or repurchase of Shares during the period between the Latest Practicable Date and the date of the Acquisition Completion, the authorised and issued share capital of the Company as at the Latest Practicable Date were and after the Acquisition Completion will be as follows:

Authorised and issued share capital of the Company

Authorised:	*HK$*
40,000,000,000 Shares of a nominal value of HK$0.01 each	400,000,000.00
Issued and fully paid:	*HK$*
11,919,197,600 Shares of a nominal value of HK$0.01 each	119,191,976.00

The Shares are primarily listed on the main board of the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares to be listed or dealt in on any other stock exchange.

There are no arrangements under which future dividends will be waived or agreed to be waived.

3. 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the "Model Code"), were as follows:

Name of Director	Nature of interest	Number of Shares interested or deemed to be interested (long position)	Approximate percentage of the issued share capital of the Company
Mr. Wong	Interest of controlled corporation	1,455,000,000	12.21%
	Beneficial owner	466,000,000	3.91%
Ms. Yeung Sau Han Agnes	Personal interests	202,250,000	1.70%
Mr. Cheng Kwok Woo	Personal interests	8,000,000	0.07%

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 & 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) which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors or chief executives of the Company, the following persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital, were as follows:

Name of Shareholder	Nature of interest	Number of Shares interested or deemed to be interested (long position)	Approximate percentage of the issued share capital of the Company
Funde Sino Life Insurance Co., Ltd *(Note 1)*	Beneficial owner	3,574,430,000	29.99%
Worldkin Development Limited *(Note 2)*	Beneficial owner	1,455,000,000	12.21%
Mr. Wong	Interest of controlled corporation	1,455,000,000	12.21%
	Beneficial owner	466,000,000	3.91%
Profit Win International Limited *(Note 3)*	Beneficial owner	600,000,000	5.03%
Mr. Chen Hui	Interest of controlled corporation	600,000,000	5.03%
Mr. Xu Yufeng	Beneficial owner	800,000,000	6.71%
Mr. Li Bensheng	Beneficial owner	600,000,000	5.03%

Notes:

1. On 27 November 2014, Sino Life Insurance Co., Ltd. changed its company name to Funde Sino Life Insurance Co., Ltd.

2. Mr. Wong holds entire equity interests of Worldkin Development Limited and is accordingly deemed to have interests in 1,455,000,000 shares of the Company that Worldkin Development Limited has interests in. Mr. Wong personally owns 466,000,000 shares of the Company.

3. Mr. Chen Hui holds entire equity interests of Profit Win International Limited and is accordingly deemed to have interests in 600,000,000 shares of the Company that Profit Win International Limited has interests in.

Save as disclosed above, as so far 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, or any persons (other than the Directors and chief executives of the Company) who, as at the Latest Practicable Date, was directly and indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

Each of the non-executive Directors/independent non-executive Directors has entered into a letter of appointment with the Company in relation to his/her service as non-executive Directors/independent non-executive Directors of the Company for a fixed term.

Save as disclosed above, as 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).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged 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 the Group.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and based on information provided by the Vendor, the Target Group was not engaged 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 Target Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, 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 Listing Rules.

8. DIRECTORS' INTERESTS IN ASSETS

Save as the Acquisition (details of which are disclosed in this circular), as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2014, the date of which the latest audited financial statements of the Group were made up.

9. DIRECTORS' INTERESTS IN CONTRACTS

Details of the related party transactions are set out in note 34 to the financial statements of the Group for the year ended 31 December 2014 in the annual report of the Company.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Enlarged Group to which the Company or any of its subsidiaries or any of the Target Group was a party as at the Latest Practicable Date.

10. EXPERTS AND CONSENTS

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

Name	Qualification
RSM Hong Kong	Certified public accountants
HLB Hodgson Impey Cheng Limited	Certified public accountants
Peak Vision Appraisals Limited	Independent professional valuer
Pan Asia	A licensed corporation under the SFO permitted to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts was beneficially interested in the share capital of any member of the Group, nor did any one of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including any company which become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 31 December 2014, being the date to which the audited consolidated financial statements of the Company have been made up).

11. 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 Latest Practicable Date, which are or may be material:

(a) the Acquisition Agreement dated 21 July 2015, entered into between the Purchaser and the Vendor in respect of the Acquisition, where the Purchaser has agreed to acquire, and the Vendor has agreed to sell, or procure the sale of, the Sale Shares and the Shareholder's Loan at a consideration of RMB170,847,000 (equivalent to approximately HK$213,558,750), on and subject to the terms and conditions of the Acquisition Agreement;

(b) the Capital Injection Agreement dated 21 July 2015, entered into between Target HK and Zhong An in respect of the Capital Injection, where Target HK has agreed to contribute an increased amount of US$6 million (equivalent to approximately HK$47 million) in Target PRC, on and subject to the terms and conditions of the Capital Injection Agreement;

(c) the agreement dated 9 February 2015, entered into between Sino Coronet Limited, which is wholly-owned by Mr. So Chi Yuk who is the brother-in-law of Ms. Yeung Sau Han Agnes, being a Director of the Company, and Elegant Basic Investments Limited, a wholly-owned subsidiary of the Company, where Elegant Basic Investments Limited agreed to purchase, and Mr. So Chi Yuk agreed to sell, the convertible bonds issued by China Eco-Farming Limited, whose issued shares are listed on GEM (Stock Code: 8166), with a principal amount of HK$6,500,000 convertible into 325,000,000 conversion shares at an initial conversion price of HK$0.02 per conversion shares (subject to adjustment) for a cash consideration of HK$65,000,000;

(d) the disposal agreement dated 21 December 2014, entered into between Upmove International Limited ("Upmove"), a wholly-owned subsidiary of the Company, 日照港股份有限公司 (Rizhao Port Company Limited**) ("Rizhao Port"), 上海谷隆投資有限公司 (Shanghai Gulong Investments Limited**) ("Shanghai Gulong") and 新加坡石化發展有限公司 (Singapore Petrochemical & Energy Development Pte. Ltd.) ("Singapore Energy") in respect of the disposal of 50% interest in 日照嵐山萬盛港業有限責任公司 (Rizhao Lanshan Wansheng Harbour Company Limited**) ("Rizhao Lanshan"), where each of Rizhao Port, Shanghai Gulong and Singapore Energy has agreed to acquire, and Upmove has agreed to sell, or procure the sale of, the aggregate 50% interests of Rizhao Lanshan for a total consideration of RMB900,000,000 (equivalent to approximately HK$1,134,000,000) on and subject to the terms and conditions of the disposal agreement; and

(e) The capital increase agreement dated 17 January 2015, entered into between Upmove International Limited ("Upmove"), an indirect wholly-owned subsidiary of the Company, and the 日照港股份有限公司 (Rizhao Port Company Limited**) ("Rizhao Port"), which is the joint venture partner holding 50% equity interest in the joint venture company of the Group, where the Upmove and the Rizhao Port agreed to make a capital increase in an amount of RMB50 million each to the joint venture company to increase the joint venture company's registered capital from RMB330 million to RMB430 million.

12. MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal office of business of the Company in Hong Kong is at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The joint secretaries of the Company are Mr. Li Chak Hung, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and Mr. Lai Ka Fai, a solicitor of the High Court of the Hong Kong Special Administrative Region.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong during normal business hours from the Latest Practicable Date up to and including the date of the November EGM.

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

(b) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;

(c) the letter from the Independent Board Committee, the text of which is set out on pages 50 and 51 of this circular;

(d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 52 to 83 of this circular;

(e) the accountants' report of the Target Group, the text of which is set out in appendix II to this circular;

(f) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix III to this circular;

(g) the Valuation Report, the text of which is set out in appendix IV to this circular;

(h) the written consents referred to under the paragraph headed "Experts and Consents" in this appendix;

(i) the annual reports of the Company for each of the three financial years ended 31 December 2014; and

(j) this circular.

PME GROUP LIMITED
必美宜集團有限公司*

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 379)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of PME Group Limited ("Company") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 17 November 2015 at 11:00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

A. the sale and purchase agreement (the "Acquisition Agreement") dated 21 July 2015 entered into between Harvest Castle Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, as the purchaser and Mr. Wong Lik Ping, an executive director ("Director") of the Company and the chairman of the board of Directors as the vendor (the "Vendor"), (a copy of the Acquisition Agreement is tabled at the meeting and marked "A" and initialed by the chairman of the meeting (the "Chairman") for identification purpose), pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued and paid-up share capital of China Ever Grand Capital Group Limited ("Target BVI") at a cash consideration of RMB170,847,000 pursuant to the terms and subject to the conditions set out in the Acquisition Agreement, and the execution of the Acquisition Agreement by the Purchaser, be and are hereby approved, ratified and confirmed; and that any other transactions contemplated under the Acquisition Agreement, be and are hereby approved;

B. the capital injection agreement (the "Capital Injection Agreement") dated 21 July 2015 entered into between Hong Kong Ever Grand Capital Limited ("Target HK"), a wholly-owned subsidiary of Target BVI and 中安股權投資基金管理(天津)有限公司 (Zhong An Equity Investment Fund Management (Tianjin) Limited) ("Zhong An"), (a copy of the Capital Injection Agreement is tabled at the meeting and marked "B" and initialed by the Chairman for identification purpose), pursuant to which Target HK and Zhong An agreed that 北京恒嘉國際融資租賃有限公司 (Beijing Ever Grand International Finance Lease Co., Ltd.) shall apply for an increase in its registered capital from US$30

* *For identification purpose only*

million to US$36 million, where the increased amount of US$6 million shall be entirely contributed by Target HK pursuant to the terms and subject to the conditions set out in the Capital Injection Agreement, and the execution of the Capital Injection Agreement by Target HK, be and are hereby approved, ratified and confirmed; and that any other transactions contemplated under the Capital Injection Agreement, be and are hereby approved; and

C. any one of the Directors be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he/she may consider necessary, appropriate, desirable and expedient for the purposes of giving effect to or in connection with the Acquisition Agreement, the Capital Injection Agreement and all transactions contemplated thereunder, and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally different from those as provided in the Acquisition Agreement and the Capital Injection Agreement) as are, in the opinion of the Directors or the duly authorised committee, in the interest of the Company and its shareholders as a whole."

By Order of the Board
PME Group Limited
Lai Ka Fai
Executive Director

Hong Kong, 30 October 2015

Head office and principal place of business:
Room 2203, 22/F.
Kwan Chart Tower
No. 6 Tonnochy Road
Wanchai, Hong Kong

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

Notes:

1. Any member of the Company 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 of the Company 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 of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

3. The instrument appointing a proxy and (if required by the board of directors of the Company) 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 head office and principal place of business of the Company at Room 2203, 22/F., Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting thereof at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

4. 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.

5. Where there are joint holders of any share any one of such joint holders 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 register of members of the Company in respect of the joint holding.

As at the date hereof, the Board of the Company comprises (1) Mr. Wong Lik Ping, Mr. Lai Ka Fai, Mr. Feng Gang and Mr. Tao Ke as Executive Directors; (2) Mr. Cheng Kwok Woo and Ms. Yeung Sau Han Agnes as Non-Executive Directors; and (3) Mr. Goh Choo Hwee, Mr. Ho Hin Yip and Mr. U Keng Tin as Independent Non-Executive Directors.