
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Runway Global Holdings Company Limited (the “Company”), you should at once hand this Composite Document and the accompanying Form of Acceptance, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Offer.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

**NEW SERES CEFC INVESTMENT
FUND LP**

(registered in the Cayman Islands with limited liability)

**RUNWAY GLOBAL HOLDINGS
COMPANY LIMITED**

時尚環球控股有限公司

*(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1520)*

**COMPOSITE OFFER AND RESPONSE DOCUMENT
UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES OF
RUNWAY GLOBAL HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to the Offeror



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

Joint financial advisers to the Company



VC CAPITAL LIMITED
滙盈融資有限公司



F.E. Corporate Finance Advisory Limited

Independent Financial Adviser to the Independent Board Committee



Gram Capital Limited
嘉林資本有限公司

Capitalised terms used in this cover page have the same meanings as those defined in the section headed “Definitions” in this Composite Document.

A letter from Guotai Junan Securities containing, among other things, the details of the terms of the Offer is set out on pages 6 to 12 of this Composite Document. A letter from the Board is set out on pages 13 to 18 of this Composite Document. A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 19 to 20 of this Composite Document. A letter from Gram Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 21 to 34 of this Composite Document.

The procedures for acceptance and settlement of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer must be received by the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong by no later than 4:00 p.m. on Wednesday, 31 May 2017, or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code. Any persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section headed “Overseas Shareholders” in Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.runwayglobal.com>) as long as the Offer remains open.

9 May 2017

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EXPECTED TIMETABLE

The timetable set out below is indicative only and may be subject to changes. Any changes to the timetable will be jointly announced by the Offeror and the Company as and when appropriate.

Despatch date of this Composite Document and the Tuesday, 9 May 2017
accompanying Form of Acceptance and commencement
date of the Offer (*Note 1*)

Latest time and date for acceptance of the Offer (*Note 2*) 4:00 p.m. on Wednesday,
31 May 2017

Closing Date (*Notes 2 and 3*) Wednesday, 31 May 2017

Announcement of the results of the Offer to be posted by 7:00 p.m. on Wednesday,
on the website of the Stock Exchange (*Note 2*) 31 May 2017

Latest date for posting of remittances for the amounts Friday, 9 June 2017
due in respect of valid acceptances received under
the Offer (*Notes 3 and 4*)

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Tuesday, 9 May 2017 until the Closing Date.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Wednesday, 31 May 2017. The Offeror reserves the right to extend the Offer until such date as it may determine pursuant to the Takeovers Code. An announcement will be issued through the Stock Exchange website by 7:00 p.m. on Wednesday, 31 May 2017 stating whether the Offer has been revised or extended. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 calendar days' notice in writing will be given, before the extended Offer is closed, to those Independent Shareholders who have not accepted the Offer. Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.
3. If there is (i) a tropical cyclone warning signal number 8 or above, or (ii) a "black" rainstorm warning signal:
 - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or
 - (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

EXPECTED TIMETABLE

4. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible but in any event within seven business days (as defined in the Takeovers Code) following the date of receipt by the share registrar of the Company of the duly completed Form of Acceptance and all the valid requisite documents.
5. The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:- (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market; it will consider exercising its discretion to suspend trading in the Shares.

All time and date references contained in this Composite Document and accompanying Form of Acceptance are to Hong Kong times and dates.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“associates”	has the meaning ascribed to it under the Takeovers Code or the Listing Rules (as appropriate)
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are open for business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CEFC China”	CEFC China Energy Company Limited* (中國華信能源有限公司)
“CEFC Group”	CEFC China and its subsidiaries
“Circular”	the circular of the Company dated 10 April 2017 in relation to the Subscriptions and the Specific Mandate
“Closing Date”	Wednesday, 31 May 2017, being the closing date of the Offer which is 22 days following the date on which this Composite Document was posted (or such other date as revised or extended in accordance with the Takeovers Code)
“Company”	Runway Global Holdings Company Limited (時尚環球控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Completion Date”	2 May 2017

DEFINITIONS

“Composite Document”	this composite offer and response document jointly issued by the Offeror and the Company to the Independent Shareholders in connection with the Offer and in accordance with the Takeovers Code
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company convened on 27 April 2017 for the purpose of approving, amongst other things, the Subscription and the transactions contemplated thereunder including the allotment and issue of the Subscription Shares under the Specific Mandate
“Executive”	the executive director of the Corporate Finance Division of the SFC or any of his delegates
“Facility”	a loan facility in the amount of HK\$320,000,000 granted by Guotai Junan Securities in favour of the Offeror, which is guaranteed by Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司), and secured by the charge of the Subscription Shares and the Offer Shares to be acquired by the Offeror pursuant to the Offer
“First Announcement”	the announcement of the Company dated 23 December 2016 in relation to the MOU
“Form of Acceptance”	the form of acceptance in respect of the Offer accompanying this Composite Document
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Offer
“Guotai Junan Capital”	Guotai Junan Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities as defined in the SFO

DEFINITIONS

“Group”	collectively, the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, namely Mr. Tang Shu Pui Simon, Mr. Tse Yuen Ming and Mr. Hon Ming Sang that has been established to make a recommendation to the Independent Shareholders (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Irrevocable Undertakings”	the irrevocable undertakings issued by each of the Undertaking Shareholders in favour of the Offeror dated 26 January 2017
“Joint Announcement”	the joint announcement of the Company and the Offeror dated 15 February 2017 in relation to, among others, the Subscription and the Offer
“Last Trading Day”	26 January 2017, being the last full trading day of the Shares immediately prior to the publication of the Joint Announcement
“Latest Practicable Date”	5 May 2017, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“MOU”	the memorandum of understanding dated 23 December 2016 entered into between Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) and the Company relating to the possible subscription of the Shares and the possible mandatory general offer to the Shareholders
“Offer”	the unconditional mandatory cash offer to be made by Guotai Junan Securities on behalf of the Offeror, for all the Offer Shares on the terms to be set out in this Composite Document

DEFINITIONS

“Offer Period”	the period commencing from 23 December 2016 until the Closing Date
“Offer Price”	HK\$0.745 per Offer Share
“Offer Share(s)”	all the issued Share(s), other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it
“Overseas Shareholder(s)”	Independent Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
“PRC”	The People’s Republic of China
“Relevant Period”	the six-month period immediately preceding 23 December 2016 (being the date of commencement of the Offer Period pursuant to Rule 3.7 of the Takeovers Code) up to and including the Latest Practicable Date
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate granted to the Directors to allot and issue the Subscription Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Offeror”	New Seres CEFC Investment Fund LP, an exempted limited liability partnership registered in the Cayman Islands on 20 January 2017
“Subscription”	the subscription by the Subscriber for the Subscription Shares under the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 26 January 2017 entered into between the Company and the Subscriber in respect of the Subscription

DEFINITIONS

“Subscription Price”	the price which shall be paid by the Subscriber for each Subscription Share, being HK\$0.238
“Subscription Share(s)”	860,000,000 Shares for which the Subscriber will subscribe for and the Company will allot and issue under the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers
“Undertaking Shareholders”	Mr. Wong Tat Wai Derek, Ms. Tin Yuen Sin Carol and Value Convergence Holdings Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

Certain amounts and percentage figures included in this Composite Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain paragraphs and tables in this Composite Document may not be an arithmetic aggregation of the figures preceding them.

LETTER FROM GUOTAI JUNAN SECURITIES



To the Independent Shareholders

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES OF
RUNWAY GLOBAL HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the Subscription Agreement. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

As disclosed in the Joint Announcement, the Company and the Subscriber (i.e. the Offeror) entered into the Subscription Agreement on 26 January 2017, pursuant to which and subject to the conditions precedent thereunder, the Offeror has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 860,000,000 Subscription Shares at a total consideration of HK\$204,680,000 at the Subscription Price of HK\$0.238 per Subscription Share which shall, on the Completion Date, be free from all liens, charges, security interest, encumbrances and adverse claims.

Immediately after the Completion and as at the Latest Practicable Date, the Offeror and the parties acting in concert with it are interested in 860,000,000 Shares, representing approximately 50.89% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the issued Shares.

LETTER FROM GUOTAI JUNAN SECURITIES

This letter forms part of the Composite Document and sets out, among other things, details of the terms of the Offeror, information on the Offeror and the intention of the Offeror regarding the Group following the close of the Offer. The terms and procedures of acceptance of the Offer are set out in this letter, Appendix I to the Composite Document, and the accompanying Form of Acceptance.

Independent Shareholders are strongly advised to consider carefully the information contained in the letter from the Board, the letter from the Independent Board Committee and the letter from Gram Capital as set out in the Composite Document and to consult their professional advisers if in doubt before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Guotai Junan Securities will, for and on behalf of the Offeror, make the Offer to acquire all of the Offer Shares pursuant to Rule 26.1 of the Takeovers Code on the following basis:

For each Offer Share HK\$0.745 in cash

The Offer Price of HK\$0.745 per Offer Share is determined with reference to the historical Share price performance prior to the Last Trading Day as well as prior to the First Announcement and after considering the attractiveness of the Offer Price to the Independent Shareholders.

The Offer will be unconditional in all respects.

Comparison of value

The Offer Price of HK\$0.745 per Offer Share represents:

- (i) a discount of approximately 1.97% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on 23 December 2016, being the date of the First Announcement;
- (ii) a discount of approximately 6.88% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 7.11% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.802 per Share;
- (iv) a premium of approximately 0.40% to the average of the closing prices of the Shares of approximately HK\$0.742 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 23 December 2016, being the date of the First Announcement;

LETTER FROM GUOTAI JUNAN SECURITIES

- (v) a discount of approximately 22.40% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a premium of approximately 134.28% over the audited consolidated net asset value of approximately HK\$0.318 per Share as at 31 December 2016 (based on the audited consolidated statement of financial position of the Company as at 31 December 2016 and the number of Shares in issue as at 31 December 2016).

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.54 per Share on 6 July 2016 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.41 per Share on 9 August 2016.

Dealings in securities in the Company

Save for the subscription of the Subscription Shares, the Offeror and parties acting in concert with it have not dealt in the Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

Value of the Offer

As at the Latest Practicable Date, the Company has 1,690,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible and exchangeable into Shares, as at the Latest Practicable Date.

Excluding 860,000,000 Shares held by the Offeror and the parties acting in concert with it and the 283,670,000 Shares which are subject to the Irrevocable Undertakings, the number of Offer Shares is 546,330,000. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$0.745 per Offer Share, the Offer would be valued at approximately HK\$407,015,850.

CONFIRMATION OF FINANCIAL RESOURCES

The Offeror intends to finance and satisfy the consideration payable by the Offeror under the Offer by the Facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company.

Guotai Junan Capital, the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

LETTER FROM GUOTAI JUNAN SECURITIES

FURTHER TERMS OF THE OFFER

Acceptance of the Offer

By validly accepting the Offer, the Independent Shareholders will send their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, being the date of the Composite Document. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Payment

Settlement of the consideration in respect of acceptance of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date of receipt of duly completed and valid Form of Acceptance. Relevant documents evidencing title in respect of such acceptance must be received by or on behalf of the Offeror to render such acceptance of the Offer complete and valid.

No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

Stamp duty in Hong Kong

The seller's Hong Kong ad valorem stamp duty arising in connection with the acceptance of the Offer will be payable by the relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholders who accept the Offer. The Offeror will arrange for payment of the seller's Hong Kong ad valorem stamp duty on behalf of the relevant Independent Shareholders accepting the Offer and pay the buyer's Hong Kong ad valorem stamp duty at a rate of 0.1% of the amount payable in respect of the relevant acceptances of the Offer or if higher, the market value of the Shares and will be responsible to account to stamp duty payable for the sale and purchase of the Shares which are validly tendered Shares for acceptance under the Offer in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

INFORMATION OF THE OFFEROR

The Offeror is an exempted limited liability partnership registered in Cayman Islands, and its general partner is New Seres International Asset Management (Cayman) Limited, which in turn is owned as to 100% by New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司). New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司) is owned as to 50% by CEFC Shanghai Financial Services Co., Ltd. (上海華信金融服務有限公司), as to 40% by Mr. Guo Lin (郭林) and as to 10% by Mr. Zang Jianjun (臧建軍).

LETTER FROM GUOTAI JUNAN SECURITIES

CEFC Shanghai Financial Services Co., Ltd.* (上海華信金融服務有限公司) is owned as to 100% by Shanghai CEFC Financial Holding Co., Ltd.* (上海市華信金融控股有限公司), a company owned as to approximately 87.67% by CEFC China, approximately 6.17% by Mr. Su Weizhong (蘇衛忠), approximately 4.93% by Mr. Zheng Xiongbin (鄭雄斌) and approximately 1.23% by Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司). CEFC China is in turn indirectly owned as to 99.05% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) and its ultimate beneficial owners are Mr. Li Yong (李勇) (approximately 39.3%), Mr. Su Weizhong (蘇衛忠) (approximately 40.1%), Mr. Zheng Xiongbin (鄭雄斌) (approximately 0.8%), Mr. Zang Jianjun (臧建軍) (approximately 18.8%) and Mr. Zhuang Miao Zhong (莊苗忠) (approximately 1.0%). CEFC China is principally engaged in the energy and financial sectors. Mr. Guo Lin (郭林) is the chairman of the board of directors of CEFC Shanghai Securities Limited* (上海華信證券有限責任公司). CEFC Shanghai Securities Limited* (上海華信證券有限責任公司) is a wholly owned subsidiary of Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) (see below) and is principally engaged in investment banking, securities brokerage and investment consulting services. Mr. Li Yong (李勇), Mr. Zang Jianjun (臧建軍), Mr. Ye Jianming (葉簡明) and Mr. Chen Qiutu (陳秋途) are the directors of CEFC China. Mr. Li Yong (李勇), Mr. Su Weizhong (蘇衛忠) and Mr. Zhuang Miao Zhong (莊苗忠) are the directors of CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) (being the parent company of CEFC China).

Wisely Inc Limited (永事利有限公司) is the limited partner of the Offeror and is owned as to 100% by Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司), which is in turn owned as to 100% by Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司). Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) is owned as to 55.67% by CEFC China, as to 30.50% by Shanghai CEFC Financial Holding Co., Ltd.* (上海市華信金融控股有限公司) (being a non-wholly-owned subsidiary of CEFC China), and as to 13.83% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) (being the parent company of CEFC China).

CEFC China was recognised as one of the Fortune Global 500 in 2015 and 2016, and the World's 500 Most Influential Brands in 2015.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Following the close of the Offer, it is the intention of the Offeror that the Group will continue to focus on the development of its existing business, namely designing, manufacturing and trading of apparels and loan financing business, and the Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after the Offer. Leveraging on the experience of CEFC Group in the investment and financial sectors, the Offeror will explore the possible business opportunities in the investment and financial sectors, such as the areas of securities, asset management, financial services and other investments in Hong Kong, the PRC and/or overseas counties. Subject to further investigation in the business opportunities in the investment and financial related areas, the Offeror will present suitable propositions to the Company in due course, which may or may not include any assets and/or business acquisitions or disposals, fund raising, restructuring and/or diversification of businesses with a view to enhancing the value of the Group. The Offeror will also conduct a detailed review of the operations of the Group and formulate business strategies for the Group's long term development.

LETTER FROM GUOTAI JUNAN SECURITIES

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified by the Offeror for the Group nor had the Offeror entered into any agreement, arrangements, understandings, negotiations or discussions in relation to the injection of any assets or business into the Group, and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

PROPOSED CHANGE OF BOARD COMPOSITION

The Board currently comprises nine Directors, comprising six executive Directors, namely Mr. Hubert Tien, Mr. Chen Gang, Mr. Qu Chengbiao, Mr. Yeung Kwok Leung, Mr. Cheng Tze Kit Larry and Mr. Liu Chun Fai; and three independent non-executive Directors, namely Mr. Tang Shu Pui Simon, Mr. Tse Yuen Ming and Mr. Hon Ming Sang.

It is intended that the Offeror will nominate new Director(s) to the Board with effect from the close of the Offer. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. The Board will also retain the management of different business segments (including but not limited to the apparel business) of the Company which possess sufficient skills and experience.

Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules. Further announcement(s) will be made upon the appointment of new Directors.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror will use reasonable endeavours to maintain the listing status of the Shares on the Stock Exchange and procure that not less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares be held by the public in compliance with the Listing Rules. The sole director of the general partner of the Offeror and the proposed Director(s) to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

The Offeror does not intend to privatise the Company by availing itself of any powers of compulsory acquisition of the Shares after the close of the Offer.

According to the Listing Rules, if upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares.

LETTER FROM GUOTAI JUNAN SECURITIES

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares will be given.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as appeared in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholders whose name appears first in the said register of members of the Company. None of the Offeror, the Company, Guotai Junan Securities, Guotai Junan Capital, VC Capital Limited, F.E. Corporate Finance Advisory Limited, the share registrar of the Company, or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

You are reminded to consider carefully the information contained in the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Gram Capital” set out in the Composite Document and to consult your professional advisers as you see fit. Your attention is drawn to the additional information set out in the appendices to the Composite Document, which form part of the Composite Document.

Yours faithfully,
For and on behalf of
Guotai Junan Securities (Hong Kong) Limited
Donny Wong
Executive Director

LETTER FROM THE BOARD

RUNWAY GLOBAL HOLDINGS COMPANY LIMITED

時尚環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

Executive Directors

Mr. Hubert Tien (*Chairman*)
Mr. Chen Gang
Mr. Qu Chengbiao
Mr. Yeung Kwok Leung
Mr. Cheng Tze Kit Larry
Mr. Liu Chun Fai

Registered office

Cricket Square
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Independent Non-executive Directors

Mr. Tang Shu Pui, Simon
Mr. Tse Yuen Ming
Mr. Hon Ming Sang

Principal place of business

in Hong Kong
14th Floor, PeakCastle
476 Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

9 May 2017

To the Independent Shareholders

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES OF
RUNWAY GLOBAL HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

References are made to the Joint Announcement and the Circular in relation to, among others, the Subscription and the Offer.

LETTER FROM THE BOARD

As stated in the Joint Announcement and the Circular, on 26 January 2017 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which and subject to the conditions precedent thereunder, the Subscriber has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 860,000,000 Subscription Shares at a total consideration of HK\$204,680,000 at the Subscription Price of HK\$0.238 per Subscription Share free from all liens, charges, security interest, encumbrances and adverse claims. The 860,000,000 Subscription Shares represent (i) approximately 103.61% of the total issued Shares as at the latest practicable date of the Circular; and (ii) approximately 50.89% of the total issued Shares as at the Latest Practicable Date.

Completion took place on 2 May 2017. As at the Latest Practicable Date, the Offeror (i.e. the Subscriber) and the parties acting in concert with it were interested in 860,000,000 Shares, representing approximately 50.89% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the issued Shares (other than those already acquired or agreed to be acquired by the Offeror and the parties acting in concert with it).

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tang Shu Pui Simon, Mr. Tse Yuen Ming and Mr. Hon Ming Sang had been established to make a recommendation to the Independent Shareholders (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer. Gram Capital Limited had been appointed by the Company pursuant to Rule 2.1 of the Takeovers Code to advise the Independent Board Committee in respect of the Offer and in particular (i) as to whether the Offer is, or is not, fair and reasonable; and (ii) as to acceptance of the Offer.

This letter forms part of this Composite Document which sets out, among other things, the principal terms of the Offer, the information on the Offeror and the intentions of the Offeror in relation to the Group. Further details of the terms of the Offer and the procedures for accepting the Offer are set out in Appendix I to this Composite Document and in the Form of Acceptance. Your attention is also drawn to the letter from the Independent Board Committee and the letter from Gram Capital contained in this Composite Document.

PRINCIPAL TERMS OF THE OFFER

Guotai Junan Securities is making the Offer for and on behalf of the Offeror, subject to the terms set out in this Composite Document and in the Form of Acceptance, on the following basis:

For every Offer Share accepted under the Offer HK\$0.745 in cash

The Offer Shares acquired under the Offer shall be fully paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third-party rights of any nature and together with all rights accruing or attaching to them, including, among others, the right to receive in full all future dividends and other distributions, if any, declared, made or paid, on or after the date on which the Offer is made, being the date of posting of this Composite Document.

LETTER FROM THE BOARD

The Offer is an unconditional mandatory cash offer and will not be conditional upon acceptance being received in respect of a minimum number of shares or any other conditions. Acceptance of the Offer will be irrevocable and incapable of being withdrawn, except as permitted under the Takeovers Code.

As at the Latest Practicable Date, the Company does not have any shareholding interest in the Offeror.

As at the Latest Practicable Date, the Company had no outstanding warrants, derivatives, options, convertibles or other securities in issue which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

Comparisons of value

As set out in the letter from Guotai Junan Securities contained in this Composite Document, the Offer Price of HK\$0.745 per Offer Share represents:

- (i) a discount of approximately 1.97% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on 23 December 2016, being the date of the First Announcement;
- (ii) a discount of approximately 6.88% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 7.11% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.802 per Share;
- (iv) a premium of approximately 0.40% to the average of the closing prices of the Shares of approximately HK\$0.742 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 23 December 2016, being the date of the First Announcement;
- (v) a discount of approximately 22.40% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a premium of approximately 134.28% over the audited consolidated net asset value of approximately HK\$0.318 per Share as at 31 December 2016 (based on the audited consolidated statement of financial position of the Company as at 31 December 2016 and the number of Shares in issue as at 31 December 2016).

Highest and lowest Share prices

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.54 per Share (on 6 July 2016) and HK\$0.41 per Share (on 9 August 2016) respectively.

LETTER FROM THE BOARD

Further information of the Offer

Please refer to the letter from Guotai Junan Securities and Appendix I contained in this Composite Document for further information in relation to the Offer, including the value of the Offer, confirmation of financial resources, Hong Kong stamp duty, payment in respect of acceptance of the Offer, availability of the Offer, procedures for acceptance of the Offer and settlement of the Offer.

INFORMATION ON THE GROUP

The Group is principally engaged in designing, manufacturing and trading of apparels and loan financing business.

Set out below is a summary of consolidated financial information of the Group for the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016.

	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
	Audited	Audited	Audited
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue	368,857	371,725	379,715
Profit/(Loss) before taxation	(17,768)	19,386	31,567
Profit/(Loss) after taxation	(18,769)	15,732	25,679

The audited consolidated net assets of the Group as at 31 December 2016 was approximately HK\$264,152,000.

Further details of financial information of the Company are set out in Appendix II to this Composite Document.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structure of the Company (i) immediately before Completion; and (ii) as at Latest Practicable Date:

	(i) Immediately before Completion		(ii) As at Latest Practicable Date	
	<i>Number of Shares</i>	<i>approximate %</i>	<i>Number of Shares</i>	<i>approximate %</i>
Mr. Wong Tat Wai Derek	129,000,000	15.54%	129,000,000	7.63%
Ms. Tin Yuen Sin Carol (<i>Note 1</i>)	114,362,000	13.78%	114,362,000	6.77%
Hua Zhen	87,000,000	10.48%	87,000,000	5.15%
Value Convergence Holdings Limited (<i>Note 2</i>)	40,308,000	4.86%	40,308,000	2.38%
All Divine Limited (<i>Note 3</i>)	9,000,000	1.09%	9,000,000	0.53%
Mr. Tang Shu Pui Simon (<i>Note 4</i>)	5,000,000	0.60%	5,000,000	0.30%
Offeror and parties acting in concert with it	—	—	860,000,000	50.89%
Other public Shareholders	445,330,000	53.65%	445,330,000	26.35%
Total	830,000,000	100.00%	1,690,000,000	100.00%

Notes:

- Based on the disclosure of interests of Ms. Tin Yuen Sin Carol filed on 28 November 2016, these 114,362,000 Shares are owned as to (i) 4,362,000 Shares beneficially by Ms. Tin Yuen Sin Carol; and (ii) 110,000,000 through Favor Way Investments Limited, a company wholly-owned by Ms. Tin Yuen Sin Carol.
- These Shares are beneficially owned by Value Convergence Holdings Limited, the holding company of VC Capital Limited, one of the financial advisers to the Company in respect of the Subscription and the Offer.
- These Shares are beneficially owned by All Divine Limited, which is wholly-owned by Mr. Hubert Tien, an executive Director.
- These Shares are beneficially owned by Mr. Tang Shu Pui Simon, an independent non-executive Director.

FUTURE INTENTION REGARDING THE GROUP

Your attention is drawn to the sections headed “Information of the Offeror” and “Intentions of the Offeror in relation to the Group” in the letter from Guotai Junan Securities as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group, including the use of proceeds and the intention to nominate new directors to the Company after the completion of the Offer, and is willing to render reasonable cooperation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:–

- (i) a false market exists or may exist in the trading of the Shares; or
- (ii) that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Board noted the Offeror's intention to maintain the listing of the Shares on the Stock Exchange. The sole director of the Offeror's general partner, New Seres International Asset Management (Cayman) Limited, and the new directors to be appointed to the Board of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Company's Shares. As the Company and the Offeror are unable to ascertain at this stage the level of acceptances by Shareholders under the Offer, they have not decided the exact steps/actions that will be taken by them after the close of the Offer to restore the public float of the Shares, if required. Notwithstanding this, the Company and the Offeror consider that appropriate actions to be taken shall include placing down of sufficient number of accepted Shares by the Offeror and/or issue of new Shares by the Company for this purpose. The Company and the Offeror will issue a separate announcement as and when necessary in this regard.

ADVICE AND RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Composite Document which contains the recommendation of the Independent Board Committee in respect of the Offer. Your attention is also drawn to the letter from Gram Capital set out in this Composite Document, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offer and the principal factors and reasons it has considered before arriving at its advice.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to, and which forms part of, this Composite Document. You are also recommended to read carefully this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

By order of the Board
Runway Global Holdings Company Limited
Yeung Kwok Leung
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RUNWAY GLOBAL HOLDINGS COMPANY LIMITED

時尚環球控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

9 May 2017

To the Independent Shareholders

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES OF
RUNWAY GLOBAL HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED BY
OR AGREED TO BE ACQUIRED
BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 9 May 2017 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Terms defined in the Composite Document shall have the same meanings in this letter unless the context otherwise requires.

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

Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offer.

We wish to draw your attention to the letter from Guotai Junan Securities, the letter from the Board, the letter from Gram Capital as set out in the Composite Document as well as the additional information set out in the Appendices to the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the principal factors and reasons considered by, and the advice of, Gram Capital as set out in its letter of advice, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendation, the Independent Shareholders should read the full text of the letter from Gram Capital and consider carefully the terms of the Offer and then decide whether to accept or not to accept the Offer.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Runway Global Holdings Company Limited

Mr. Tang Shu Pui, Simon

Mr. Tse Yuen Ming

Mr. Hon Ming Sang

Independent Non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee in respect of the Offer for the purpose of inclusion in this Composite Document.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

9 May 2017

To: The independent board committee of Runway Global Holdings Company Limited

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES OF
RUNWAY GLOBAL HOLDINGS COMPANY LIMITED
(OTHER THAN THOSE ALREADY OWNED BY/OR
AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, details of which are set out in the Composite Document dated 9 May 2017 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 26 January 2017, the Company and the Subscriber (i.e. the Offeror) entered into the Subscription Agreement, pursuant to which and subject to the conditions precedent thereunder, the Offeror has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 860,000,000 Subscription Shares at a total consideration of HK\$204,680,000 at the Subscription Price of HK\$0.238 per Subscription Share. The Completion took place on 2 May 2017 (the “**Completion Date**”).

With reference to the letter from Guotai Junan Securities (the “**GJS Letter**”) as contained in the Composite Document, immediately after Completion, the Offeror and the parties acting in concert with it were interested in 860,000,000 Shares, representing approximately 50.89% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the issued Shares (other than those already acquired or agreed to be acquired by the Offeror and parties acting in concert with it). Guotai Junan Securities is, for and on behalf of the Offeror, making the Offer.

LETTER FROM GRAM CAPITAL

An Independent Board Committee comprising Mr. Tang Shu Pui Simon, Mr. Tse Yuen Ming and Mr. Hon Ming Sang (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offer pursuant to Rule 2.1 of the Takeovers Code. The appointment of Gram Capital as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the sole director of the Offeror's general partner (the "**Offeror GP Director**") (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Offer. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules and Rule 2 of the Takeovers Code.

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

The information contained in the Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The Offeror GP Director accepts full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

LETTER FROM GRAM CAPITAL

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offer. The Company has been separately advised by its own professional advisers with respect to the Offer and the preparation of the Composite Document (other than this letter).

We have assumed that the Offer will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offer, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offer. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offer, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offer

On 26 January 2017, the Company and the Subscriber (i.e. the Offeror) entered into the Subscription Agreement, pursuant to which and subject to the conditions precedent thereunder, the Offeror has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 860,000,000 Subscription Shares at a total consideration of HK\$204,680,000 at the Subscription Price of HK\$0.238 per Subscription Share. The Completion took place on 2 May 2017.

With reference to shareholding table as set out in the section headed “Shareholding Structure of the Company” of the letter from the Board as contained in the Composite Document, the shareholding interests of the other public Shareholders was diluted from approximately 53.65% to 26.35% as a result of the Completion. Nevertheless, the closing prices of the Shares were HK\$0.99, HK\$0.98 and HK\$0.96 on 28 April 2017, 2 May 2017 and 4 May 2017 respectively. There is no significant change in the closing price of the Shares from 28 April 2017 (being the last trading day immediately preceding the Completion Date) to 4 May 2017 (the next trading day immediately after the Completion Date).

LETTER FROM GRAM CAPITAL

With reference to the letter from Guotai Junan Securities (the “GJS Letter”) as contained in the Composite Document, immediately after Completion, the Offeror and the parties acting in concert with it were interested in 860,000,000 Shares, representing approximately 50.89% of the entire issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the issued Shares (other than those already agreed and agreed to be acquired by the offeror and parties acting in concert with it). Guotai Junan Securities is, for and on behalf of the Offeror, making the Offer on the terms to be set out in the Composite Document in accordance with the Takeovers Code on the following terms:

The Offer

For every Offer Share.....HK\$0.745 in cash

As at the Latest Practicable Date, the Company has 1,690,000,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible and exchangeable into Shares, as at the Latest Practicable Date.

Excluding 860,000,000 Shares held by the Offeror and the parties acting in concert with it and the 283,670,000 Shares which are subject to the Irrevocable Undertakings, the number of Offer Shares is 546,330,000. Assuming that there is no change in the issued share capital of the Company and on the basis of the Offer Price of HK\$0.745 per Offer Share, the Offer would be valued at approximately HK\$407,015,850.

(2) Financial information on the Group

The Group is principally engaged in designing, manufacturing and trading of apparels and loan financing business.

Set out below is a summary of audited consolidated financial information of the Group for each of the three financial years ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016 (the “2016 Annual Report”) and the annual report of the Company for the year ended 31 December 2015 (the “2015 Annual Report”):

	For the year ended 31 December 2016 HK\$'000	For the year ended 31 December 2015 HK\$'000	For the year ended 31 December 2014 HK\$'000
Revenue	368,857	371,725	379,715
Gross profit	94,079	92,819	94,087
(Loss)/Profit for the year attributable to owners of the Company	(18,769)	15,732	25,679
	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000	As at 31 December 2014 HK\$'000
Equity attributable to owners of the Company	264,152	135,757	122,769

LETTER FROM GRAM CAPITAL

As depicted from the above table, there was slight decrease in the Group's revenue and gross profit for the year ended 31 December 2015 ("FY2015") as compared to the year ended 31 December 2014 ("FY2014"). Nevertheless, the profit attributable to owners of the Company for FY2015 decreased substantially by approximately 38.74% as compared to FY2014. With reference to the 2015 Annual Report, the decrease in profit attributable to the owners of the Company was mainly attributable to (i) the significant increase in selling and distribution expenses as own brand operation expanded in FY2015; and (ii) increase in administrative expenses due to increase in salary expenses and legal and professional fees arisen from the transfer of listing.

As depicted from the above table, the Group's revenue and gross profit for the year ended 31 December 2016 ("FY2016") remained stable as compared to FY2015. Nevertheless, the Group made loss attributable to owners of the Company for FY2016. With reference to the 2016 Annual Report, the loss attributable to the owners of the Company for FY2016 was primarily attributable to (i) impairment on goodwill arising on the acquisition of Delta Wealth Finance Limited; (ii) significant increase in the selling and distribution expenses; and (iii) significant increase in administration expenses. The equity attributable to owners of the Company as at 31 December 2016 increased substantially as compared to that as at 31 December 2015, which was mainly attributable to the completion of placing of new Shares in September 2016 and the issue of consideration shares for settlement of part of the consideration of the acquisition of Delta Wealth Finance Limited which was completed in November 2016. According to the 2016 Annual Report, the Group entered into a sale and purchase agreement on 25 January 2017 with a vendor in relation to the acquisition of the entire share capital of Prior Securities Limited ("**Prior Securities**") and Prior Asset Management Limited ("**Prior Asset**"). Prior Securities is licensed to carry out type 1 (dealing in securities) regulated activity under the SFO and Prior Asset is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. Following the completion of the aforesaid acquisition, Prior Securities and Prior Asset will formulate their marketing strategy to retain and deal with potential and existing clients.

LETTER FROM GRAM CAPITAL

Set out below are certain statistics on the Hong Kong securities market performance extracted from the HKEx Fact Book – 2015 and HKEx Fact Book – 2016:

	2014 <i>in HK\$ billion</i>	2015 <i>in HK\$ billion</i>	2016 <i>in HK\$ billion</i>
Total turnover value (including the Main Board and the Growth Enterprise Market of the Stock Exchange)	17,155.73	26,090.62	16,396.42
Equity fund raised (including by means of initial public offerings and post initial public offerings)	942.72	1,115.64	490.05
Highest single-day turnover	148.27	293.91	117.31
Lowest single-day turnover	39.69	38.32	44.18
Total market capitalisation (including the Main Board and the Growth Enterprise Market of the Stock Exchange)	25,071.83	24,683.73	24,761.31

As depicted from the above table, the performance of the Hong Kong securities market fluctuated from year to year.

According to the GJS Letter, leveraging on the experience of CEFC Group in the investment and financial sectors, the Offeror will explore the possible business opportunities in the investment and financial sectors, such as the areas of securities, asset management, financial services and other investments in Hong Kong, the PRC and/or overseas countries. CEFC China was recognised as one of the Fortune Global 500 in 2015 and 2016, and the World's 500 Most Influential Brands in 2015.

The joining of the Offeror as a Shareholder may (leveraging on the experience of CEFC Group in the investment and financial sectors) enhance the Group's business development in the financial sectors.

With reference to the 2016 Annual Report and as advised by the Directors, global political uncertainties as well as the potential change of trade policy of United States after the change of presidency of the United States in 2017 may cast a shadow to the Group's apparel operation as most of the customers are located in the United States. Despite the global uncertainties and challenges, the Group will continue to manage its existing businesses and explore new business opportunities with prudence to remain its competitiveness.

According to the 2015 and 2016 statistical reports on national economy and social development released by the National Bureau of Statistics of the PRC, the PRC's total export amount to the United States increased by approximately 4.5% from 2014 to 2015. Nevertheless, the PRC's total export amount to the United States in 2016 remained similar to 2015. Moreover, the PRC's total export amount of apparel and clothing accessories dropped by (i) approximately 5.5% from 2014 to 2015; and (ii) approximately 3.7% from 2015 to 2016. The above statistics may also indicate a pessimistic outlook of the Group's apparel operation.

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(3) Information of the Offeror

To provide Independent Shareholders with basic information on the background of the Offeror, set out below is the key information of the Offeror as extracted from the GJS Letter:

The Offeror is an exempted limited liability partnership registered in Cayman Islands, and its general partner is New Seres International Asset Management (Cayman) Limited, which in turn is owned as to 100% by New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司). New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司) is owned as to 50% by CEFC Shanghai Financial Services Co., Ltd. (上海華信金融服務有限公司), as to 40% by Mr. Guo Lin (郭林) and as to 10% by Mr. Zang Jianjun (臧建軍).

Further details of the Offeror is set out under the section headed “INFORMATION OF THE OFFEROR” of the GJS Letter.

(4) Intentions of the Offeror in relation to the Group

To provide Independent Shareholders with information on the intentions of the Offeror, set out below is the Offeror’s intentions in relation to the Group as extracted from the GJS Letter:

Following the close of the Offer, it is the intention of the Offeror that the Group will continue to focus on the development of its existing business, namely designing, manufacturing and trading of apparels and loan financing business, and the Offeror does not intend to introduce any major changes to the existing operations and business of the Group immediately after the Offer. Leveraging on the experience of CEFC Group in the investment and financial sectors, the Offeror will explore the possible business opportunities in the investment and financial sectors, such as the areas of securities, asset management, financial services and other investments in Hong Kong, the PRC and/or overseas counties. Subject to further investigation in the business opportunities in the investment and financial related areas, the Offeror will present suitable propositions to the Company in due course, which may or may not include any assets and/or business acquisitions or disposals, fund raising, restructuring and/or diversification of businesses with a view to enhancing the value of the Group. The Offeror will also conduct a detailed review of the operations of the Group and formulate business strategies for the Group’s long term development.

Notwithstanding the above, as at the Latest Practicable Date, no investment or business opportunity had been identified by the Offeror for the Group nor had the Offeror entered into any agreement, arrangements, understandings, negotiations or discussions in relation to the injection of any assets or business into the Group, and the Offeror had no intention to discontinue the employment of the employees or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business.

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It is intended that the Offeror will nominate new Director(s) to the Board with effect from the close of the Offer. As at the Latest Practicable Date, the Offeror has not reached any final decision as to who will be nominated as new Directors. The Board will also retain the management of different business segments (including but not limited to the apparel business) of the Company which possess sufficient skills and experience.

Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the Listing Rules.

(5) The Offer Price

Offer Price comparison

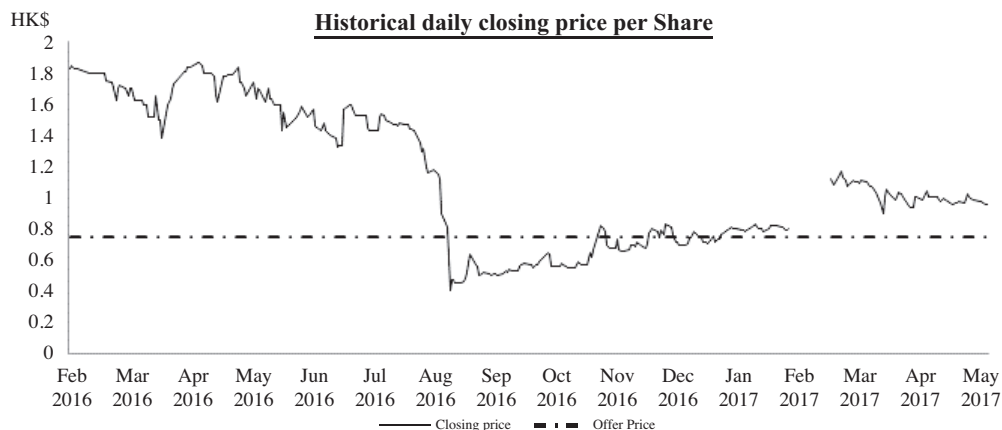
The Offer Price of HK\$0.745 per Offer Share represents:

- (i) a discount of approximately 22.40% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 22.40% to the closing price of HK\$0.96 per Share as quoted on the Stock Exchange on 4 May 2017, being the next trading day immediately after the Completion Date;
- (iii) a discount of approximately 1.97% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on 23 December 2016, being the date of the First Announcement;
- (iv) a discount of approximately 6.88% to the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 7.11% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.802 per Share;
- (vi) a premium of approximately 0.40% to the average of the closing prices of the Shares of approximately HK\$0.742 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including 23 December 2016, being the date of the First Announcement; and
- (vii) a premium of approximately 134.28% over the audited consolidated net asset value of approximately HK\$0.318 per Share as at 31 December 2016 (based on the audited consolidated statement of financial position of the Company as at 31 December 2016 and the number of Shares in issue as at 31 December 2016).

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Historical price performance of the Shares

Set out below is a chart showing the movement of the closing prices of the Shares during the period from 1 February 2016 up to the Latest Practicable Date (the “**Review Period**”), which covers an approximate one-year period prior to the Last Trading Day and the period up to the Latest Practicable Date, to illustrate the general trend and level of movement of the closing prices of the Shares.



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

Note: Trading in the Shares was halted from 27 January 2017 to 15 February 2017 (both days inclusive).

During the Review Period, the lowest and the highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.41 per Share recorded on 9 August 2016 and HK\$1.87 recorded on 5 April 2016 and 6 April 2016. The Offer Price of HK\$0.745 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

The closing prices of the Shares dropped substantially from HK\$1.83 on 1 February 2016 to HK\$1.38 on 18 March 2016. Subsequently, the closing prices of the Shares rebounded to HK\$1.87 on 5 April 2016 and 6 April 2016, which was the highest closing price during the Review Period. After reaching the peak, the closing prices of the Shares formed a general downward trend since 6 April 2016 up to the beginning of August 2016, and plummeted to HK\$0.41 on 9 August 2016, which was the lowest closing price during the Review Period. The closing prices of the Shares showed a general upward trend thereafter up to the Last Trading Day. As advised by the Directors, the Directors are not aware of any specific event that might cause the aforesaid price slump.

Following the resumption of trading in the Shares on 16 February 2017, the closing prices of the Shares substantially increased from HK\$0.80 to HK\$1.2 and started to decline gradually from 21 February 2017. We have enquired into the Directors regarding the possible reason(s) for such sudden increase in the closing prices and as confirmed by the Directors, save as the publication of the Joint Announcement on 15 February 2017, the Directors were not aware of any specific event that might cause the aforesaid price surge.

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Given the volatility of the closing prices of the Shares during the Review Period, there is no guarantee that the closing price of the Share will sustain at a level above the Offer Price after the Closing Date.

Historical trading liquidity of the Shares

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares immediately before the Completion, are tabulated as below:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") <i>in Shares</i>	% of the Average Volume to total number of issued Shares held by the public as at Latest Practicable Date <i>(Note 2)</i> %	% of the Average Volume to total number of issued Shares immediately before the Completion <i>(Note 3)</i> %
2016				
February	18	317,333	0.04	0.04
March	21	526,857	0.06	0.06
April	20	709,200	0.09	0.09
May	21	272,762	0.03	0.03
June	21	88,286	0.01	0.01
July	20	257,800	0.03	0.03
August	22	43,501,909	5.33	5.24
September	21	5,846,190	0.72	0.70
October	19	5,657,316	0.69	0.68
November	22	11,475,455	1.41	1.38
December	20	13,354,250	1.64	1.61
2017				
January <i>(Note 1)</i>	18	9,481,694	1.16	1.14
February <i>(Note 1)</i>	9	36,717,556	4.50	4.42
March	23	10,928,870	1.34	1.32
April	17	7,933,059	0.97	0.96
May (including and up to the Latest Practicable Date)	3	6,396,667	0.78	0.77

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

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Notes:

1. Trading in the Shares was halted from 27 January 2017 to 15 February 2017 (both days inclusive).
2. Based on 816,000,000 Shares held by the public as at the Latest Practicable Date.
3. Based on 830,000,000 Shares in issue immediately before the Completion.

We noted from the above table that the average daily trading volume in the Shares had been thin (below 2% of the total number of issued Shares held by the public as at the Latest Practicable Date) during the Review Period, except for August 2016 and February 2017.

As advised by the Directors, the Directors were not aware of any specific event that might cause the relatively high trading volume of the Shares in August 2016; and save as and except for the publication of the Joint Announcement on 15 February 2017, the Directors were not aware of any specific event that might cause the relatively high trading volume of the Shares in February 2017.

In light of that the Shares are generally illiquid and the thin Average Volume during the Review Period (except for August 2016 and February 2017), disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares.

We, therefore, consider that the Offer provides an exit alternative with the Offer Price being fair and reasonable for the Independent Shareholders who would like to realise their investments in the Shares.

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

Furthermore, those Independent Shareholders who, after reading through the 2016 Annual Report and the Composite Document, are optimistic about the future financial performance of the Group after the Offer, may, having regard to their own circumstances, consider retaining all or any part of their Shares.

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

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Comparison with other comparable companies

We noted that the trading multiples analysis, such as price to earnings ratio (“**PER**”) and price to book ratio (“**PBR**”), is a commonly adopted valuation method in the market. Given that the Group was loss making for FY2016, we consider the PER analysis to be inapplicable. For this reason, to assess the fairness and reasonableness of the Offer Price, we performed the PBR analysis.

We noted from the 2016 Annual Report that the Group’s apparels segment generated over 99% of the Group’s revenue for FY2016 and most of the customers of the Group’s apparel operation are located in the United States. Besides, the Company’s market capitalisation was approximately HK\$1,622 million as at the Latest Practicable Date. Accordingly, we have researched for Hong Kong listed companies which (i) are engaged in manufacturing and sale of apparel products and generated over 70% of their revenue from such business and North America/Europe markets during their latest financial year; and (ii) had market capitalisation of below HK\$1,600 million as at the Latest Practicable Date. Based on the aforesaid selection criteria, the Comparables are exhaustive.

The following table sets out the PBRs of the Comparables based on their closing prices as at the Latest Practicable Date and their latest published financial information, and the implied PBR of the Company based on the Offer Price and its latest published financial information:

Company name (Stock code)	Principal business	Year-end date	Market capitalisation (approximate HK\$ million)	PBR (Note 1)
Yangtzekiang Garment Limited (294)	Manufacture and sale of garments and textiles, the provision of processing services and the rental of properties.	31 March 2016	589	0.50
Carry Wealth Holdings Limited (643)	Garment manufacturing and trading, securities investment.	31 December 2016	466	2.04
Pak Tak International Limited (2668)	Manufacture of and trading in knit-to-shape garments.	31 March 2016	616	4.54
L & A International Holdings Limited (8195)	Manufacturing and selling of pure cashmere apparel and other apparel products.	31 March 2016	256	0.41
			Maximum	4.54
			Minimum	0.41
			Average	1.87
The Offer				2.74
				(Note 2)

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

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Notes:

1. The PBRs of the Comparables were calculated based on their respective closing price per share as at the Latest Practicable Date, their respective number of issued shares as at the Latest Practicable Date and their latest net assets value attributable to shareholders as per their respective latest published annual results or quarterly results (as the case may be).
2. The implied PBR of the Offer was calculated based on (i) the Offer Price; and (ii) the sum of net asset value of the Group as at 31 December 2016 as extracted from the 2016 Annual Report and the net proceeds from the Subscription of approximately HK\$195.72 million as disclosed in the circular of the Company dated 10 April 2017 regarding the Subscription; and (iii) the total number of issued Shares as at the Latest Practicable Date.

As depicted from the above table, the PBRs of the Comparables ranged from approximately 0.41 times to 4.54 times, with an average of approximately 1.87 times. Given that the PBR of the Offer is approximately 2.74 times, the PBR of the Offer is within the range of and higher than the average of the PBRs of the Comparables.

Given the results of the above market comparable analysis, we consider the Offer Price to be acceptable for the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular:

- (i) the Offer Price of HK\$0.745 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period;
- (ii) given the volatility of the closing prices of the Shares during the Review Period, there is no guarantee that the Share closing price will sustain at a level above the Offer Price after the Closing Date;
- (iii) disposal of large block of Shares held by the Independent Shareholders in the open market may trigger price slump of the Shares as a result of the generally thin Average Volume during the Review Period (except for August 2016 and February 2017); and
- (iv) the results of the market comparison as set forth under the sub-section headed “Comparison with other comparable companies” of this letter,

we consider that the terms of the Offer are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Offer.

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However, given that the Offer Price represents discounts to the recent market prices of the Shares (including but not limited to the closing price of the Shares as at the Latest Practicable Date) but due to the low trading liquidity of the Shares, disposal of large block of Shares by the Independent Shareholders in the open market would likely to trigger price slump of the Shares, we would also like to remind the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, where possible, instead of accepting the Offer, if the net proceeds from such sales exceed the net amount receivable under the Offer.

Those Independent Shareholders who decide to retain part or all of their investments in the Shares should carefully monitor the intentions of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer. Further terms and conditions of the Offer are set out in the GJS Letter and Appendix I to the Composite Document.

As different Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Shareholders who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (c) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
 - (i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the share registrar of the Company; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the share registrar of the Company, and deliver the Form of Acceptance duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the share registrar of the Company; or

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC to accept the Offer on your behalf on or before the deadline set by HKSCC. In order to meet the deadline set by HKSCC, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the share registrar of the Company together with the transfer receipt(s) duly signed by yourself. Such action will constitute an authority to the Offeror and/or Guotai Junan Securities or their respective agent(s) to collect from the Company or the share registrar of the Company on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the share registrar of the Company as if it was/they were delivered to the share registrar of the Company with the Form of Acceptance.
- (e) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the share registrar of the Company together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title in respect of your Shares or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the share registrar of the Company as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the share registrar of the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the share registrar of the Company.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the share registrar of the Company by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with Note 1 to Rule 30.2 of the Takeovers Code), and the share registrar of the Company has recorded that the Form of Acceptance and any relevant documents required, under paragraph (g) below have been so received.
- (g) Acceptance of the Offer may not be counted as valid unless the Form of Acceptance is duly completed and signed and is:
 - (i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph under this paragraph (g)); or
 - (iii) certified by the share registrar of the Company or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the share registrar of the Company must be produced.

- (h) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT

- (a) If you accept the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven business days (as defined in the Takeovers Code) after the date of receipt by the share registrar of the Company of the duly completed Form of Acceptance together with all the valid requisite documents from the Independent Shareholders accepting the Offer in compliance with Note 1 of Rule 30.2 of the Takeovers Code. Each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's Form of Acceptance at his/her/its own risk.

- (b) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.
- (c) Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) The Offer is made on Tuesday, 9 May 2017, namely the date of despatch of this Composite Document, and is capable of acceptance on and from this date.
- (b) Unless the Offer has previously been revised or extended with the consent of the Executive, all Form of Acceptance must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the Form of Acceptance and the Offer will close on the Closing Date.
- (c) If the Offer is extended, the announcement of such extension will state the next closing date or a statement that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to the Independent Shareholders before the Offer is closed. If, in the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than 21 days following this Composite Document is posted.
- (d) If the Closing Date is extended, any references in this Composite Document and the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

4. ANNOUNCEMENTS

- (a) By 6:00 p.m. on Wednesday, 31 May 2017, being the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been revised, extended or closed.

The announcement will state the total number of Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement will also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the issued share capital of the Company, and the percentages of voting rights, represented by these numbers.

- (b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and satisfy the acceptance conditions set out in paragraph 1 of this Appendix and which have been received by the share registrar of the Company no later than 4:00 p.m. on Wednesday, 31 May 2017, being the Closing Date and the latest time and date for acceptance of the Offer, shall be included.
- (c) As required under the Takeovers Code, all announcements in relation to the Offer will be made in accordance with the requirements of the Listing Rules.

5. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those Independent Shareholders who hold Shares as nominee on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. In order for beneficial owners of Shares, whose investments are registered in the names of nominees, to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

6. RIGHT OF WITHDRAWAL

- (i) Acceptance of the Offer tendered by the Independent Shareholders or by their respective agent(s) on their behalf shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (ii) below.

- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” in this Appendix above, the Executive may require, pursuant to Rule 19.2 of the Takeovers Code, that the Independent Shareholders who have tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s), respectively.

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn. By accepting the Offer, the Independent Shareholders will sell their Shares (as the case may be) to the Offeror free from all encumbrances together with all rights attached thereto, including but not limited to all rights to any dividend or other distribution declared, made or paid on or after the date on which the Offer are made, being the date of the despatch of this Composite Document.

7. OVERSEAS SHAREHOLDERS

The Offer will be made in respect of all the issued Shares (other than those shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it), including those held by Overseas Shareholders. The availability of the Offer to any Overseas Shareholders may be affected by the applicable laws and regulations of their relevant jurisdictions of residence. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, consult their own professional advisers. It is the responsibilities of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Acceptance of the Offer by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws and regulations to receive and accept the Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws and regulations.

8. STAMP DUTY AND OTHER FEES

Seller's Hong Kong ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.10% of (a) the market value of the Offer Shares or (b) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and the amount of such duty will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

9. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Guotai Junan Capital and Guotai Junan Securities, VC Capital Limited and F.E. Corporate Finance Advisory Limited and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (i) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, parties acting in concert with the Offeror, the Company and any of their respective directors nor the share registrar of the Company or other parties involved in the Offer or any of their respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.
- (iii) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

- (v) Due execution of the Form of Acceptance will constitute an authority to the Offeror, or such person or persons as the Offeror may direct to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (vi) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company:
 - (a) that such Offer Shares acquired under the Offer are sold by the Shareholders free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights accruing or attaching thereto on the Closing Date or subsequently becoming attached to them, including, without limitation, in the case of the Shares, the rights to receive all future dividends and/or other distributions declared, paid or made, if any, on or after the Closing Date; and
 - (b) that if such Shareholder accepting the Offer is an Overseas Shareholder, he has observed the laws of all relevant territories, obtained all requisite governmental, exchange control or other consents, complied with all requisite formalities or legal requirements and paid any issue, transfer or other taxes or other required payments due from him/her in connection with such acceptance in any territory, that he/she has not taken or omitted to take any action which will or may result in the Offeror, the Company, Guotai Junan Capital, Guotai Junan Securities, VC Capital Limited and F.E. Corporate Finance Advisory Limited or any of their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer acting in breach of the legal or regulatory requirements of any territory in connection with the Offer or his/her acceptance thereof, and is permitted under all applicable laws to accept the Offer and any revision thereof, and that such acceptance is valid and binding in accordance with all applicable laws.
- (vii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (viii) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.
- (ix) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial results of the Group for each of the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 extracted from the audited consolidated financial statements of the Group for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 as set out in the relevant annual reports and of the Company. The auditors' reports issued by BDO Limited in respect of the Group's audited consolidated financial statements for each of the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 did not contain any qualification.

The summary consolidated statement of comprehensive income of the Group for each of the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 set out below does not contain any items that are exceptional because of size, nature or incidence.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December		
	2016 (HK\$'000) Audited	2015 (HK\$'000) Audited	2014 (HK\$'000) Audited
Revenue	368,857	371,725	379,715
Cost of sales	<u>(274,778)</u>	<u>(278,906)</u>	<u>(285,628)</u>
Gross profit	94,079	92,819	94,087
Other income and gains	615	597	993
Impairment loss on goodwill	(11,453)	–	–
Changes in fair value of derivative financial instruments	–	–	(242)
Selling and distribution expenses	(46,060)	(33,967)	(26,839)
Administrative expenses	(54,471)	(39,905)	(36,137)
Finance costs	<u>(478)</u>	<u>(158)</u>	<u>(295)</u>
(Loss)/Profit before income tax	(17,768)	19,386	31,567
Income tax expense	<u>(1,001)</u>	<u>(3,654)</u>	<u>(5,888)</u>
(Loss)/Profit for the year attributable to owners of the Company	<u>(18,769)</u>	<u>15,732</u>	<u>25,679</u>
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss			
Exchange loss on translation of financial statements of foreign operations	<u>(2,850)</u>	<u>(2,744)</u>	<u>(175)</u>
Total comprehensive income for the year attributable to owners of the Company	<u>(21,619)</u>	<u>12,988</u>	<u>25,504</u>
(Loss)/Earnings per share attributable to owners of the Company			
Basic and diluted (loss)/earnings per share (HK cents)	<u>(2.89)</u>	<u>2.62</u>	<u>4.28</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December		
	2016	2015	2014
	(HK\$ '000)	(HK\$ '000)	(HK\$ '000)
	Audited	Audited	Audited
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12,591	14,577	16,473
Payments for leasehold land held for own use under operating lease	1,738	1,899	2,065
Goodwill	87,656	–	–
Intangible assets	800	–	–
Deferred tax assets	742	–	–
	<u>103,527</u>	<u>16,476</u>	<u>18,538</u>
Current assets			
Inventories	16,926	25,148	20,177
Trade and bills receivables	63,485	71,201	63,181
Loans and interest receivables	80,465	–	–
Deposits, prepayments and other receivables	22,803	27,279	38,346
Derivative financial instruments	–	–	129
Financial assets at fair value though profit or loss	42,000	–	–
Tax recoverable	1,729	747	–
Pledged bank deposits	7,761	8,656	9,835
Cash and bank balances	59,188	53,837	59,828
	<u>294,357</u>	<u>186,868</u>	<u>191,496</u>
Current liabilities			
Trade and bills payables	49,644	50,578	67,791
Accruals, other payables and receipts in advance	26,656	15,606	15,083
Interest-bearing borrowings	54,410	242	2,252
Provision for taxation	1,566	524	1,260
	<u>132,276</u>	<u>66,950</u>	<u>86,386</u>
Net current assets	<u>162,081</u>	<u>119,918</u>	<u>105,110</u>
Total assets less current liabilities	265,608	136,394	123,648
Non-current liabilities			
Interest-bearing borrowings	383	637	879
Deferred tax liabilities	1,073	–	–
	<u>1,456</u>	<u>637</u>	<u>879</u>
Net assets	<u><u>264,152</u></u>	<u><u>135,757</u></u>	<u><u>122,769</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share Capital	8,300	6,000	6,000
Reserves	255,852	129,757	116,769
Total equity	<u><u>264,152</u></u>	<u><u>135,757</u></u>	<u><u>122,769</u></u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 as extracted from the annual report of the Company for the year ended 31 December 2016. No exceptional items were recorded in the audited consolidated financial statements of the Group for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Revenue	7	368,857	371,725
Cost of sales		<u>(274,778)</u>	<u>(278,906)</u>
Gross profit		94,079	92,819
Other income and gains	7	615	597
Impairment loss on goodwill	16	(11,453)	–
Selling and distribution expenses		(46,060)	(33,967)
Administrative expenses		(54,471)	(39,905)
Finance costs	8	<u>(478)</u>	<u>(158)</u>
(Loss)/profit before income tax	9	(17,768)	19,386
Income tax expense	11	<u>(1,001)</u>	<u>(3,654)</u>
(Loss)/profit for the year attributable to owners of the Company		<u>(18,769)</u>	<u>15,732</u>
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		<u>(2,850)</u>	<u>(2,744)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><u>(21,619)</u></u>	<u><u>12,988</u></u>
(Loss)/earnings per share attributable to owners of the Company	13		
Basic and diluted (loss)/earnings per share (HK cents)		<u><u>(2.89)</u></u>	<u><u>2.62</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>14</i>	12,591	14,577
Payments for leasehold land held for own use under operating lease	<i>15</i>	1,738	1,899
Goodwill	<i>16</i>	87,656	–
Intangible assets	<i>17</i>	800	–
Deferred tax assets	<i>28</i>	742	–
		<u>103,527</u>	<u>16,476</u>
Current assets			
Inventories	<i>18</i>	16,926	25,148
Trade and bills receivables	<i>19</i>	63,485	71,201
Loans and interest receivables	<i>20</i>	80,465	–
Deposits, prepayments and other receivables	<i>21</i>	22,803	27,279
Financial assets at fair value through profit or loss	<i>22</i>	42,000	–
Tax recoverable		1,729	747
Pledged bank deposits	<i>23</i>	7,761	8,656
Cash and bank balances	<i>24</i>	59,188	53,837
		<u>294,357</u>	<u>186,868</u>
Current liabilities			
Trade and bills payables	<i>25</i>	49,644	50,578
Accruals, other payables and receipts in advance	<i>26</i>	26,656	15,606
Interest-bearing borrowings	<i>27</i>	54,410	242
Provision for taxation		1,566	524
		<u>132,276</u>	<u>66,950</u>
Net current assets		<u>162,081</u>	<u>119,918</u>
Total assets less current liabilities		<u>265,608</u>	<u>136,394</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Non-current liabilities			
Interest-bearing borrowings	27	383	637
Deferred tax liabilities	28	1,073	–
		<u>1,456</u>	<u>637</u>
Net assets		<u><u>264,152</u></u>	<u><u>135,757</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	8,300	6,000
Reserves	30	255,852	129,757
		<u>264,152</u>	<u>135,757</u>
Total equity		<u><u>264,152</u></u>	<u><u>135,757</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i> <i>(note 30(a))</i>	Merger reserve <i>HK\$'000</i> <i>(note 30(b))</i>	Statutory reserve <i>HK\$'000</i> <i>(note 30(c))</i>	Translation reserve <i>HK\$'000</i> <i>(note 30(d))</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	6,000	40,690	2,988	2,379	6,013	64,699	122,769
Profit for the year	-	-	-	-	-	15,732	15,732
Other comprehensive income							
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,744)	-	(2,744)
Total comprehensive income for the year	-	-	-	-	(2,744)	15,732	12,988
Profit appropriation to reserve	-	-	-	414	-	(414)	-
At 31 December 2015 and 1 January 2016	6,000	40,690	2,988	2,793	3,269	80,017	135,757
Loss for the year	-	-	-	-	-	(18,769)	(18,769)
Other comprehensive income							
- Exchange loss on translation of financial statements of foreign operations	-	-	-	-	(2,850)	-	(2,850)
Total comprehensive income for the year	-	-	-	-	(2,850)	(18,769)	(21,619)
Profit appropriation to reserve	-	-	-	189	-	(189)	-
Issuance of shares	1,200	59,714	-	-	-	-	60,914
Arising from acquisition of subsidiary <i>(note 32)</i>	1,100	88,000	-	-	-	-	89,100
At 31 December 2016	8,300	188,404	2,988	2,982	419	61,059	264,152

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Cash flows from operating activities			
(Loss)/profit before income tax		(17,768)	19,386
Adjustments for:			
Bank interest income	7	(205)	(360)
Interest expenses	8	478	158
Impairment loss on goodwill	16	11,453	–
Amortisation of payments for leasehold land held for own use under operating lease	9	54	54
Depreciation of property, plant and equipment	9	1,838	1,974
Loss/(gain) on disposals of property, plant and equipment	9	6	(30)
Net gain on financial assets at fair value through profit or loss	7	(102)	–
Provision for impairment on inventories	9	6,334	–
Provision for impairment on trade receivables	9	777	–
Operating profit before working capital changes		2,865	21,182
Decrease/(increase) in inventories		1,330	(5,509)
Decrease/(increase) in trade and bills receivables		6,907	(8,073)
Increase in loans and interest receivables		(33,005)	–
Decrease in deposits, prepayments and other receivables		1,317	8,146
Increase in financial assets at fair value through profit or loss		(19,850)	–
Increase/(decrease) in trade and bills payables		1,136	(15,131)
Increase in accruals, other payables and receipts in advance		10,928	727
Settlement of derivative financial instruments, net		–	129
Cash (used in)/generated from operations		(28,372)	1,471
Income tax paid		(1,636)	(5,101)
Net cash used in operating activities		(30,008)	(3,630)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)**For the year ended 31 December 2016*

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Cash flows from investing activities			
Purchases of property, plant and equipment		(587)	(922)
Proceeds from disposals of property, plant and equipment		6	88
Decrease in pledged bank deposits		656	919
Decrease/(increase) in time deposit		7,631	(5,104)
Interest received		205	360
Acquisition of a subsidiary	32	(56,882)	–
Net cash used in investing activities		<u>(48,971)</u>	<u>(4,659)</u>
Cash flows from financing activities			
Interest paid		(414)	(158)
Proceeds of interest-bearing borrowings		5,460	6,240
Repayments of interest-bearing borrowings		(5,702)	(8,492)
Proceeds from issuance of shares		62,400	–
Share issue expenses		(1,486)	–
Net cash generated from/(used in) financing activities		<u>60,258</u>	<u>(2,410)</u>
Net decrease in cash and cash equivalents		(18,721)	(10,699)
Cash and cash equivalents at beginning of the year			
Effect of foreign exchange rates, net		46,206	57,301
		<u>(341)</u>	<u>(396)</u>
Cash and cash equivalents at end of the year		<u><u>27,144</u></u>	<u><u>46,206</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances as stated in the consolidated statement of financial position			
		59,188	53,837
Time deposit with original maturity of more than three months	24	–	(7,631)
Bank overdrafts	27	(32,044)	–
		<u><u>27,144</u></u>	<u><u>46,206</u></u>

NOTES TO THE FINANCIAL STATEMENTS*31 December 2016***1. GENERAL**

Runway Global Holdings Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate Information” in the annual report. The Company’s shares were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing on 3 December 2013 and the listing of its shares has been transferred from GEM to the Main Board of the Stock Exchange on 1 June 2015.

The Company is an investment holding company and its subsidiaries (together the “Group”) are principally engaged in manufacturing and trading of apparels and provision of money lending services.

The financial statements for the year ended 31 December 2016 were approved for issue by the board of directors on 20 March 2017.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**2.1 Adoption of new/revised HKFRSs – effective 1 January 2016**

In the current year, the Group has applied the new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are first effective and relevant for the Group’s financial statements for the annual period beginning on 1 January 2016.

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

The adoption of these new and revised HKFRSs had no material impact on how the financial performance and financial position for the current and prior periods have been prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

2.2 New/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017

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

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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured at fair value.

HKFRS 9 – Financial Instruments

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)***2.2 New/revised HKFRSs in issue but not yet effective** *(Continued)****HKFRS 9 – Financial Instruments*** *(Continued)*

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

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

The directors of the Company are in the process of assessing the quantitative effect of HKFRS 9, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 9 until the assessment has been completed.

HKFRS 15 – Revenue from Contracts with Customers

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)** *(Continued)***2.2 New/revised HKFRSs in issue but not yet effective** *(Continued)****HKFRS 15 – Revenue from Contracts with Customers*** *(Continued)*

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

The directors of the Company are in the process of assessing the quantitative effect of HKFRS 15, and accordingly it is not yet in a position to provide a reasonable estimate of the quantitative effect of HKFRS 15 until the assessment has been completed.

Amendments to HKFRS 15 – Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

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

The total operating lease commitment of the Group in respect of rented premises as at 31 December 2016 amounted to HK\$13,465,000. The Directors anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group’s result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***3. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Listing Rules.

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.1 Business combination and basis of consolidation** *(Continued)*

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

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

4.2 Subsidiaries

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

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

4.3 Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.15), and whenever there is an indication that the unit may be impaired.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.3 Goodwill** *(Continued)*

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value-in-use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.4 Foreign currencies

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

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***4.5 Property, plant and equipment**

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

Depreciation is provided to write off the cost less their estimated residual value over their estimated useful life, using straight-line method as follows:

Buildings	20 years
Leasehold improvements	4 to 5 years, or over the lease terms, whichever is shorter
Machinery	10 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 5 years

The assets' estimated residual values, estimated useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

4.6 Payments for leasehold land held for own use under operating lease

Payments for leasehold land held for own use under operating lease represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on straight-line method as an expense.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.7 Leasing**

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

The Group as lessee

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

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

4.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Financial instruments

(i) Financial assets

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

Financial assets at fair value through profit or loss

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*4.9 Financial instruments *(Continued)**(i) Financial assets (Continued)**Loans and receivables*

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

Cash and cash equivalents

Cash and cash equivalents, including cash and bank balances, comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

(ii) Impairment loss on financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.9 Financial instruments** *(Continued)***(iii) Financial liabilities**

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

The Group's financial liabilities at amortised cost include trade and bills payables, accruals and other payables and interest-bearing borrowings.

(a) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of each reporting period.

(b) Other financial liabilities

All other financial liabilities are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*4.9 Financial instruments *(Continued)**(v) Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

(vi) Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(vii) Derecognition

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

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

4.10 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.11 Share capital**

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of return, discounts, rebate and sales related taxes.

Revenue from sales of goods is recognised on transfer of risks and rewards of ownership, which is at the time of delivery and the title is passed to customer.

Interest income is recognised and accrued using the effective interest method.

Sample income is recognised on the transfer of significant risks and rewards of ownership to the customer. This is usually taken at the time when the samples are delivered and the customer has accepted the samples.

4.13 Income taxes

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Employee benefit

(i) Defined contribution retirement plan

The Group's entities incorporated in Hong Kong manages a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee for those employees who are eligible to participate in the MPF scheme. The Group makes contributions based on a percentage of the eligible employees' salaries funded by the Group and are charged to profit or loss as they become payable in accordance with the rules of the MPF scheme.

The Group's entities established in the People's Republic of China, excluding Hong Kong and Macau (the "PRC") make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

In addition, the Group's entities incorporated in the United States of America (the "USA") make monthly contributions to a defined contribution scheme under the relevant federal program for the local staff. The Group makes contributions based on a percentage of the local staff's funded by the Group and are charged to profit or loss as they become payable in the rules of the scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.15 Impairment of other assets**

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, payments for leasehold land held for own use under operating lease and interests in subsidiaries to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

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

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

4.16 Capitalisation of borrowing costs

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

4.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable that an outflow of economic benefits that can be reliably estimated will be resulted.

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.18 Related parties**

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***4.19 Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except bank interest income, unallocated finance costs, and unallocated corporate expenses, which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

(a) Income taxes

The Group is subject to income taxes in a number of jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes, timing of payment of related taxes and interpretation of relevant tax regulations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. 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.

In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)***(b) Impairment of receivables**

Provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer and the related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

(c) Impairment of inventories

Management of the Group reviews the inventories at each reporting date, and makes provision for impairment of obsolete, slow-moving and impaired items. Management estimates the net realisable value for such inventories based primarily on the expected future market conditions and the estimated selling price. The Group makes provision for impairment if the net realisable value is below the carrying amount.

(d) Impairment of non-financial assets (excluding goodwill)

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit (the "CGU") to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Intangible asset with indefinite useful life is tested for impairment at least annually, and whenever there is an indication that they may be impaired in accordance with the relevant accounting policies. The recoverable amount of the Group's intangible asset has been determined based on value-in-use calculations. This calculation requires the use of judgment and estimates on future operating cash flows and discount rates adopted. Where the actual cash flows are different from the original estimates, a material change in the amount of impairment may arise. At 31 December 2016, the carrying amount of intangible asset was approximately HK\$800,000 (2015: nil). No impairment loss has been recognised during the year ended 31 December 2016.

(e) Estimated useful lives of property, plant and equipment

In determining the useful lives of property, plant and equipment, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on the experience of the Group with similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Estimated useful lives are reviewed, at the end of each reporting period, based on changes in circumstances.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY** *(Continued)***(f) Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value-in-use of the CGUs to which goodwill has been allocated. The value-in-use calculation requires the directors to estimate the future cash flows expected to arise from the CGU and a suitable discount rate.

(g) Fair value measurement

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

The fair value measurement of the Group's financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

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

The Group measures held for trading investment (Note 22) at fair value. For more detailed information in relation to the fair value measurement, please refer to the applicable notes.

6. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the year, the Company has identified manufacturing and trading of apparels and provision for money lending services (new segment during the year) as the reportable operating segments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

6. SEGMENT INFORMATION (Continued)

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Manufacturing and trading of apparels HK\$ '000	Money lending services HK\$ '000	Total HK\$ '000
Year ended 31 December 2016			
Revenue from external customers	368,116	741	368,857
Segment loss	(2,259)	(11,259)	(13,518)
<i>Reconciliation</i>			
Bank interest income			205
Unallocated corporate expense			(3,977)
Finance costs			(478)
Loss before tax			(17,768)
At 31 December 2016			
Segment assets	176,458	218,011	394,469
Other corporate assets			3,415
Total assets			397,884
Segment liabilities	77,754	55,521	133,275
Other corporate liabilities			457
Total liabilities			133,732
Other segment information			
Year ended 31 December 2016			
Depreciation and amortisation	(1,892)	–	(1,892)
Fair value gain on financial assets at fair value through profit or loss	–	102	102
Provision for impairment on inventories	(6,334)	–	(6,334)
Provision for impairment on trade receivables	(777)	–	(777)
Impairment loss on goodwill	–	(11,453)	(11,453)
Capital expenditure	(587)	–	(587)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

6. SEGMENT INFORMATION (Continued)

The segment information provided to the executive directors for the reportable segments during the year is as follows: (Continued)

	Manufacturing and trading of apparels <i>HK\$ '000</i>	Money lending services <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Year ended 31 December 2015			
Revenue from external customers	371,725	–	371,725
Segment profit	21,536	–	21,536
<i>Reconciliation</i>			
Bank interest income			360
Unallocated corporate expense			(2,352)
Finance costs			(158)
Profit before tax			19,386
At 31 December 2015			
Segment assets	202,749	–	202,749
Other corporate assets			595
Total assets			203,344
Segment liabilities	67,554	–	67,554
Other corporate liabilities			33
Total liabilities			67,587
Other segment information			
Year ended 31 December 2015			
Depreciation and amortisation	(2,028)	–	(2,028)
Capital expenditure	(922)	–	(922)

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

6. SEGMENT INFORMATION *(Continued)*

The Company is an investment holding company and the principal places of the Group's operations are in the PRC and Hong Kong. Management determines the Group is domiciled in Hong Kong, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	2016	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
The USA	295,251	258,796
Canada	66,423	102,887
Hong Kong	741	–
Others	6,442	10,042
	<u>368,857</u>	<u>371,725</u>

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC. Insignificant portion of the non-current assets is located in Hong Kong, the place that the Group is domiciled at the reporting date.

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the year is set out below:

	2016	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Customer A	85,485	85,510
Customer B	72,151	N/A*
Customer C	68,020	101,565
Customer D	39,665	53,589
Customer E	38,465	51,399

* Accounted for less than 10% of the Group's revenue

As at 31 December 2016, 83% (2015: 77%) of the Group's trade receivables was due from five (2015: four) major customers.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

7. REVENUE, OTHER INCOME AND GAINS

Revenue represents the interest income from loans receivable, sales of apparels, net of returns, discounts, rebates and sales related taxes.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of goods	368,116	371,725
Interest income from loans receivable	741	–
	<u>368,857</u>	<u>371,725</u>
Other income and gains		
Gain on disposals of property, plant and equipment	–	30
Bank interest income	205	360
Net gain on financial assets at fair value through profit or loss	102	–
Sundry income	308	207
	<u>615</u>	<u>597</u>

8. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on borrowings	376	108
Interest on margin loan payable	64	–
Interest on obligations under finance leases	38	50
	<u>478</u>	<u>158</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

9. (LOSS)/PROFIT BEFORE INCOME TAX

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

	2016	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Amortisation of payments for leasehold land held for own use under operating lease	54	54
Auditor's remuneration	730	600
Cost of inventories recognised as expense	274,778	278,906
Depreciation of property, plant and equipment	1,838	1,974
Foreign exchange losses, net	1,343	1,406
Loss/(gain) on disposals of property, plant and equipment	6	(30)
Provision for impairment on inventories	6,334	–
Provision for impairment on trade receivables <i>(note 18)</i>	777	–
Operating lease charges in respect of land and buildings	4,057	3,695
Employee benefit expense (including directors' emoluments <i>(note 10)</i>)		
– Wages and salaries	58,631	51,393
– Pension scheme contribution – defined contribution plans	2,440	2,616
– Other benefits	3,103	2,887
	<u>64,174</u>	<u>56,896</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The emoluments of each of the directors for the years presented are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2016				
<i>Executive directors:</i>				
Mr. Chen Gang	–	240	–	240
Mr. Qu Chengbiao	–	240	–	240
Mr. Hubert Tien	–	2,770	18	2,788
Mr. Farzad Gozashti (resigned on 2 November 2016)	–	2,364	–	2,364
Mr. Yeung Kwok Leung (appointed on 7 September 2016)	–	113	–	113
Mr. Cheng Tze Kit Larry (appointed on 24 November 2016)	–	99	–	99
Mr. Liu Chun Fai (appointed on 24 November 2016)	–	37	–	37
	–	5,863	18	5,881
<i>Independent non-executive directors:</i>				
Mr. Chan Kin Sang (resigned on 9 December 2016)	113	–	–	113
Mr. Lai Man Sing (resigned on 2 November 2016)	101	–	–	101
Ms. Luo Dan (resigned on 19 December 2016)	136	–	–	136
Mr. Tang Shu Pui, Simon (appointed on 22 August 2016)	43	–	–	43
Mr. Tang Tsz Kai, Kevin (resigned on 2 November 2016)	101	–	–	101
Mr. Tse Yuen Ming (appointed on 2 November 2016)	20	–	–	20
Mr. Ho Ming Sang (appointed on 2 November 2016)	20	–	–	20
	534	–	–	534
Total emoluments	534	5,863	18	6,415

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

The emoluments of each of the directors for the years presented are set out below: (Continued)

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2015				
<i>Executive directors:</i>				
Mr. Chen Gang (appointed on 11 September 2015)	–	73	–	73
Mr. Qu Chengbiao (appointed on 3 December 2015)	–	19	–	19
Mr. Hubert Tien	–	1,661	18	1,679
Mr. Farzad Gozashti	–	1,679	–	1,679
	–	3,432	18	3,450
<i>Independent non-executive directors:</i>				
Mr. Chan Kin Sang (appointed on 5 October 2015)	29	–	–	29
Mr. Lai Man Sing	120	–	–	120
Ms. Luo Dan (appointed on 5 October 2015)	29	–	–	29
Mr. Tang Shu Pui, Simon (resigned on 3 December 2015)	111	–	–	111
Mr. Tang Tsz Kai, Kevin	120	–	–	120
	409	–	–	409
Total emoluments	409	3,432	18	3,859

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The five highest paid individuals of the Group included 2 (2015: 2) directors for the year whose emoluments are reflected in note 10(a). The analysis of the emoluments of the remaining 3 (2015: 3) highest paid individuals for the year is set out below:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and benefits in kind	8,262	6,672

Number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,500,001 to HK\$3,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
	3	3

- (c) During the years ended 31 December 2016 and 2015, no director or any of the highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

11. INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000
Current income tax charged for the year:		
Hong Kong profits tax	–	2,189
PRC enterprise income tax (“EIT”)	658	1,385
USA corporate income tax	12	80
	670	3,654
Deferred tax (note 28)	331	–
	1,001	3,654

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

11. INCOME TAX EXPENSE *(Continued)*

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.
- (ii) Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.
- (iii) PRC EIT is provided at 25% (2015: 25%) on the estimated assessable profits of the Group’s PRC subsidiary for the year.
- (iv) The USA corporate income tax comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group’s subsidiary in the USA.

A reconciliation of income tax expense applicable to (loss)/profit before income tax at the statutory tax rate to the income tax expense at the effective tax rate is as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
(Loss)/profit before income tax	(17,768)	19,386
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	(2,004)	3,621
Tax effect of non-deductible expenses	3,029	62
Others	(24)	(29)
Income tax expense	<u>1,001</u>	<u>3,654</u>

12. DIVIDENDS

No interim dividend was declared during the year (2015: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

13. (LOSS)/EARNINGS PER SHARE

The calculations of basic loss per share are based on the loss for the year attributable to owners of the Company of approximately HK\$18,769,000 (2015: profit of HK\$15,732,000) and the weighted average of 649,890,710 (2015: 600,000,000) shares in issue during the year.

Diluted loss/earnings per share are the same as the basic loss/earnings per share as there were no dilutive potential ordinary shares in existence during the years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 January 2015						
Cost	17,524	5,946	3,985	8,965	1,357	37,777
Accumulated depreciation	(5,619)	(5,921)	(1,983)	(6,890)	(891)	(21,304)
Net carrying amount	11,905	25	2,002	2,075	466	16,473
Year ended 31 December 2015						
Opening net carrying amount	11,905	25	2,002	2,075	466	16,473
Additions	–	–	99	497	326	922
Disposals	–	–	(3)	–	(55)	(58)
Depreciation	(776)	(6)	(308)	(660)	(224)	(1,974)
Exchange differences	(629)	–	(101)	(28)	(28)	(786)
Closing net carrying amount	10,500	19	1,689	1,884	485	14,577
At 31 December 2015 and 1 January 2016						
Cost	16,553	5,669	3,854	9,264	1,178	36,518
Accumulated depreciation	(6,053)	(5,650)	(2,165)	(7,380)	(693)	(21,941)
Net carrying amount	10,500	19	1,689	1,884	485	14,577
Year ended 31 December 2016						
Opening net carrying amount	10,500	19	1,689	1,884	485	14,577
Additions	–	14	104	469	–	587
Disposals	–	–	(12)	–	–	(12)
Depreciation	(723)	(8)	(293)	(659)	(155)	(1,838)
Exchange differences	(586)	2	(95)	(20)	(24)	(723)
Closing net carrying amount	9,191	27	1,393	1,674	306	12,591
At 31 December 2016						
Cost	15,596	5,411	3,609	9,411	1,410	35,437
Accumulated depreciation	(6,405)	(5,384)	(2,216)	(7,737)	(1,104)	(22,846)
Net carrying amount	9,191	27	1,393	1,674	306	12,591

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2016, the Group's buildings with net carrying amounts of approximately HK\$4,876,000 (2015: HK\$5,582,000) were pledged to secure the Group's bills payable (note 25).

As at 31 December 2016, the net carrying amounts of the Group's assets under finance leases included in the total amounts of furniture, fixtures and office equipment amounted to HK\$598,000 (2015: HK\$846,000).

15. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	2016 HK\$ '000	2015 HK\$ '000
Net carrying amount at 1 January	1,953	2,119
Amortisation	(54)	(54)
Exchange differences	(107)	(112)
	<hr/>	<hr/>
Net carrying amount at 31 December	1,792	1,953
Less: Current portion (note 21)	(54)	(54)
	<hr/>	<hr/>
Non-current portion	<u>1,738</u>	<u>1,899</u>

The lease prepayments of the Group represent the Group's land use right in respect of a land located in the PRC which is held under a medium-term lease. Land use right is pledged to secure the Group's bills payable as at the reporting date (note 25).

16. GOODWILL

	HK\$ '000
Cost:	
Upon acquisition of a subsidiary (note 32) and as at 31 December 2016	99,109
Accumulated impairment loss:	
Impairment during the year and as at 31 December 2016	<hr/> (11,453)
Carrying amount as at 31 December 2016	<u><u>87,656</u></u>

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group's provision of money lending services in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

16. GOODWILL (Continued)

The recoverable amount of the CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2%, which does not exceed the long-term growth rate for market in Hong Kong.

	2016
Pre-tax discounted rate	17.2%
Growth rate within the five-year period	15%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The growth rate within the five-year period have been based on past experience.

Due to the fact that goodwill arose principally as a result of the unexpected fluctuation in the share price of the Company's share at the date of acquisition of Delta Wealth Finance Limited ("Delta Wealth"), which were engaged in provision of money lending services in Hong Kong (note 32), and by reference to the HKFRS 3 "Business Combinations", the closing per share price of the Company on that day was used as a proxy for the fair price of the Company's 110 million new ordinary shares (note 29(b)) for the purpose of calculating the goodwill arising from the acquisition, the Company's directors are of the view that an impairment loss of HK\$11,453,000 was necessary.

17. INTANGIBLE ASSETS

	Money lending license
Cost and carrying value	
As at 1 January 2016	–
Addition (note 32)	800
	<hr/>
As at 31 December 2016	800
	<hr/> <hr/>

The license has a legal life of 1 year but is renewable every year at minimal cost. The directors of the Company are of the opinion that the Group would renew the license continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the license has no foreseeable limit to the period over which the provision of services restricted by license are expected to generate net cash flows for the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

17. INTANGIBLE ASSETS (Continued)

As a result, the license is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The license will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The recoverable amount of CGU containing the license is determined on a value-in-use calculation. Management of the Group prepared a cash flow forecast based on financial budgets approved by management covering a 5-year period, and discount rate of 17.2%. Management believes that any reasonably possible change in the discount rate would not cause the carrying amount of the CGU containing a license to exceed the recoverable amount of the CGU.

18. INVENTORIES

	2016 HK\$ '000	2015 HK\$ '000
Raw materials and consumables	4,633	4,266
Work in progress	1,476	1,730
Finished goods	10,817	19,152
	<u>16,926</u>	<u>25,148</u>

19. TRADE AND BILLS RECEIVABLES

	2016 HK\$ '000	2015 HK\$ '000
Trade receivables	60,979	64,379
Less: provision for impairment loss	(777)	–
	<u>60,202</u>	<u>–</u>
Bills receivable	3,283	6,822
	<u>63,485</u>	<u>71,201</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bills receivable are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 100 days (2015: 10 to 90 days) to its customers. Trade and bills receivables are non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

19. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis of trade receivables based on invoice date is as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
0 to 30 days	24,670	17,129
31 to 60 days	10,569	18,609
61 to 90 days	19,561	22,706
91 to 180 days	4,390	3,342
Over 180 days	1,012	2,593
	<u>60,202</u>	<u>64,379</u>

As at the reporting date, the Group reviewed its trade receivables for evidence of impairment on both individual and collective basis. The Group provided for impairment loss on individual assessment based on the accounting policy stated in note 4.9(ii). The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection) which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2016, trade receivables of approximately HK\$25,420,000 (2015: HK\$23,790,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution or the bank.

Ageing analysis of trade receivables that were not impaired and based on due dates is as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Neither past due nor impaired	31,828	31,296
Not more than 90 days past due	27,070	30,490
91 days to not more than 180 days past due	667	1
181 days to not more than 1 year past due	68	2,197
More than 1 year past due	569	395
	<u>60,202</u>	<u>64,379</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

19. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables which were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

As at 31 December 2016, trade receivables of approximately HK\$777,000 (2015: Nil) were provided for impairment loss. The individually impaired receivable mainly relate to a customer who is in unexpected difficult economic situation.

20. LOANS AND INTEREST RECEIVABLES

	2016 HK\$ '000	2015 HK\$ '000
Loans receivable	79,760	–
Interest receivables	705	–
	<u>80,465</u>	<u>–</u>

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

As at 31 December 2016, loans and interest receivables of HK\$59,435,000 (2015: Nil) were unsecured while remaining loans and interest receivables of HK\$21,030,000 (2015: Nil) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds, and guaranteed by certain independent third parties. The interest rates on all loans and interest receivables are fixed ranging from 2.3% to 48% (2015: nil) per annum and were due within one year.

Ageing analysis of loan and interest receivables that were not impaired and based on due dates is as follows:

	2016 HK\$ '000	2015 HK\$ '000
Neither past due nor impaired	80,300	–
Not more than 1 year past due	–	–
More than 1 year past due	165	–
	<u>80,465</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

20. LOANS AND INTEREST RECEIVABLES (Continued)

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

Management believes that no impairment allowance is necessary in respect of the loans and interest receivables as there is no significant change in credit quality and the balances are still considered fully recoverable. No loans and interest receivables were impaired as at 31 December 2016.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK\$ '000	2015 HK\$ '000
Prepayments and other receivables, gross	21,596	27,265
Less: Provision for impairment losses	(1,918)	(1,918)
Prepayments and other receivables, net	19,678	25,347
Deposits	3,071	1,878
Payments for leasehold land held for own use under operating lease (note 15)	54	54
	<u>22,803</u>	<u>27,279</u>

Other receivables that were neither past due nor impaired related to counterparties for whom there was no recent history of default. The directors of the Company consider that other receivables that were neither past due nor impaired at the reporting date under review are of good credit quality.

There was no movement in the provision for impairment on prepayments and other receivables during the years ended 31 December 2016 and 2015.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$ '000	2015 HK\$ '000
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	42,000	–
	<u>42,000</u>	<u>–</u>

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange or the market comparable approach at the end of the reporting period.

As at 31 December 2016, the Group's financial assets at fair value through profit or loss have been pledged as security for the Group's margin loan payable of approximately HK\$22,112,000 (note 27).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

23. PLEDGED BANK DEPOSITS

As at 31 December 2016, the Group's time deposits of HK\$3,567,000 (2015: HK\$4,476,000) and HK\$4,194,000 (2015: HK\$4,180,000) were pledged as securities for the Group's bills payable (note 25) and banking facilities respectively. These banking facilities amounting to HK\$60,300,000 (2015: HK\$60,300,000), which are also secured by the corporate guarantee of the Company, have not been utilised as at the reporting date

As at 31 December 2016, pledged bank deposits carried interest at average market rates ranged from 0.25% to 1.30% (2015: 0.35% to 1.30%) per annum. The carrying amount of the Group's pledged bank deposits are denominated in HK\$ and Renminbi ("RMB").

24. CASH AND BANK BALANCES

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Cash and cash equivalents	54,150	46,206
Time deposits	5,038	7,631
	<u>59,188</u>	<u>53,837</u>

Cash at banks earn interest at floating rates based on daily deposits rates. Short-term time deposits are made for three months (2015: six months) and earns interest at short-term deposit rate ranged from 1.4% to 2.9% (2015: 3.05%) per annum.

As at 31 December 2016, the Group had cash and bank balances and pledged bank deposits denominated in RMB amounting to approximately HK\$9,247,000 (2015: HK\$18,507,000) which were placed with certain banks in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

25. TRADE AND BILLS PAYABLES

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Trade payables	37,753	35,659
Bills payable	11,891	14,919
	<u>49,644</u>	<u>50,578</u>

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2015: from 15 to 120 days).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

25. TRADE AND BILLS PAYABLES (Continued)

Ageing analysis of trade payables based on invoice date is as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
0 to 30 days	16,834	17,268
31 to 60 days	3,558	7,058
61 to 90 days	10,822	6,585
91 to 180 days	3,112	2,590
Over 180 days	3,427	2,158
	37,753	35,659
	37,753	35,659

Bills payable are normally settled on 180-day (2015: 180-day) credit terms.

26. ACCRUALS, OTHER PAYABLES AND RECEIPTS IN ADVANCE

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Accruals	8,430	4,229
Other payables	13,559	9,024
Receipts in advance	4,667	2,353
	26,656	15,606
	26,656	15,606

27. INTEREST-BEARING BORROWINGS

	<i>Notes</i>	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Current portion:			
Bank overdraft, secured	<i>(a)</i>	32,044	–
Margin loan payable, secured	<i>(b)</i>	22,112	–
Obligations under finance leases, secured	<i>31(a)</i>	254	242
		54,410	242
Non-current portion:			
Obligations under finance leases, secured	<i>31(a)</i>	383	637
		54,793	879
		54,793	879
Interests borne at rates per annum in the range of:			
– Fixed-rate borrowings		5% to 8.25%	5%
– Variable-rate borrowings		5.25%	N/A
		54,793	879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

27. INTEREST-BEARING BORROWINGS (Continued)

The carrying amounts of the Group's interest bearing borrowings are denominated in HK\$. Total interest-bearing borrowings due for repayment based on the scheduled repayment dates are as follows:

	2016 HK\$ '000	2015 HK\$ '000
Within one year	54,410	242
More than one year, but not exceeding two years	268	254
More than two years, but not exceeding five years	115	383
	<u>54,793</u>	<u>879</u>

Notes:

- (a) As at 31 December 2016, bank overdraft of the Group was secured by a property of a director of a subsidiary of the Group, and guaranteed by a director of a subsidiary of the Group and an independent party.
- (b) As at 31 December 2016, margin loan payable of the Group was secured by financial assets at fair value through profit or loss of the Group (note 22) and carried a fixed interest rate at 8.25% per annum.

28. DEFERRED TAX

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

Deferred tax assets

	Tax losses HK\$ '000
As at 1 January 2015 and 31 December 2015	–
Credited to profit or loss for the year	742
As at 31 December 2016	<u>742</u>

Deferred tax assets are recognised for tax losses carried forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

28. DEFERRED TAX (Continued)

Deferred tax liabilities

	Withholding taxes on undistributed profits of PRC subsidiaries HK\$'000
As at 1 January 2015 and 31 December 2015	–
Charged to profit or loss for the year	1,073
	<u>1,073</u>
As at 31 December 2016	<u><u>1,073</u></u>

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiary from 1 January 2008 onwards. A lower withholding income tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group is 5% (2015: 5%). In estimating the withholding income taxes on dividends expected to be distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008, the directors have made an assessment based on the factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. As at 31 December 2016, temporary differences relating to the undistributed profits of the PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately HK\$1,531,000 (2015: HK\$21,838,000).

29. SHARE CAPITAL

	Number of ordinary shares at HK\$0.01 each	Nominal value of ordinary shares HK\$'000
<i>Notes</i>		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	10,000,000,000	100,000
	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2015 and 31 December 2015	600,000,000	6,000
Issue of ordinary shares by placing	(a) 120,000,000	1,200
Issue of ordinary shares by acquisition	(b) 110,000,000	1,100
	<u>830,000,000</u>	<u>8,300</u>
	<u><u>830,000,000</u></u>	<u><u>8,300</u></u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)**31 December 2016***29. SHARE CAPITAL** *(Continued)*

The movements in share capital of the Company were as follows:

- (a) In connection with the placing, an aggregate of 120,000,000 new ordinary shares of the Company of HK\$0.01 each were issued at a price of HK\$0.52 per share on 2 September 2016.
- (b) On 28 November 2016, approximately 110,000,000 shares were issued in respect of the acquisition of a subsidiary (note 32).

30. RESERVES**(a) Share premium**

The share premium account represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

(b) Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired by the Company pursuant to certain reorganisation of the Group and the nominal value of the shares issued by the Company.

(c) Statutory reserve

According to the relevant PRC laws, the subsidiary established in the PRC is required to transfer at least 10% of its net profit after tax, as determined under the PRC accounting regulation, to a statutory reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer of this reserve must be made before the distribution of dividend to the subsidiary's equity owners. The statutory reserve is non-distributable other than upon the liquidation of the subsidiary.

(d) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 4.4.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

31. LEASE COMMITMENTS

(a) Finance lease commitments

The Group leased its office equipment under a finance lease with an average lease term of 5 years. The Group's obligation under finance lease is secured by the lessor's title to the leased asset.

Interest rate underlying all obligations under finance lease is fixed at respective contract date at 5.0% (2015: 5.0%) per annum.

Future minimum rental payables are as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Within one year	280	280
In the second to fifth years	398	678
	678	958
Less: Future finance charges	(41)	(79)
Present value of minimum lease payments	637	879

Present value of minimum lease payments included in consolidated statement of financial position is as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Interest-bearing borrowings		
– Current portion	254	242
Interest-bearing borrowings		
– Non-current portion	383	637
	637	879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

31. LEASE COMMITMENTS (Continued)

(b) Operating lease commitments

Future minimum rental payable under non-cancellable operating lease of the Group in respect of land and buildings are as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Within one year	4,641	2,362
In the second to fifth years	8,824	715
	<u>13,465</u>	<u>3,077</u>

The Group leases certain properties under operating leases. The leases run for an initial period of 1 year to 5 years (2015: 1 year to 5 years). None of these leases include any contingent rentals.

32. BUSINESS COMBINATION

On 5 September 2016, the Group entered into a sale and purchase agreement with Favor Way Investments Limited (the "Vendor") to acquire 100% equity interests in Delta Wealth, which were engaged in provision of money lending services in Hong Kong, and assigned by the Vendor a loan receivable from Delta Wealth of approximately HK\$4,546,000.

The transaction was completed on 28 November 2016 while the consideration was satisfied in form of cash of approximately HK\$25,000,000 and issuance of 110,000,000 ordinary shares of the Company with fair value amounted to approximately HK\$89,100,000 as at the date of completion.

Details of the net assets acquired and goodwill are as follows:

	<i>HK\$ '000</i>
Purchase consideration:	
– settled by cash	25,000
– settled by 110,000,000 new shares of the Company	89,100
Assignment of loan receivable	(4,546)
Fair value of net assets attributed to the Group acquired	<u>(10,445)</u>
Goodwill	<u>99,109</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

32. BUSINESS COMBINATION (Continued)

The assets and liabilities arising from the acquisition are as below:

	Fair value <i>HK\$ '000</i>	Carrying amount <i>HK\$ '000</i>
Intangible assets	800	–
Loan and interest receivables	47,460	47,460
Cash and bank balances	168	168
Accruals and other payables	(333)	(333)
Loan from the Vendor	(4,546)	(4,546)
Bank overdrafts	(32,050)	(32,050)
Provision for taxation	(1,054)	(1,054)
	<u>10,445</u>	<u>9,645</u>
Net assets attributed to the Group acquired	<u>10,445</u>	<u>9,645</u>

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

	<i>HK\$ '000</i>
Cash and bank balances acquired	168
Bank overdrafts acquired	(32,050)
Cash consideration	<u>(25,000)</u>
Net cash outflow	<u><u>(56,882)</u></u>

Goodwill of HK\$99,109,000 arose in the acquisition of Delta Wealth because the consideration paid effectively included amounts in relation to the benefits of expected revenue growth, future market development and the assembled workforce of Delta Wealth. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill is not expected to be deductible for tax purposes.

Since its acquisition, Delta Wealth contributed revenue of approximately HK\$741,000 and net loss of approximately HK\$11,461,000 (which includes impairment loss on goodwill of HK\$11,453,000 (note 16)) to the Group for the period from 28 November 2016 to 31 December 2016.

Had the combination been taken place on 1 January 2016, the revenue and the net loss of the Group for the year ended 31 December 2016 would have been HK\$377,708,000 and HK\$13,999,000 (which includes impairment loss on goodwill of HK\$11,453,000 (note 16)) respectively. These pro forma information are for illustrative purposes only and are not necessarily an indication of revenue and result of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

33. LITIGATION

Since 2011, the Group's subsidiary, Runway Global Limited ("Runway HK"), had a dispute (the "Dispute") with an independent PRC-established supplier (the "Respondent") over (i) non-delivery of certain apparels (the "Goods") by the Respondent to the customer of Runway HK amounted to US\$342,000, (ii) the advance of US\$130,000 by Runway HK to pay the shipment cost of the Goods, and (iii) the Respondent's non-delivery of a large portion of apparels which represented part of the Goods that Runway HK had subsequently agreed to purchase and paid for.

In 2012, Runway HK and the Respondent filed statements of claim and counterclaim to the Hong Kong International Arbitration Centre ("HKIAC") for the Dispute. On 28 April 2014, a final judgement was awarded by the HKIAC in favour of Runway HK and the Respondent is obliged to settle the overdue amount totalling US\$238,000 (approximately HK\$1,856,000) plus interests with Runway HK. As of 31 December 2015 and 2016, the Group is in the process of enforcing the collection of overdue amount in accordance with the relevant legal procedures. In the opinion of the directors of the Company, no asset is recognised in respect of this claim after considering the likelihood of the successful debt collection. No provision has been made by the Group for the counterclaim from the Respondent.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Financial assets		
Financial assets at fair value through profit or loss	42,000	–
Loans and receivables		
– Trade and bills receivables	63,485	71,201
– Loans receivable	80,465	–
– Deposits and other receivables	18,301	26,205
– Pledged bank deposits	7,761	8,656
– Cash and bank balances	59,188	53,837
	229,200	159,899
	271,200	159,899
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and bills payables	49,644	50,578
– Accruals and other payables	21,989	13,253
– Interest-bearing borrowings	54,793	879
	126,426	64,710
	126,426	64,710

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

(a) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise mainly from its overseas sale transactions and settlement of its overseas purchases, both of which are primarily denominated in United States Dollars ("US\$") and RMB. These are not the functional currencies of the Group entities to which these transactions relate.

All the Group's foreign exchange structured forward contracts are approved by the executive directors. In addition, the Group will not enter into any additional foreign exchange structured forward contracts unless advance approval by the shareholders has been obtained while the executive directors and their related parties shall abstain from voting. The Group performs analysis for monitoring of the foreign exchange structured forward contracts.

Summary of exposure

As at 31 December 2016, the carrying amounts of the Group's financial assets and liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, are as follows:

	Financial assets	Financial liabilities	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
As at 31 December 2016			
RMB	1,221	(1,822)	(601)
US\$	114,687	(57,429)	57,258
	<u> </u>	<u> </u>	<u> </u>
As at 31 December 2015			
RMB	7,752	(1,569)	6,183
US\$	120,729	(62,727)	58,002
	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(a) Foreign currency risk (Continued)

Foreign exchange rate sensitivity analysis

Since HK\$ is pegged to US\$, the Group does not expect any significant movements in HK\$/US\$ exchange rate. The following table illustrates the sensitivity of the Group's profit after tax for the year and equity in regard to a 3% change in RMB exchange rate. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year with all other variables held constant throughout the year. A positive number in the sensitivity analysis below indicates an increase in profit after tax or a decrease in loss after tax where HK\$ weakens against RMB. For a strengthening of the HK\$ against RMB, there would be an equal and opposite impact on profit or loss after tax, and the balances below would be negative.

	Effect on in profit or loss after tax	
	2016	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
If HK\$ weakens against RMB	(15)	154
If HK\$ strengthens against RMB	15	(154)
	<u> </u>	<u> </u>

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which are at variable rates (note 27) and the Group's pledged bank deposits and bank balances which were bearing floating interest rate (notes 23 and 24). The Group has not used any derivative to hedge its exposure to interest rate risk. The policies to manage interest rate risk which have been followed by the Group since prior years are considered to be effective.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(b) Interest rate risk (Continued)

Interest rate sensitivity analysis

The following table illustrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit or loss after tax for the year and equity, with effect from the beginning of the years. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's floating rate financial instruments held at the end of the reporting period. The analysis has been prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. There is no impact on other components of combined equity in response to the possible change in interest rates.

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Increase by 100 basis points	59	54
Decrease by 100 basis points	(59)	(54)

(c) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to its customers in the ordinary course of its operation.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the financial assets that are not impaired as at the reporting date are of good credit quality, including those that are past due.

Concentrations of credit risk are managed by customer/counterparty and by geographical region. The Group had certain concentrations of credit risks as 56% (2015: 73%) of the total trade receivables and loans and interest receivables are due from five of its largest external customers as at 31 December 2016 (2015: two). The directors carry a periodic review on the creditworthiness on these customers and consider the exposure to such credit risk is minimal. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and loans and interest receivables are disclosed in notes 19 and 20 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(c) Credit risk (Continued)

The Group has deposited its cash with various banks. The credit risk on bank balances is limited because most of the Group's cash are deposited with major banks located in Hong Kong and/or the PRC.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

(d) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank facilities.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's interest-bearing borrowings, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Company can be required to pay.

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	Less than one year or repayable on demand <i>HK\$'000</i>	One year or above <i>HK\$'000</i>
As at 31 December 2016				
Non-derivative financial instruments				
– Trade and bills payables	49,644	49,644	49,644	–
– Accruals and other payables	21,989	21,989	21,989	–
– Interest-bearing borrowings	54,793	54,835	54,438	397
	<u>126,426</u>	<u>126,468</u>	<u>126,071</u>	<u>397</u>
As at 31 December 2015				
Non-derivative financial instruments				
– Trade and bills payables	50,578	50,578	50,578	–
– Accruals and other payables	13,253	13,253	13,253	–
– Interest-bearing borrowings	879	958	280	678
	<u>64,710</u>	<u>64,789</u>	<u>64,111</u>	<u>678</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 December 2016

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(e) Fair value measurements recognised in the consolidated statement of financial position

The fair values of trade and bills receivables, loans and interest receivables, deposits and other receivable, pledged bank deposits, cash and bank balances, trade and bills payables, accruals and other payables, current portion of interest-bearing borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of interest-bearing borrowings have been calculated by discounting the expected future cash flows using the rates currently available for instruments on similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables present financial assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position at the reporting date are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2016				
Financial assets at fair value through profit or loss				
– Listed equity securities	42,000	–	–	42,000
	<u>42,000</u>	<u>–</u>	<u>–</u>	<u>42,000</u>

There were no significant transfers between levels 1 and 2 and no transfers into or out of level 3 during the years.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

36. CAPITAL MANAGEMENT

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

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital using a gearing ratio calculated on the basis of interest-bearing borrowings over total equity. The Group's goal in capital management is to maintain the gearing ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The gearing ratio is regularly reviewed by senior management. The gearing ratios as at the end of the reporting periods are as follows:

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
Interest-bearing borrowings	54,793	879
Total equity	264,152	135,757
Gearing ratio	20.7%	0.6%

37. SUBSEQUENT EVENTS

In addition to those disclosed elsewhere in these financial statements, the Group had the following material events after 31 December 2016:

On 25 January 2017, the Company entered into a sale and purchase agreement with an independent third party in relation to the acquisition of the entire share capital of Prior Securities Limited and Prior Asset Management Limited.

On 26 January 2017, the Company entered into a subscription agreement with New Seres CEFC Investment Fund LP ("Subscriber"), pursuant to which Subscriber has agreed to subscribe for and the Company has agreed to allot and issue an aggregate of 860,000,000 new shares at a total consideration of HK\$204,680,000 at the price of HK\$0.238 per share.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 <i>HK\$ '000</i>	2015 <i>HK\$ '000</i>
ASSETS AND LIABILITIES		
Non-current assets		
Interests in subsidiaries <i>(note (a))</i>	63,612	63,610
Current assets		
Prepayments	2,100	81
Amounts due from subsidiaries	178,109	32,160
Cash and cash equivalents	344	455
	180,553	32,696
Current liabilities		
Other payables	339	28
Amounts due to subsidiaries	189	187
	528	215
Net current assets	180,025	32,481
Net assets	243,637	96,091
EQUITY		
Share capital	8,300	6,000
Reserves <i>(note (b))</i>	235,337	90,091
Total equity	243,637	96,091

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) Subsidiaries

Particulars of the subsidiaries as at the reporting date are set out as follows:

Name	Place/country of incorporation/ establishment	Particulars of issued/paid-in capital	Effective interest held by the Company		Place of operation and principal activities
			Direct	Indirect	
Great Entrepreneur Investments Limited	BVI	4 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
Transformed Holdings Limited	BVI	4 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
Going Success Holdings	BVI	1,000 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
Holly Global Limited	BVI	100 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
Best Supreme Investment Limited	BVI	100 ordinary shares of US\$1 each	100%	–	Investment holding in Hong Kong
Runway (HK)	Hong Kong	HK\$3,000,000	–	100%	Investment holding and trading of apparels in Hong Kong
Jiaxing Runway Global Garment Limited	PRC	US\$2,000,000	–	100%	Manufacturing and trading of apparels in the PRC
Runway Fashions, Inc.	USA	1,000 ordinary shares of US\$1 each	–	100%	Provision of designing, marketing and advertising services in the USA
Delta Wealth	Hong Kong	1,000,000 ordinary shares of HK\$1 each	–	100%	Provision of money ending services
Harvest Celebration Limited	Hong Kong	HK\$1,000	–	100%	Investment holding in Hong Kong
Smart Dream Limited	BVI	100 ordinary shares	–	100%	Investment holding in Hong Kong
Glory Kind Corporation Limited	BVI	1,000 ordinary shares of US\$1 each	–	100%	Investment holding in Hong Kong

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

31 December 2016

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)**Notes: (Continued)***(b) Reserves**

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

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated loss <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2015	40,690	63,583	(11,833)	92,440
Loss and total comprehensive Income for the year	—	—	(2,349)	(2,349)
At 31 December 2015 and 1 January 2016	40,690	63,583	(14,182)	90,091
Loss and total comprehensive income for the year	—	—	(2,468)	(2,468)
Issuance of shares	59,714	—	—	59,714
Arising from acquisition of a subsidiary <i>(note 32)</i>	88,000	—	—	88,000
At 31 December 2016	<u>188,404</u>	<u>63,583</u>	<u>(16,650)</u>	<u>235,337</u>

Contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired pursuant to certain reorganisation of the Group and the nominal value of the share issued by the Company in exchange thereof.

3. INDEBTEDNESS

At the close of business on 15 March 2017, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Composite Document, the indebtedness of the Group was as follows:

(a) Interest-bearing borrowing

As at 15 March 2017, interest-bearing borrowing of the Group was approximately HK\$574,000, which was not guaranteed but was secured by the Group's property, plant and equipment with carrying amounts of approximately HK\$557,000 as at 15 March 2017.

(b) Amount due to a director of a subsidiary of the Group

As at 15 March 2017, amount due to a director of a subsidiary of the Group was approximately HK\$18,925,000. This balance is unsecured and not guaranteed.

(c) Capital commitment

As at 15 March 2017, capital commitment of the Group was approximately HK\$28,900,000. On 25 January 2017, the Group entered into a sale and purchase agreement with a vendor in relation to the acquisition of the entire share capital of Prior Securities Limited ("Prior Securities") and Prior Asset Management Limited ("Prior Asset"). Prior Securities is licensed to carry out type 1 (dealing in securities) regulated activity under the SFO whereas Prior Asset is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. As at 15 March 2017, acquisitions of both Prior Securities and Prior Asset have not yet been completed and amount of approximately HK\$28,900,000 is due for the outstanding consideration for the acquisitions of Prior Securities and Prior Asset.

Save as disclosed above and apart from normal accounts payable in the ordinary course of business, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts and liabilities under acceptances, acceptance credits or other similar indebtedness, debentures, mortgages, charges or loans or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 15 March 2017.

4. MATERIAL CHANGE

Save and except for completion of the subscription of new shares of the Company as disclosed in the joint announcement jointly issued by New Seres CEFC Investment Fund LP and the Company dated 15 February 2017, as at the Latest Practicable Date, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror and parties acting in concert with it (excluding for this purpose, the Group)) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the sole director of the general partner of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

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

	Nominal Value
	<i>HK\$</i>
<i>Authorised:</i>	
<u>10,000,000,000</u> Shares	<u>100,000,000</u>
<i>Issued and paid up share capital:</i>	<i>Approximate HK\$</i>
<u>1,690,000,000</u> Shares	<u>16,900,000</u>

All of the Shares currently in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or other conversion rights affecting the Shares.

The number of Shares in issue as at 31 December 2016, being the date to which the latest audited financial statements of the Company were made up, was 830,000,000. Save for the 860,000,000 Subscription Shares, no Shares had been issued since that date until the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the following Directors had, or were deemed to have, interests and short positions in the Shares, underlying Shares and debentures of the Company or shares, underlying shares and debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name	Capacity	Number of Shares	Approximate %
All Divine Limited	Beneficial owner	9,000,000 Shares (Note 1)	0.53%
Mr. Hubert Tien	Interest of corporation controlled by the director	9,000,000 Shares (Note 1)	0.53%
Mr. Tang Shu Pui Simon	Beneficial owner	5,000,000 Shares (Note 2)	0.30%

Notes:

1. These Shares are beneficially owned by All Divine Limited, which is wholly-owned by Mr. Hubert Tien, an executive Director.
2. These Shares are beneficially owned by Mr. Tang Shu Pui Simon, an independent non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which was required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the Directors, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long position in the Shares

Name	Capacity	Number of Shares	Approximate %
Wong Tat Wai Derek	Beneficial owner	129,000,000 Shares	7.63%
Tin Yuen Sin Carol	Beneficial owner and interest in controlled corporation (<i>Note</i>)	114,362,000 Shares	6.77%
Favor Way Investments Limited	Beneficial owner (<i>Note</i>)	110,000,000 Shares	6.51%
Hua Zhen	Beneficial owner	87,000,000 Shares	5.15%

Note: These Shares are owned as to (i) 4,362,000 Shares beneficially by Ms. Tin Yuen Sin Carol; and (ii) 110,000,000 Shares through Favor Way Investments Limited, a company wholly-owned by Ms. Tin Yuen Sin Carol.

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

4. INTERESTS IN SECURITIES OF THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the shares, convertible securities, warrants, options or derivatives in respect of the shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

5. SHAREHOLDINGS AND DEALINGS IN SECURITIES OF THE COMPANY

During the Relevant Period, the following Directors had dealt for value in any Share or any convertible securities, warrants, options or derivatives issued by the Company:

Name of Director	Date	Type of Transaction	Number of Shares	Transaction price per Share <i>HK\$</i>
Mr. Tang Shu Pui Simon	24 October 2016	Purchase of Shares	5,000,000	0.67
Mr. Hubert Tien	9 December 2016	Sale of Shares	120,000,000	0.57
Mr. Hubert Tien	16 December 2016	Sale of Shares	9,000,000	0.57

As at the Latest Practicable Date,

- (i) save as disclosed in the section headed “Disclosure of Interests” above, none of the Directors owned any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (ii) save as disclosed in this section above, none of the Directors had dealt for value in the Shares, convertible securities, warrants, options or derivatives in respect of the Shares during the Relevant Period;

- (iii) save and except Value Convergence Holdings Limited's (the holding company of VC Capital Limited, one of the joint financial advisers of the Company in respect of the Subscription and the Offer) legal and/or beneficial interested in 40,308,000 Shares, there were no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (excluding exempt principal traders), and save as disclosed above, no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (iv) no Shares or any convertible securities, warrants, options or derivatives issued by the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (v) pursuant to the Irrevocable Undertakings, each of Mr. Wong Tat Wai Derek, Ms. Tin Yuen Sin Carol and Value Convergence Holdings Limited has irrevocably undertaken not to accept the Offer and will not or/and will procure not to sell, transfer or dispose of any Shares held by each of them or rights to such Shares to third parties prior to completion, termination or withdrawal of the Offer. Save for the aforesaid undertakings, no Shares or any convertible securities, warrants, options or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code. The shareholding interests of the Undertaking Shareholders and the Offeror are set out in the section headed "Shareholding structure of the Company" in the "Letter from the Board". Save as disclosed in this Composite Document, no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (vi) none of the Directors, in respect of their own shareholding in the Company, intends to accept the Offer; and
- (vii) none of the Company or any of its Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

6. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (i) no benefit (other than statutory compensation) had been and would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) no material contracts had been entered into by the Offeror in which any Director has a material personal interest; and
- (iii) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within two years preceding the commencement of the Offer Period and ending on the Latest Practicable Date:

- (i) the placing agreement dated 19 August 2016 entered into between the Company and Zhongtai International Securities Limited in respect of the placing of up to 120,000,000 new Shares at HK\$0.52 per Share. Completion of the aforesaid placing took place on 2 September 2016;
- (ii) the sale and purchase agreement dated 5 September 2016 entered into between Favor Way Investments Limited, Ms. Tin Yuen Sin Carol, Smart Dream Limited (a wholly-owned subsidiary of the Company) and the Company in relation to the acquisition of Delta Wealth Finance Limited which is principally engaged in the provision of money lending services. Completion of the aforesaid acquisition took place on 28 November 2016;
- (iii) the MOU;

- (iv) the sale and purchase agreements dated 25 January 2017 entered into between Au Ho Cheung as vendor and Going Success Holdings Limited (a wholly-owned subsidiary of the Company) as purchaser in relation to the acquisition of the entire issued share capital of each of Prior Securities Limited and Prior Asset Management Limited at a consideration of not more than HK\$19,700,000 and not more than HK\$11,200,000 respectively; and
- (v) the Subscription Agreement.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any members of the Group within two years before the commencement of the Offer Period and ending on the Latest Practicable Date.

9. QUALIFICATION AND CONSENT OF THE EXPERT

The following is the qualification of the expert contained in this Composite Document:

Name	Qualification
Gram Capital Limited	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined in the SFO

The expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and the references to its name in the form and context in which it appears herein.

10. DIRECTORS' SERVICE CONTRACTS

Mr. Tang Shu Pui, Simon (鄧澍培) has entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years commencing from 22 August 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the letter of appointment, Mr. Tang shall be entitled to a monthly salary of HK\$10,000.

Mr. Yeung Kwok Leung (楊國良) has entered into a service agreement with the Company to act as an executive Director for a term of three years commencing from 7 September 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the service agreement, Mr. Yeung shall be entitled to a monthly salary of HK\$20,000. On 2 December 2016, a document ancillary to the service agreement was entered into between Mr. Yeung and the Company under which the monthly salary of Mr. Yeung shall be revised to HK\$60,000, effective on 2 December 2016.

Mr. Tse Yuen Ming (謝遠明) has entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years commencing from 2 November 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the letter of appointment, Mr. Tse shall be entitled to a monthly salary of HK\$10,000.

Mr. Hon Ming Sang (韓銘生) has entered into a letter of appointment with the Company to act as an independent non-executive Director for a term of three years commencing from 2 November 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the letter of appointment, Mr. Hon shall be entitled to a monthly salary of HK\$10,000.

Mr. Hubert Tien (田曉勃) has entered into a service agreement with the Company to act as an executive Director for a term of three years commencing from 22 November 2016 and continue thereafter until terminated by not less than one month's notice in writing served by either party, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the service agreement, Mr. Tien shall be entitled to a monthly salary of HK\$134,963. On 20 March 2017, a document ancillary to the service agreement was entered into between Mr. Tien and the Company under which the monthly salary of Mr. Tien shall be revised to HK\$155,000, effective and retrospective on 1 January 2017.

Mr. Cheng Tze Kit Larry (鄭子傑) has entered into a service agreement with the Company to act as an executive Director for a term of three years commencing from 24 November 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the service agreement, Mr. Cheng shall be entitled to a monthly salary of HK\$80,000.

Mr. Liu Chun Fai (廖晉輝) has entered into a service agreement with the Company to act as an executive Director for a term of three years commencing from 24 November 2016 and renewable automatically until terminated by either party giving three months' prior written notice, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company. Under the service agreement, Mr. Liu shall be entitled to a monthly salary of HK\$30,000.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended during the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

None of the Directors had entered into any service contract or had an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

11. MISCELLANEOUS

- (i) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (ii) The head office and principal place of business of the Company in Hong Kong is located at 14th Floor, PeakCastle, 476 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (iii) The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The company secretary of the Company is Mr. Chan Ka Yu, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (vi) The English language text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese language text, in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the SFC (www.sfc.hk) and the Company (<http://www.runwayglobal.com>) and, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), at the head office and principal place of business of the Company in Hong Kong located at 14th Floor, PeakCastle, 476 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong from the date of this Composite Document until the close of the Offer:

- (i) the memorandum of association and articles of association of the Company;
- (ii) the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016;
- (iii) the "Letter from the Board", the text of which is set out in this Composite Document;
- (iv) the "Letter from the Independent Board Committee", the text of which is set out in this Composite Document;

- (v) the “Letter from Gram Capital”, the text of which is set out in this Composite Document;
- (vi) the Irrevocable Undertakings referred to in the section headed “5. Shareholdings and dealings in securities of the Company” in Appendix III to this Composite Document;
- (vii) the material contracts referred to in the section headed “8. Material Contracts” in Appendix III to this Composite Document;
- (viii) the service agreements and letters of appointment referred to in the section headed “10. Directors’ Service Contracts” in Appendix III to this Composite Document; and
- (ix) the written consent from Gram Capital referred to in the section headed “9. Qualification and Consent of the Expert” in Appendix III to this Composite Document.

1. RESPONSIBILITY STATEMENT

This information contained in this Composite Document relating to the Offeror and its intention has been supplied by the Offeror. The sole director of the general partner of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held, owned or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/parties acting in concert with it	Capacity	Number of Shares held/ interested	Percentage of shareholding (%)
The Offeror (<i>Note 1</i>)	Beneficial owner	860,000,000	50.89
New Seres International Asset Management (Cayman) Limited (<i>Note 2</i>)	Interest in controlled corporation	860,000,000	50.89
New Seres Investment Co., Ltd * (新絲綢之路投資有限公司) (<i>Note 3</i>)	Interest in controlled corporation	860,000,000	50.89
CEFC Shanghai Financial Services Co., Ltd.*(上海華信金融服務有限公司) (<i>Note 4</i>)	Interest in controlled corporation	860,000,000	50.89
Shanghai CEFC Financial Holding Co., Ltd.*(上海市華信金融控股有限公司) (<i>Note 5</i>)	Interest in controlled corporation	860,000,000	50.89
CEFC China (<i>Note 6</i>)	Interest in controlled corporation	860,000,000	50.89
CEFC China Energy Investment Fund Co., Ltd*(上海能源基金投資有限公司) (<i>Note 7</i>)	Interest in controlled corporation	860,000,000	50.89

Name of Offeror/parties acting in concert with it	Capacity	Number of Shares held/ interested	Percentage of shareholding (%)
China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) (Note 8)	Interest in controlled corporation	860,000,000	50.89
Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司) (Note 9)	Interest in controlled corporation	860,000,000	50.89
Wisely Inc Limited (永事利有限公司) (Note 10)	Interest in controlled corporation	860,000,000	50.89
Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司) (Note 11)	Interest in controlled corporation	860,000,000	50.89
Shanghai CEFC International Group Co. Ltd.*(上海華信國際集團有限公司) (Note 12)	Interest in controlled corporation	860,000,000	50.89
Su Weizhong (Note 13)	Interest in controlled corporation	860,000,000	50.89
Guo Lin (Note 14)	Interest in controlled corporation	860,000,000	50.89
Yi Qianru (Note 15)	Interest in controlled corporation	860,000,000	50.89
Li Yong (Note 16)	Interest in controlled corporation	860,000,000	50.89
Feng Qiuling (Note 17)	Interest in controlled corporation	860,000,000	50.89

Notes:

1. New Seres International Asset Management (Cayman) Limited is the general partner of the Offeror.
2. New Seres International Asset Management (Cayman) Limited is owned as to 100% by New Seres Investment Co., Ltd* (新絲綢之路投資有限公司).
3. New Seres Investment Co., Ltd* (新絲綢之路投資有限公司) is owned as to 50% by CEFC Shanghai Financial Services Co., Ltd*(上海華信金融服務有限公司).
4. CEFC Shanghai Financial Services Co., Ltd* (上海華信金融服務有限公司) is owned as to 100% by Shanghai CEFC Financial Holdings Co., Ltd*(上海市華信金融控股有限公司).
5. Shanghai CEFC Financial Holdings Co., Ltd* (上海市華信金融控股有限公司) is owned as to approximately 87.67% by CEFC China, approximately 6.17% by Mr. Su Weizhong, approximately 4.93% by Mr. Zheng Xiongbin and approximately 1.23% by Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).
6. CEFC China is owned as to 99.05% by CEFC China Energy Investment Fund Co., Ltd* (上海能源基金投資有限公司).
7. CEFC China Energy Investment Fund Co., Ltd* (上海能源基金投資有限公司) is owned as to 100% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司).
8. China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) is owned as to 80% by Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).
9. The beneficial shareholders of Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司) are Mr. Su Weizhong (owned as to approximately 50%), Mr. Li Yong (owned as to approximately 49%) and Mr. Zheng Xiongbin (owned as to approximately 2%).
10. Wisely Inc Limited (永事利有限公司) is the limited partner of the Offeror and is owned as to 100% by Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司).
11. Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司) is owned as to 100% by Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司).
12. Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) is owned as to 55.67% by CEFC China, as to 30.50% by Shanghai CEFC Financial Holding Co., Ltd.* (上海市華信金融控股有限公司) and as to 13.83% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司).
13. Mr. Su Weizhong holds 50% shares in Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).
14. Mr. Guo Lin holds 40% shares in New Seres Investment Co., Ltd* (新絲綢之路投資有限公司).
15. Ms. Yi Qianru is the spouse of Mr. Guo Lin and is therefore deemed to be interested in the Shares held by Mr. Guo Lin.
16. Mr. Li Yong holds 49% shares in Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).
17. Ms. Feng Qiuling is the spouse of Mr. Li Yong and is therefore deemed to be interested in the Shares held by Mr. Li Yong.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror, the general partner and limited partners of the Offeror and their respective director(s), and parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) During the Relevant Period and as at the Latest Practicable Date, save and except for the Subscription Shares, none of the Offeror or any party acting in concert with it had dealt for value in any Shares, convertible securities, warranties, options or derivatives of the Company.
- (b) As at the Latest Practicable Date, there were no outstanding derivatives in respect of securities in the Company which had been entered into by the Offeror or any party acting in concert with it.
- (c) As at the Latest Practicable Date, save for the Irrevocable Undertakings, the Offeror, its ultimate beneficial owners and/or parties acting in concert with it had not received any irrevocable commitment to accept or reject the Offer.
- (d) As at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.
- (e) As at the Latest Practicable Date, save and except for Subscription Agreement, the MOU, the Irrevocable Undertakings and the Facility, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any party acting in concert with it and any other person, or between any other associate of the Offeror and any other person.
- (f) Save for the Subscription Agreement, the MOU, the Irrevocable Undertakings and the Facility, as at the Latest Practicable Date, there was no agreement (whether by way of options, indemnity or otherwise) in relation to the shares of the Offeror and parties acting in concert with it or the Company which might be material to the Share Offer.
- (g) As at the Latest Practicable Date, save and except for the charge of the Subscription Shares and Offer Shares to be acquired by the Offeror pursuant to the Offer under the Facility, there is no agreement, arrangement or understanding that any securities acquired pursuant to the Offeror would be transferred, charged or pledged to any other person.

4. GENERAL

- (a) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors and Shareholders having any connection with it or was dependent upon the Offer.
- (b) As at the Latest Practicable Date, there was no agreement, arrangement to which the Offeror and parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

5. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; and (ii) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
30 June 2016	1.43
29 July 2016	1.16
31 August 2016	0.51
30 September 2016	0.56
31 October 2016	0.68
30 November 2016	0.72
30 December 2016	0.80
26 January 2017 (being the Last Trading Day)	0.80
28 February 2017	1.10
31 March 2017	1.01
5 May 2017 (being the Latest Practicable Date)	0.96

Note: Trading of Shares was suspended from 27 January 2017 to 15 February 2017 pending the release of the Joint Announcement

During the Relevant Period, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.54 per Share (on 6 July 2016) and HK\$0.41 per Share (on 9 August 2016) respectively.

6. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers engaged by the Offeror whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
Guotai Junan Securities	a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
Guotai Junan Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

The above experts have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion of their advice, letter and/or references to their names in the form and context in which they appear.

7. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the principal members of the parties acting in concert with the Offeror were, among others, New Seres International Asset Management (Cayman) Limited, New Seres Investment Co., Ltd * (新絲綢之路投資有限公司), CEFC Shanghai Financial Services Co., Ltd.* (上海華信金融服務有限公司), Shanghai CEFC Financial Holding Co., Ltd.* (上海市華信金融控股有限公司), CEFC China, CEFC China Energy Investment Fund Co., Ltd* (上海能源基金投資有限公司), China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司), Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司), Wisely Inc Limited (永事利有限公司), Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司) and Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司);
- (b) the Offeror was an exempted limited partnership registered in Cayman Islands, with its general partner being New Seres International Asset Management (Cayman) Limited (which is directly wholly owned by New Seres Investment Co., Ltd * (新絲綢之路投資有限公司) and its limited partner being Wisely Inc Limited (永事利有限公司) (which is directly wholly-owned by Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司));
- (c) the registered office of the Offeror was 89 Nexus Way, Camana Bay, Grand Cayman KY1-9007, Cayman Islands;

- (d) the sole director of the general partner of Offeror, New Seres International Asset Management (Cayman) Limited, was Mr. Jiang Tianqing; and
- (e) the principal business address of each of Guotai Junan Securities and Guotai Junan Capital was 26/F-28/F Low Block Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.com.hk>; and (ii) on the website of the Company at <http://www.runwayglobal.com> from the date of this Composite Document up to the close of the Offer:

- (a) the limited partnership agreement of the Offeror;
- (b) the letter from Guotai Junan Securities, the text of which is set out in this Composite Document; and
- (c) the letters of consent referred to under the paragraph headed "Experts and consents" in this Appendix IV.