THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action 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 **Lisi Group (Holdings) Limited,** you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer or other registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

LISI GROUP (HOLDINGS) LIMITED
利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROBUST COOPERATION LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

建银国际
CCB International

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

YU MING INVESTMENT MANAGEMENT LIMITED
禹 銘 投 資 管 理 有 限 公 司

Unless the contest requires otherwise, capitalized terms used herein shall have the same meanings as defined under the section “Definitions” of this circular. A letter from the Board is set out on pages 5 to 16 of this circular.

A letter from the Independent Board Committee containing its recommendation is set out on pages 17 and 18 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 44 of this circular. A notice convening the SGM to be held at Unit 4608, 46/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 27 June 2019, at 3:30 p.m. is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as practicable and in any event not later than 48 hours before the time designated for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

28 May 2019

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

"Acquisition"	the acquisition of the Sale Shares pursuant to the Agreement
"Agreement"	the sale and purchase agreement in relation to the Acquisition entered into among the Company, the Vendor and the Vendor Guarantor on 2 March 2019
"Announcement"	the announcement of the Company dated 3 March 2019 in respect of the Acquisition
"Appraised Value"	RMB2,270 million, being the appraised value set out in the preliminary valuation report of the Target Group determined by an independent valuer using the market approach
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	means 9:00 a.m to 5:00 p.m on any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
"BVI"	the British Virgin Islands
"Company"	Lisi Group (Holdings) Limited (stock code: 526), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	a day falling on the third Business Day after the conditions precedent to the Agreement are fulfilled (or waived, where applicable)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Acquisition pursuant to the Agreement, being the net amount of the Appraised Value setting off against the amount of Properties Liability, which shall be HK1,200 million
"Consideration Shares"	500,000,000 new Shares to be allotted and issued by the Company to the Vendor for part settlement of the Consideration
"Director(s)"	Director(s) of the Company

"Enlarged Group"	the Group as enlarged by the Target Group after Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK Company"	盛海國際企業有限公司 (Prosper Ocean International Enterprise Limited), a company incorporated in Hong Kong with limited liability
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. He Chengying, Mr. Cheung Kiu Cho Vincent, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong, to advise the Independent Shareholders on the Agreement and the transaction contemplated thereunder
"Independent Financial Adviser" or "Yu Ming"	Yu Ming Investment Management Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than Mighty Mark Investments Limited and Hopeful Glad Limited, together with their respective associates (if any) who are required by the Listing Rules to abstain from voting on the resolution approving the Agreement and the transactions contemplated thereunder
"Issue Price"	the issue price of HK$1.00 for each Consideration Share
"Last Trading Day"	1 March 2019, being the last trading day of the Shares before the signing of the Agreement
"Latest Practicable Date"	24 May 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 July 2019 or such other date as the parties to the Agreement may agree in writing
"MOU"	the memorandum of understanding dated 9 October 2018 and the supplemental memorandum of understanding dated 6 December 2018 entered into between the Company and the Vendor in relation to the Acquisition

"Operating Company"	天津濱海國際汽車城有限公司 (Tianjin Binhai International Auto Mall Co., Ltd), a company established in the PRC with limited liability
"PRC"	the People's Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Promissory Note"	the promissory note in the principal sum of HK$400 million to be issued by the Company to the Vendor
"Properties"	Property A and Property B
"Properties Liability"	the total bank and other loans of the Target Group with primarily the Properties as securities as shown in the management account of the Target Group for the financial year ended 31 December 2018 in the sum of approximately RMB1,216 million (or approximately HK$1,385 million)
"Property A"	the Cali Building located at No. 188 Tianbao Avenue, Binhai New District, Tianjin, the PRC
"Property B"	the Tianjin Binhai International Automobile City located at No.86 Tianbao Avenue, Binhai New District, Tianjin, the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	50,000 ordinary shares in the Target Company, representing 100% of the total issued shares of the Target Company as at the date of the Agreement
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened to approve the Agreement and transactions contemplated thereunder (including the issue of the Consideration Shares under the Specific Mandate)
"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"	a specific mandate to be granted to the Directors pursuant to an ordinary resolution to be passed at the SGM to issue and allot the Consideration Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Robust Cooperation Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company together with its subsidiaries
"Target Group Company"	a member of the Target Group
"USD"	United States Dollar, the lawful currency of Unites States of America
"Vendor"	Valuable Peace Limited, a company incorporated in the BVI with limited liability
"Vendor Guarantor"	Munoz Fierro Jorge Patricio, a natural person who is the son-in-law of Mr Tong Shiping (an executive Director) and Ms. Cheng Weihong (a non-executive Director and a substantial shareholder of the Company) as at the Latest Practicable Date
"WFOE"	天津英之傑國際物流有限公司 (Tianjin Prominent Hero International Logistics Co., Ltd), a company established in the PRC with limited liability
"%"	per cent.

Certain figures set out in this circular have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures. Any discrepancy in any table between totals and sums of amounts listed in this circular is due to rounding.

LISI GROUP (HOLDINGS) LIMITED
利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

Executive Directors:
Mr. Li Lixin *(Chairman)*
Mr. Tong Shiping
Mr. Cheng Jianhe
Ms. Jin Yaxue

Non-Executive Director:
Ms. Cheng Weihong

Independent Non-Executive Directors:
Mr. He Chengying
Mr. Cheung Kiu Cho Vincent
Mr. Shin Yick Fabian
Mr. Kwong Kwan Tong

Registered Office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Workshop 06 & 07, 36th Floor
King Palace Plaza
No. 52A Sha Tsui Road
Tsuen Wan, New Territories
Hong Kong

28 May 2019

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROBUST COOPERATION LIMITED; (2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 9 October 2018, 6 December 2018 and 3 March 2019 in relation to, among other things, the Acquisition, the Agreement and the allotment and issue of the Consideration Shares pursuant to the Specific Mandate.

The purpose of this circular is to provide you with, among other things, further details of (i) the Agreement; (ii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate; and (iii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Acquisition; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (v) the notice of the SGM.

THE ACQUISITION

Further to the entering of the MOU, on 2 March 2019, the Company, the Vendor and the Vendor Guarantor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares at the Consideration which shall be satisfied by (i) cash; (ii) the Consideration Shares; and (iii) the Promissory Note to be issued by the Company.

THE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date

2 March 2019

Parties

(i) the Company (as purchaser);

(ii) the Vendor (as seller); and

(iii) the Vendor Guarantor (as guarantor to the seller).

Asset to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company as at the date of the Agreement.

Consideration

Pursuant to the terms of the Agreement, the Consideration shall be HK$1,200 million. The Consideration, shall be satisfied (i) as to HK$300 million by cash; (ii) as to HK$500 million by the issue of 500,000,000 Consideration Shares at HK$1.00 per Consideration Share; and (iii) as to HK$400 million by issue of the Promissory Note by the Company to the Vendor within 10 Business Days after Completion.

Consideration Shares

As at the Latest Practicable Date, the Company has 7,544,020,391 Shares in issue. The Consideration Shares represent approximately 6.6% of the existing issued share capital of the Company and approximately 6.2% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company).

The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects among themselves and with the existing Shares then in issue on the date of allotment and issue, and be entitled to receive all dividends and distributions which may be declared by the Company on or after the date of allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued to the Vendor under the Specific Mandate within 10 Business Days after Completion. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK$1.0 per Consideration Share represents:

(i) a premium of approximately 14.9% to the closing price of HK$0.870 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 17.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day of approximately HK$0.848 per Share;

(iii) a premium of approximately 15.9% to the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.863 per Share;

(iv) a premium of approximately 12.4% to the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.890 per Share; and

(v) a premium of approximately 23.5% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations among the parties taking into account the prevailing market price of the Shares.

Promissory Note

The Company shall issue to the Vendor the Promissory Note in the principal amount of HK$400 million within 10 Business Days after Completion on the following principal terms:

Issuer:	the Company
Principal amount:	HK$400 million (the "Principal Sum")
Interest:	Nil
Maturity date:	the date falling on the expiry of three years from the issue date (the "Maturity Date")
Payment:	due and payable on the Maturity Date
Payment method:	the payment of all or any part of the Principal Sum under the Promissory Note should be paid in cash
Transferability:	the Promissory Note is freely transferable
Early payment:	the Company may pay all or part of the Principal Sum at any time prior to the Maturity Date by giving 10 days' prior written notice to the Vendor

The Consideration was arrived at after arm's length negotiations between the Company and the Vendor and was determined with reference to the Appraised Value as shown in the preliminary valuation report of the Target Group. The appraised value of the Target Group is approximately RMB2,288 million as at 31 December 2018 according to the finalised valuation report.

The Target Group's appraised value represents the aggregated fair values of (i) the Target Group's business; and (ii) the Properties as at 31 December 2018 (on a debt-free basis). The Properties Liability will not be settled before Completion.

The Company will use the internal resources of the Group, debt and/or equity financing to pay the Principal Sum under the Promissory Note. As at 30 September 2018, the Group had invested in some treasury products with maturity of less than one year and an aggregate balance of approximately RMB835.9 million. The Company is of the view that it has sufficient financial resources to settle the Promissory Note.

Mr. Tong Shiping and Ms. Cheng Weihong, who are associates of the Vendor and the Vendor Guarantor, have abstained from voting on the Board resolutions approving the Agreement and the transactions contemplated thereunder. The Directors (including Mr. Tong Shiping and Ms. Cheng Weihong, and the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms, fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion shall be conditional upon and subject to:

(a) the Company being satisfied with the results of the due diligence review on the Target Group;

(b) the Vendor having obtained all necessary approvals, consents, notices, registration and licences required under applicable laws and regulations or other agreements or contracts in relation to transactions contemplated under the Agreement;

(c) the Stock Exchange having approved the listing of, and permission to deal in, the Consideration Shares;

(d) each of the representations and warranties provided by the Vendor under the Agreement remaining true, accurate and complete as at the date of the Agreement up to Completion;

(e) since the date of the Agreement and up to the Completion Date, the Target Group maintains normal operations with no events having occurred in any aspects including but not limited to business operation, asset, financial and management which may cause a material adverse impact to the Target Group or may constitute material issues or material risks that have not been disclosed to the Company;

(f) the Vendor having fully performed and complied with in all aspects all the covenants and undertakings required to be performed or complied by it under the Agreement on or before Completion;

(g) the Independent Shareholders having passed the resolution approving the Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Consideration Shares (to the Vendor and/or its nominee) under the Specific Mandate) at the SGM; and

(h) all third party consents, approvals and notices which are required to be obtained by the Vendor pursuant to any applicable laws or agreements involving the Vendor or any Target Group Company, and in connection with the transactions contemplated under the Agreement having been obtained.

Save for conditions (b), (c) and (g), the Company may waive (in whole or in part) any of the conditions precedent by notice in writing to the Vendor.

In the event that any of the above conditions precedent have not been fulfilled (or waived, where applicable) on or before the Long Stop Date, the Agreement shall cease and terminate immediately, upon which parties to the Agreement shall be released and discharged from their respective obligations under the Agreement, save for obligations with continuing effect under the Agreement.

Vendor Guarantor

Pursuant to the Agreement, the Vendor Guarantor will guarantee as a primary obligor the due performance and observance by the Vendor of all its obligations, covenants, undertakings and warranties (if any) given by the Vendor pursuant to the Agreement and shall indemnify and keep the Company fully indemnified against all losses, liabilities, damages, costs and expenses which the Company may suffer or incur, arising from or in connection with any default or breach on the part of the Vendor in performance of its obligations, covenants, undertakings and warranties thereunder.

Completion

Completion shall take place on the Completion Date. The cash in the sum of HK$300 million will be paid and the Consideration Shares and the Promissory Note will be issued by the Company to the Vendor within 10 Business Days after Completion.

Upon Completion, the Target Company will become the Company's wholly-owned subsidiary. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon allotment and issue of all the Consideration Shares (assuming that there is no other change in the issued share capital of the Company):

	As at the Latest Practicable Date		**Immediately upon allotment and issue of all Consideration Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Li Lixin and his associates *(Note 1)*	2,847,939,680	37.8	2,847,939,680	35.4
Mighty Mark Investments Limited and its associates *(Notes 2 & 3)*	1,793,552,456	23.8	1,793,552,456	22.3
Vendor	0	0	500,000,000	6.2
Public Shareholders	2,902,528,255	38.4	2,902,528,255	36.1
Total	**7,544,020,391**	**100**	**8,044,020,391**	**100**

Note:

1. *Mr. Li Lixin's interests in 2,832,373,680 Shares are held as to 17,822,000 Shares personally, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited and 1,482,412,666 Shares through Shi Hui Holdings Limited. The issued share capital of Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited are wholly owned by Mr. Li Lixin. Mr. Li Zhangyi, son of Mr. Li Lixin, is beneficially interested in 15,566,000 Shares.*

2. *Ms. Cheng Weihong is interested in 1,389,407,702 Shares through Mighty Mark Investments Limited and 300,000,000 Shares through Hopeful Glad Limited. The entire issued share capital of Mighty Mark Investments Limited and Hopeful Glad Limited are owned by Ms. Cheng Weihong. Ms Cheng's associates, being Beasy East Asia Limited and two individuals, are interested in 99,144,754 Shares, 2,000,000 Shares and 3,000,000 Shares respectively.*

3. *Mighty Mark Investments Limited does not have any involvement in the Acquisition.*

4. *The Acquisition will not result in a change in control of the Company.*

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated in the BVI on 5 February 2018. As at the Latest Practicable Date, the Target Company is the legal and beneficial owner of the entire issued share capital of the HK Company. The HK Company is an investment holding company incorporated in Hong Kong on 20 June 2012, which owns 100% equity interest in WFOE.

WFOE is a limited liability company established in the PRC on 27 November 2002, which is an investment holding company and engaged in the provision of ancillary services related to parallel imported car trading platform. As at the Latest Practicable Date, the registered capital of WFOE is USD10 million, all of which has been paid and the entire equity interest in WFOE is indirectly owned by the Target Company, WFOE owns the entire equity interest in the Operating Company.

The Operating Company is a limited liability company established in the PRC on 28 February 2001, which is the primary operating company in the Target Group and principally engaged in the operation of parallel imported car trading platform. As at the Latest Practicable Date, the registered capital of the Operating Company is RMB350 million, which is fully paid-up and the entire equity interest in the Operating Company is indirectly owned by the Target Company.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the consolidated financial information of the Target Group prepared in accordance with the Hong Kong financial Reporting Standards for the two years ended 31 December 2017 and 2018.

	Year ended 2017	**Year ended 2018**
	(RMB'000)	*(RMB'000)*
Gross merchandise volume*	4,455,200	5,073,700
Revenue**	121,423	190,698
Net profit before taxation	154,647	141,824
Net profit after taxation	114,937	106,110

The audited consolidated net asset value of the Target Group was approximately RMB1,127,652,000 as at 31 December 2018.

* This represents the total sales dollar value for imported cars traded through the platform of the Target Group.

** This represents commission and service income earned from the operation of parallel imported car trading platform and rental income and management fee income from Properties.

GENERAL INFORMATION ON THE PARTIES

The Group

The Company is a company incorporated in Bermuda with limited liability. Its principal activity is investment holding. The Group is principally engaged in (i) manufacturing and trading of plastic and metallic household products; (ii) operation of department stores and supermarkets; (iii) wholesales of alcohol, wine, beverages and electrical appliances; (iv) the trading and sales of imported cars; and (v) investment holding.

The Vendor

The Vendor was incorporated with limited liability in the BVI and is an investment holding company. The Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company as at the Latest Practicable Date.

The Vendor Guarantor

The Vendor is wholly owned by the Vendor Guarantor. The Vendor Guarantor is a natural person who is the son-in-law of Mr Tong Shiping (an executive Director) and Ms. Cheng Weihong (a non-executive Director and a substantial shareholder of the Company) and a businessman.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group owns two properties located in Tianjin, the PRC, which are used for conducting its business. The land use rights of two parcels of land where the Properties are situated have been granted to the Operating Company. Details of the Properties are as follows:

	Location	Gross Floor area *(square meters)*
Property A	No. 188 Tianbao Avenue, Binhai New District, Tianjin, PRC	28,568.61
Property B	No. 86 Tianbao Avenue, Binhai New District, Tianjin, PRC	42,302.36

The main current use of Property A and Property B are leased to tenants for rental income. The main business operations of the Target Group are operating of parallel imported car trading platform and various car showrooms in Tianjin, the PRC with a showroom area of over 40,000 square metres with over 1,000 display car spaces, as well as its involvement with more than 1,000 car dealers.

The Target Group is one of the first enterprises to engage in the business of parallel imported cars in the PRC with experience of nearly 20 years, and is one of the leaders in the industry. The Company considers that possessing distinguished port service resources (including value added services such as logistics, customs declaration, customs clearance, warehousing, assistance for insurance, information services, settlement support and assistance for financial facilities) in Tianjin and access to the domestic sales network, the Target Group is well positioned as a sales and logistics hub for trading and sales of imported cars in the PRC.

The Board believes that the automotive industry is a fast growing market in the PRC with significant growth potential having considered (i) the increasing trend of cars sales in PRC market over the past years; and (ii) the favourable government policies such as lowering import tariff on car sales and boosting local automobile consumption in support of domestic economy. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to expand its automotive business and to broaden its source of income.

FINANCIAL EFFECT OF THE PROPOSED ACQUISITION ON THE GROUP

Assets and liabilities

Based on the unaudited pro forma financial information set out in Appendix IV to this circular, the total assets of the Group as at 30 September 2018 would increase from approximately RMB4,187,534,000 to approximately RMB8,181,454,000 and its total liabilities as at 30 September 2018 would increase from approximately RMB1,962,315,000 to approximately RMB5,388,679,000 as a result of the Acquisition.

Earnings

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the consolidated financial results of the Target Group will be consolidated into the consolidated financial results of the Group. It is expected that the Group will record additional revenue stream and earnings from the Target Group. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, it is expected that the Group will recognise a negative goodwill as gain in income statement as a result of the Acquisition.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Sale Shares are held by the Vendor, the entire issued share capital of which is owned by the Vendor Guarantor. Since (i) the Vendor Guarantor is the son-in-law of Mr. Tong Shiping (an executive Director) and Ms. Cheng Weihong (a non-executive Director); and (ii) Mighty Mark Investments Limited, the entire issued share capital of which is owned by Ms. Cheng Weihong, is a substantial shareholder of the Company holding 1,389,407,702 Shares, representing approximately 18.42% of the total issued share of the Company as at the Latest Practicable Date, both the Vendor and the Vendor Guarantor are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The Acquisition and the transaction contemplated under the Agreement, including the allotment and issue of the Consideration Shares under the Specific Mandate are therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Independent Shareholders as a whole and on how to vote in respect of the resolution to be proposed at the SGM to approve the Acquisition. A letter from the Independent Board Committee is set out on pages 17 and 18 of this circular. Yu Ming has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out from page 19 to page 44 of this circular.

As at the Latest Practicable Date, Mighty Mark Investments Limited and its associates, which held an aggregate of 1,793,552,456 Shares (representing approximately 23.8% of the total issued share capital of the Company) and had control over the voting right in respect of these Shares, shall abstain from voting on the Acquisition (including the issue of the Consideration Shares) at the SGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, no other Shareholder has a material interest in the Acquisition (including the issue of the Consideration Shares) and shall be required to abstain from voting at the SGM in respect of the relevant resolution.

SGM

The Company will convene the SGM at Unit 4608, 46/F, The Center, 99 Queen's Road Central, Central, Hong Kong on 27 June 2019, Thursday at 3:30 p.m. for the Independent Shareholders to consider and approve, among other things, (i) the Agreement and the transactions contemplated thereunder; and (ii) the allotment and issue of the Consideration Shares pursuant to the Specific Mandate.

The notice of the SGM is set out on pages SGM-1 and SGM-2 of this circular. The voting on resolution to be proposed at the SGM will be conducted by way of poll in accordance with Rule 13.39(4) of the Listing Rules.

The Company will publish an announcement on the results of the SGM with respect to whether or not the proposed resolution has been passed by the Independent Shareholders.

A form of proxy is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish and in such event the relevant form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to the letter of the Independent Board Committee set out on pages 17 and 18 of this circular, and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 44 of this circular in respect of the terms of the Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that the terms of the Agreement, which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed for approving the Agreement and the transactions contemplated thereunder.

The Board (including Mr. Tong Shiping and Ms. Cheng Weihong and the members of the Independent Board Committee) considers that the terms of the Agreement, which have been reached after arm's length negotiations among the parties thereto, are on normal commercial terms, fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including Mr. Tong Shiping and Ms. Cheng Weihong and the members of the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the resolution approving the Agreement and the transactions contemplated thereunder at the SGM.

GENERAL

Completion of the Acquisition is subject to the conditions precedent set out under the paragraph headed "Conditions Precedent" in this letter, which may or may not be fulfilled. The Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares and other securities of the Company.

FURTHER INFORMATION

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

Yours faithfully,
For and on behalf of the Board
LISI GROUP (HOLDINGS) LIMITED
Li Lixin
Chairman

LISI GROUP (HOLDINGS) LIMITED
利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

28 May 2019

To the Independent Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROBUST COOPERATION LIMITED;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

We refer to the circular dated 28 May 2019 (the "**Circular**") issued by the Company of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular have the same meanings herein.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Agreement and the Acquisition (including issue of the Consideration Shares under the Specific Mandate) are fair and reasonable, whether the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. Yu Ming has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 5 to 16 of the Circular; (ii) the letter from the Independent Financial Adviser as set out on pages 19 to 44 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition as well as the principal factors and reasons considered by the Independent Financial Adviser in arriving at its recommendation; and (iii) the additional information as set out in the Appendices to the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that (i) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) although the Acquisition is not in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the Acquisition.

Yours faithfully
For and on behalf of the
Independent Board Committee

Mr. He Chengying **Mr. Cheung Kiu Cho Vincent** **Mr. Shin Yick Fabian**

Mr. Kwong Kwan Tong
Independent non-executive Directors

The following is the full text of a letter of advice from Yu Ming Investment Management Limited to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, which has been prepared for the purpose of inclusion in this circular.

YU MING INVESTMENT MANAGEMENT LIMITED
禹 銘 投 資 管 理 有 限 公 司

28 May 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROBUST COOPERATION LIMITED;
(2) ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 9 October 2018, 6 December 2018 and 3 March 2019 in relation to, among other things, the Acquisition, the Agreement and the allotment and issue of the Consideration Shares pursuant to the Specific Mandate, details of which are set out in the section headed "Letter from the Board" (the "**Letter**") in the circular of the Company dated 28 May 2019 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Further to the entering of the MOU, on 2 March 2019, the Company, the Vendor and the Vendor Guarantor entered into the Agreement, pursuant to which, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire equity interest in the Target Company, which through its subsidiaries is principally engaged in the operation of parallel imported car trading platform, for the Consideration of HK$1,200 million.

The Consideration shall be satisfied as to (i) HK$300 million by cash; (ii) HK$500 million by the issue of 500,000,000 Consideration Shares at HK$1.00 per Consideration Share; and (iii) HK$400 million by issue of the Promissory Note by the Company to the Vendor.

As at the Latest Practicable Date, the Sale Shares are held by the Vendor, the entire issued share capital of which is owned by the Vendor Guarantor. Since (i) the Vendor Guarantor is the son-in-law of Mr. Tong Shiping (an executive Director) and Ms. Cheng Weihong (a non-executive Director); and (ii) Mighty Mark Investments Limited, the entire issued share capital of which is owned by Ms. Cheng Weihong, is a substantial Shareholder holding 1,389,407,702 Shares, representing approximately 18.42% of the total issued share of the Company as at the Latest Practicable Date, both the Vendor and the

Vendor Guarantor are connected persons of the Company under Chapter 14A of the Listing Rules. As such, the Acquisition constitutes a connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but all are less than 100%, the Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

The Acquisition and the transaction contemplated under the Agreement, including the allotment and issue of the Consideration Shares under the Specific Mandate are therefore subject to reporting, announcement, circular and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole and on how to vote in respect of the resolutions to be proposed at the SGM to approve the Acquisition. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Company ("**Relevant Information**"). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any fact or circumstance which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the principal factors and reasons set out below:

1. Background information of the Group

(a) Principal business of the Group

The Group is principally engaged in (i) manufacture and trading of plastic and metallic household products; (ii) operation of department stores and supermarket operation; (iii) wholesales of wine, beverages and electrical appliances; (iv) trading and sales of imported cars; and (v) investment holding.

(b) Financial information of the Group

Set out below is a summary of the financial results of the Group for the two years ended 31 March 2017 and 2018 as extracted from the annual report of the Company for the year ended 31 March 2018 ("**2018 Annual Report**") and the six months ended 30 September 2017 and 2018 as extracted from the interim report of the Company for the six months ended 30 September 2018 ("**2018-19 Interim Report**").

	For the year ended 31 March		**For the six months ended 30 September**	
	2017	**2018**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	1,239,692	3,885,647	2,084,711	1,948,380
Gross profit	248,595	391,673	233,674	240,713
Net (Loss)/Profit attributable to owners of the Company	(656,758)	(938,992)	(642,979)	102,326
Revenue by segments				
Manufacturing and trading	340,827	328,996	158,105	196,149
Retail	430,375	485,497	217,083	208,835
Wholesale	266,162	279,739	136,706	130,063
Car-sale	159,537	2,742,468	1,544,757	1,383,187
Investments holding	42,616	48,947	28,060	30,146
Unallocated	175	–	–	–
Total	1,239,692	3,885,647	2,084,711	1,948,380

	As at 31 March		As at 30 September
	2017	**2018**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Unaudited)
Total assets	4,037,758	4,680,833	4,187,534
Total liabilities	2,883,672	4,326,655	1,962,315
Net assets	1,154,086	354,178	2,225,219
Debt-to-assets ratio[1]	30.0%	32.3%	25.2%
Current assets	1,968,170	2,638,119	2,136,202
Current liabilities	1,602,302	3,883,498	1,550,200
Net current assets/(liabilities)	365,868	(1,245,379)	586,002
Bank balances and cash	128,424	162,474	47,787

Note:

1. Debt-to-assets ratio is defined as total interest-bearing liabilities divided by the Group's total assets.

Financial year ended 31 March 2018

For the year ended 31 March 2018, the Group's revenue amounting to approximately RMB3,885.6 million, which was increased by 213.4% as compared to that of approximately RMB1,239.7 million for the year ended 31 March 2017. The increase was mainly attributable to the increase in revenue from car-sale business to RMB2,742.5 million for the year ended 31 March 2018 from RMB159.5 million for the year ended 31 March 2017.

The Group recorded a gross profit of approximately RMB391.7 million for the year ended 31 March 2018, which was increased by 57.6% as compared to that of approximately RMB248.6 million for the year ended 31 March 2017. Such increase was mainly due to revenue generated from car-sale business, but partially offset by increased cost of sales.

For the year ended 31 March 2018, the Group recorded a net loss of RMB939.0 million, compared to the net loss of RMB656.8 million for the corresponding last year. The loss was attributable to the recognition of the change in fair value of approximately RMB1,019.7 million from the contingent consideration payable in respect of a completed acquisition.

Total assets increased from approximately RMB4,037.8 million as at 31 March 2017 to approximately RMB4,680.8 million as at 31 March 2018, representing an increase of 15.9%. The increase was mainly attributable to the growth in (i) inventories of approximately RMB176.3 million; (ii) trade and other receivables of approximately RMB185.8 million; and (iii) restricted bank deposits of approximately RMB181.2 million.

Total liabilities increased from approximately RMB2,883.7 million as at 31 March 2017 to approximately RMB4,326.7 million as at 31 March 2018, representing an increase of 50.0%. The reason for the increase in total liabilities was mainly attributable to the increase in trade and other payables of approximately RMB1,923.3 million.

NAV attributable to owners of the Company decreased by around 69.3% to approximately RMB354.2 million as at 31 March 2018 from approximately RMB1,154.1 million as at 31 March 2017. NAV attributable to owners of the Company per Share, based on the total number of issued Shares of 7,544,020,391 as at the Latest Practicable Date, was approximately RMB0.05 as at 31 March 2018.

As at 31 March 2018, the Group's debt-to-assets ratio (defined as total interest-bearing liabilities divided by total assets) was approximately 32.3% as compared to that of approximately 30.0% as at 31 March 2017. The increase in debt-to-assets ratio was mainly due to bank and other loans increasing from approximately RMB1,213.3 million as at 31 March 2017 to approximately RMB1,513.2 million as at 31 March 2018.

Six months ended 30 September 2018

For the six months ended 30 September 2018, the Group's revenue reduced to approximately RMB1,948.4 million from approximately RMB2,084.7 million for the corresponding period in 2017, representing a reduction of approximately 6.5%. The decrease was mainly due to declined revenue from car-sale business from approximately RMB1,544.8 million for the six months ended 30 September 2017 to approximately RMB1,383.2 million for the six months ended 30 September 2018.

The Group recorded a gross profit of approximately RMB240.7 million for the six months ended 30 September 2018, similar to approximately RMB233.7 million for the six months ended 30 September 2017.

Net profit for the six months ended 30 September 2018 was approximately RMB102.3 million compared to a net loss of RMB643.0 million for the corresponding period last year. The change from net loss to net profit was mainly because the Group recorded finance income of approximately RMB52.0 million for the six months ended 30 September 2018, while it recorded finance costs of approximately RMB742.2 million for the six months ended 30 September 2017.

Total assets decreased from approximately RMB4,680.8 million as at 31 March 2018 to approximately RMB4,187.5 million as at 30 September 2018, representing a decrease of 10.5%. The reason for the decrease was mainly attributable to the decrease in restricted bank deposits of approximately RMB525.9 million and cash and cash equivalents of approximately RMB114.7 million.

Total liabilities decreased from approximately RMB4,326.7 million as at 31 March 2018 to approximately RMB1,962.3 million as at 30 September 2018, representing an decrease of 54.6%. The decrease was mainly attributable to decrease in trade and other payables by approximately RMB1,923.5 million and balance of bank and other loans by approximately RMB458.0 million.

NAV attributable to owners of the Company increased by around 528.3% to approximately RMB2,225.2 million as at 30 September 2018 from approximately RMB354.2 million as at 31 March 2018. NAV attributable to owners of the Company per Share, based on the total number of issued Shares of 7,544,020,391 as at the Latest Practicable Date, was approximately RMB0.29 as at 30 September 2018.

As at 30 September 2018, the Group's debt-to-assets ratio was approximately 25.2%, which was lower than the debt-to-assets ratio of approximately 32.3% as at 31 March 2018. The decrease in the debt-to-assets ratio was mainly due to decrease in bank and other loans by approximately RMB458.0 million.

(c) Outlook of the Group

The Group has been working on operational efficiency in resource management and scale procurement, brand building and enhancement and cost control with business strategy of focusing on high margin products/services.

The management also actively look into further investment and acquisition targets of appropriate and reasonable valuation and consider other uses of fund for the best benefit of the Company and the Shareholders as a whole. The investment objectives of the Group will be in driving impactful business growth, strengthening further competitive advantage of existing business segments and enhancing the return to the Shareholders.

2. Background information on the Target Group

(a) Principal business of the Target Group

The Target Company is an investment holding company incorporated in the BVI on 5 February 2018. As at the Latest Practicable Date, the Target Company is the legal and beneficial owner of the entire issued share capital of the HK Company. The HK Company is an investment holding company incorporated in Hong Kong on 20 June 2012, which in turn owns 100% equity interest in WFOE.

WFOE is a limited liability company established in the PRC on 27 November 2002, which is an investment holding company and engaged in the provision of ancillary services related to parallel imported car trading platform. As at the Latest Practicable Date, the registered capital of WFOE is USD10 million, all of which has been paid and the entire equity interest in WFOE is indirectly owned by the Target Company and WFOE owns the entire equity interest in the Operating Company.

The Operating Company is a limited liability company established in the PRC on 28 February 2001, which is the primary operating company in the Target Group and principally engaged in the operation of parallel imported car trading platform. As at the Latest Practicable Date, the registered capital of the Operating Company is RMB350 million, which is fully paid-up and the entire equity interest in the Operating Company is indirectly owned by the Target Company.

(b) Financial information of the Target Group

Set out below is a summary of the financial results of the Target Group for the three years ended 31 December 2016, 2017 and 2018, as extracted from the Accountants' Report.

	For the year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Revenue	105,491	121,423	190,698
Gross profit	73,402	90,439	160,261
Net profit attributable to owners of the Target Company	40,358	114,937	106,110

	As at 31 December		
	2016	**2017**	**2018**
Total assets	3,416,200	3,799,968	4,059,266
Total liabilities	2,510,284	2,776,887	2,931,614
Net assets	905,916	1,023,081	1,127,652
Current assets	1,886,386	2,176,550	2,341,882
Current liabilities	1,689,854	2,015,857	2,123,501
Net current assets	196,532	160,693	218,381
Bank balances and cash	39,288	42,351	12,571

Financial year ended 31 December 2018

For the year ended 31 December 2018, the Target Group's revenue amounting to approximately RMB190.7 million increased by 57.1% as compared to that of approximately RMB121.4 million for the year ended 31 December 2017, as the revenue from parallel imported car trading platform business increased to RMB116.3 million for the year ended 31 December 2018 from RMB48.3 million for the year ended 31 December 2017 due to increased service fee and increased transaction amount through the platform.

For the year ended 31 December 2018, the Target Group recorded net profit attributable to owners of approximately RMB106.1 million, decreasing by 7.7% as compared to RMB114.9 million for the year ended 31 December 2017. The decrease in profit attributable to owners are mainly due to the reduction in other income and the increase in impairment losses and interest expense.

Total assets increased from approximately RMB3,800.0 million as at 31 December 2017 to approximately RMB4,059.3 million as at 31 December 2018, representing an increase of 6.8%. The increase was mainly attributable to the increase in trade and other receivables of approximately RMB86.5 million and restricted bank deposits of approximately RMB129.5 million.

Total liabilities increased from approximately RMB2,776.9 million as at 31 December 2017 to approximately RMB2,931.6 million as at 31 December 2018, representing an increase of 5.6%. The increase was mainly due to increase in bank and other loans of approximately RMB371.2 million.

Financial year ended 31 December 2017

For the year ended 31 December 2017, the Target Group's revenue amounting to approximately RMB121.4 million increased by 15.1% as compared to that of approximately RMB105.5 million for the year ended 31 December 2016, increase in revenue was mainly attributable to the increase from parallel imported car trading platform business to RMB48.3 million for the year ended 31 December 2017 from RMB39.5 million for the year ended 31 December 2016.

For the year ended 31 December 2017, the Target Group recorded profit attributable to owners of approximately RMB114.9 million, increasing by 184.4% as compared to RMB40.4 million for the year ended 31 December 2016. The increase in profit attributable to owners are mainly due to increase in revenue and valuation gain of investment properties.

Total assets increased from approximately RMB3,416.2 million as at 31 December 2016 to approximately RMB3,800.0 million as at 31 December 2017, representing an increase of 11.2%. The increase was mainly attributable to increase in trade and other receivables of approximately RMB349.8 million.

Total liabilities increased from approximately RMB2,510.3 million as at 31 December 2016 to approximately RMB2,776.9 million as at 31 December 2017, representing an increase of 10.6%. The increase was mainly attributable to the increase in trade and other payables of approximately RMB490.8 million.

(c) Outlook of the Target Group

Given the Target Group was nominated as the pilot enterprise by Tianjin Binhai New Area Commission of Commerce for operating as Tianjin's first parallel car import platform, providing a one-stop service for car exhibition, car trading and guarantees services, the Target Group is well positioned to ride on the industry growth as mentioned under the section headed "Reasons and benefits of the Acquisition" below.

3. Reasons for and benefits of the Acquisition

According to the Ministry of Industry and Information Technology of the PRC, the PRC government considered its automotive industry as one of the country's pillar industries. As such, the Board considers that the Acquisition provides a valuable opportunity to the Group to further expand into the PRC automotive industry.

The Target Group is one of the first enterprises to engage in the business of parallel imported cars in the PRC with experience of nearly 20 years, and is one of the leaders in the industry. The Company considers that possessing distinguished port service resources (including value added services such as logistics, customs declaration, customs clearance, warehousing, assistance for insurance, information services, settlement support and assistance for financial facilities) in Tianjin and access to the domestic sales network, the Target Group is well positioned as a sales and logistics hub for trading and sales of imported cars in the PRC.

The Target Group also owns two properties located in Tianjin, the PRC, which are used for conducting its business. The land use rights of two parcels of land where the Properties are situated have been granted to the Operating Company. Details of the Properties are as follows:

	Location	**Gross Floor area** *(square meters)*
Property A	No. 188 Tianbao Avenue, Binhai New District, Tianjin, PRC	28,568.61
Property B	No. 86 Tianbao Avenue, Binhai New District, Tianjin, PRC	42,302.36

The main current use of Property A and Property B are leased to tenants for rental income. The main business operations of the Target Group are operating of parallel imported car trading platform and various car showrooms in Tianjin, the PRC with a showroom area of over 40,000 square metres with over 1,000 display car spaces, as well as its involvement with more than 1,000 car dealers.

According to the 2018 Annual Report, the trading and sales of imported cars business in Tianjin, PRC managed to contribute revenue of RMB2,742.5 million for the year ended 31 March 2018, which constitute 70.6% of total revenue of the Group.

As mentioned above, the Board believes that the trading and sales of imported cars industry is a fast growing market in the PRC with significant growth potential having considered (i) the increasing trend of cars sales in PRC market over the past years and (ii) the favourable government policies such as lowering import tariff on car sales and boosting local automobile consumption in support of domestic economy. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to expand its automotive business and to broaden its source of income. The Directors are of the view that the Company can utilise the car trading platform to sell the imported cars, thus increasing the revenue generated from its trading and sales of imported car business, while the Properties will generate a stable source of rental income and management fees. On the other hand, the Group can save the development expense to develop platforms for distributing imported cars, as well as gaining valuable industry experience and know how and customer base.

Overview of the PRC automotive business

Based on the understanding obtained from the management, we are aware that a factor contributing to the demand of automotive business in the PRC includes growth in nationwide disposal income.

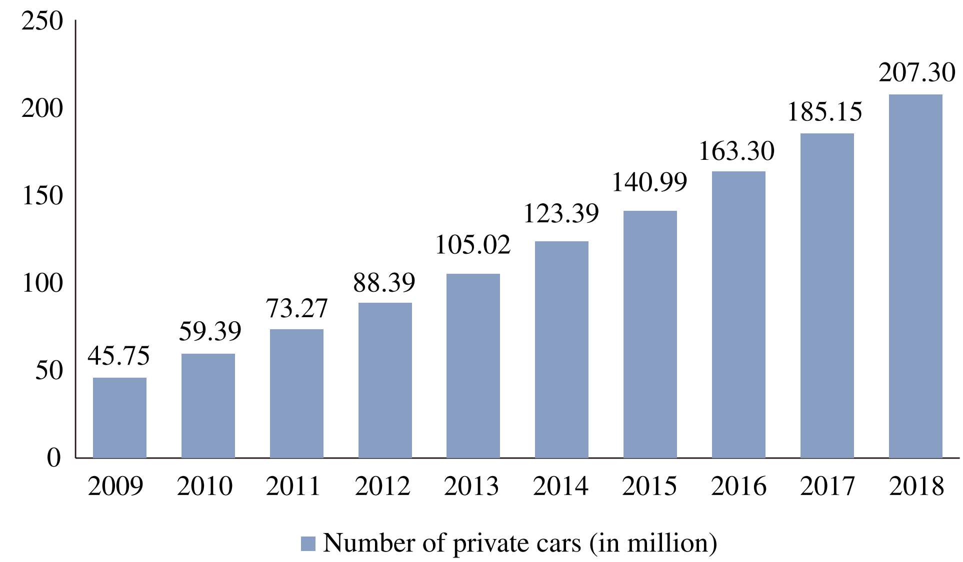
The table below summarises the recent trend in PRC's disposable income nationwide per capita from 2015 to 2018:

	2015	**2016**	**2017**	**2018**
	RMB	*RMB*	*RMB*	*RMB*
Disposable income nationwide per capita	21,966	23,821	25,974	28,228

Source: National Bureau of Statistics of China

According to the data published by the National Bureau of Statistics of China as shown, the disposable income nationwide per capita in the PRC has shown a steady growth between 2015 to 2018. We note that the amount increased by approximately 8.4% to approximately RMB23,821 between 2015 and 2016 which further grew by approximately 9.0% to approximately RMB25,974 in 2017 and 8.7% to approximately RMB28,228 in 2018.

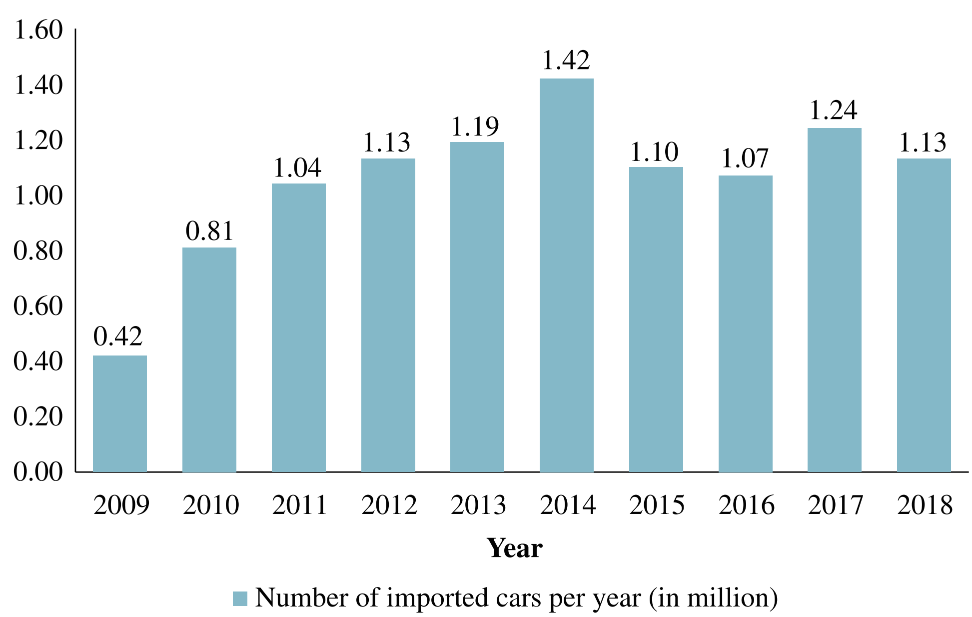
Set out below is the chart of number of private cars in the PRC form 2009 to 2018:



Source: National Bureau of Statistics of China

According to the data published by the National Bureau of Statistics of China as shown, the number of private cars increased expansionary from 45.8 million in 2009 to 207.3 million in 2018, an increase of 352.6%.

Set out below is the chart of cars imported to the PRC form 2009 to 2018:



Source: National Bureau of Statistics of China

According to the data published by the National Bureau of Statistics of China as shown, in 2018, the number of cars imported to the PRC was approximately 1.13 million, which has been relatively steady in the past 4 years after a record high of approximately 1.42 million in 2014. However, if we consider a longer horizon, we can observe that the number of imported cars increased by 169.0% from approximately 0.42 million in 2009 to approximately 1.13 million in 2018.

Based on the above, we concur with the management's view that the trading and sales of imported cars industry will continue to grow and consider it worthwhile for the Group to increase capital expenditure in this sector business.

Taken into account (i) the trading and sales of imported cars business is the major income source of the Company for the year ended 31 March 2018; and (ii) steady growth in the number of cars in the PRC and nationwide disposable income in general shows positive prospects for the automotive industry as a whole, we are of the view that although the Acquisition is not in the ordinary and usual course of business of the Company, the entering into the Agreement is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

We summarise below the principal terms of the Agreement. For more details, please refer to the "Letter from the Board" of the Circular.

Date of the Agreement:	2 March 2019
Parties:	(i) the Company (as purchaser);
	(ii) the Vendor (as seller); and
	(iii) the Vendor Guarantor (as guarantor to the seller).
Asset to be acquired:	Pursuant to the Agreement, the Company has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares, representing 100% of the issued share capital of the Target Company as at the date of the Agreement.

Consideration: The Consideration of HK$1,200 million shall be satisfied:

(i) as to HK$300 million by cash;

(ii) as to HK$500 million by the issue of 500,000,000 Consideration Shares at HK$1.00 per Consideration Share and

(iii) as to HK$400 million by issue of the Promissory Note by the Company to the Vendor within 10 Business Days after Completion.

(a) Evaluation of consideration

As set out in the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the Company and the Vendor with reference to the Appraised Value as shown in the preliminary valuation report of the Target Group. The appraised value of the Target Group is approximately RMB2,288 million as at 31 December 2018 according to the finalised valuation report ("**Business Valuation Report**").

The Target Group's Appraised Value represents the aggregated fair values of (i) the Target Group's business ("**Business Valuation**"); and (ii) the Properties as at 31 December 2018 ("**Properties Valuation**"). The market value of the Properties was approximately RMB1,738 million as appraised by RHL Appraisal Limited ("**RHL**"), valuation report of the Properties ("**Properties Valuation Report**") is enclosed as Appendix V of the Circular.

The Consideration of HK$1,200 million is equal to the value of the Target Group's Appraised Value (on a debt-fee basis). The Properties Liability of RMB1,217 million will not be settled before Completion.

In order to assess the basis in determining the Consideration, we have (i) reviewed the Business Valuation Report; and (ii) reviewed the Properties Valuation Report and have discussed with RHL and the management of the Company

Properties Valuation

We have interviewed the relevant staff members of RHL with particular attention to (i) the steps and due diligence measures taken by RHL in performing the Properties Valuation; (ii) RHL's terms of engagement with the Company; and (iii) RHL's qualification and experience in relation to the preparation of the Properties Valuation Report.

Steps and due diligence measures

We noted that RHL has adopted the market approach in valuing the Properties by assuming sale of property interests in their existing state and by making reference to comparable asking or sale transactions as available in the relevant markets. In conducting the valuation of the Property, RHL has also adopted the following assumptions:

– the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests;

– no allowance has been made for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale, that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values; and

– the property interests are held under long term land use rights, the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights.

RHL advised that the above are the assumptions generally adopted in properties valuations. We have, in such regard, conducted independent research and noted that the above assumptions have been commonly adopted in the valuations of assets including properties of other listed companies in Hong Kong.

RHL has estimated the value of a property by comparing recent sales of similar interests in the building or buildings located in their surrounding area. By analysing such sales which qualify as "arms-length" transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the property.

In this regard, we have reviewed the comparables selected by RHL and discussed the basis of selection of 3 comparables for Property A and 5 comparables for Property B. RHL has identified comparables based on the criteria that (i) such transaction had been completed, and the completion had been published in public sources in the last two years; (ii) the underlying target properties were located in the same area or similar location in Tianjin; and (iii) the underlying target properties have similar characteristics.

We have also discussed with RHL and understand that RHL has considered three different generally accepted valuation methods, namely the market approach, the cost approach and the income approach in arriving at the market value of the Properties. Based on our discussions, RHL considered it is most appropriate to adopt the market approach as compared with the cost approach and the income approach as the subject assets are actively publicly traded and there are frequent and/or recent observable askings. Furthermore, RHL confirmed that the adoption of market approach is a normal industry practice for the Properties based on their expertise and experience.

We are given to understand RHL relied to information provided by the Group and the legal adviser, in respect of the titles of the property interests in the PRC. RHL has also accepted advice given on matters such as identification of the properties, particulars of occupancy, statutory notices, easements, tenure, areas, site plans and all other relevant matters.

Terms of engagement

From our review of the engagement letter between the Company and RHL, we are satisfied that the terms of engagement between the Company and RHL are appropriate to the opinion RHL is required to give. We have also reviewed the credentials provided by the RHL and were satisfied with their experience and expertise. RHL has confirmed that it is independent from the Company and the Target Group and its related persons.

Qualification and experience

We understand that RHL is certified with the relevant professional qualifications required to perform the Properties Valuation and the persons-in-charge of the Properties Valuation have over 20 years and 8 years of experience in conducting valuation of properties in Hong Kong, Macau, mainland China and the Asia Pacific Region.

Further details of the bases and assumptions of the Properties Valuation are included in the Properties Valuation Report as contained in Appendix V to the Circular. During our discussion with the RHL, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for or the information used in the Properties Valuation. Nevertheless, Shareholders should note that the valuation of assets or properties usually involves assumptions and therefore the Properties Valuation may or may not reflect the true market value of the Properties accurately.

Business Valuation

With reference to the Business Valuation Report, we noted that the Target Business was valued using market approach, which considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised asset relative to market. Under the market approach for this case, the guideline public companies method is adopted to arrive at the value of the subject business. This method considers prices recently paid for similar assets relating to the subject company's major business industry, with adjustments made to the indicated market prices to reflect condition and utility of the appraised business relative to the market comparables, if appropriate and necessary.

In the selection of comparables, it has considered the publicly listed companies on the Hong Kong Stock Exchange and Shanghai Stock Exchange, where the major line of business of these comparables are engaged in the same or similar line of business as that of the Target Group. Various multiples may be used to analyse the business ownership interests depending the nature of business and other specific conditions. For companies engaged in the business as that of the Target Group, the major drivers of their value are derived from profitability performance and earnings power. As such, valuation multiple of Price-to-earnings ratio ("**P/E Ratio**") is adopted.

After collecting the above valuation multiple of the selected comparables, an average value of the 8.65 time is adopted for valuation.

We have counter check the valuation of the car trading business, by comparing the valuation P/E Ratio of the Target Group to Hong Kong and Shanghai listed issuers that mainly operate in car trading business.

Stock code	**Company name**	**P/E (based on closing price on the Latest Practicable Date)**
881	Zhongsheng Group Holdings Limited	9.5
1268	China MeiDong Auto Holdings Limited	11.7
1293	Grand Baoxin Auto Group Limited	10.0
1728	China Zhengtong Auto Services Holdings Limited	5.6
3669	China Yongda automobiles Services Holdings Limited	7.5
3836	China Harmony New Energy Auto Holdings Limited	4.8
600297	China Grand Automotive Services Co., Ltd.	11.1
600335	Sinomach Automobile Co., Ltd.	11.7
600653	Shanghai Shenhua Holdings Co., Ltd.	13.0
	Minimum	***4.8***
	Maximum	***13.0***
	Mean	***9.4***
	Median	***10.0***

In this comparison we have identified, to our best effort (i) all the companies listed on the Main Board of the Hong Kong Stock Exchange that operate in car trading business classified as "consumer goods-automobiles" by HSIC; and (ii) all the companies listed on the Shanghai Stock Exchange that operate in car trading business, with over 75% revenue generated from in car trading business in the PRC and has positive net profit after tax for the latest financial year. Amongst which, 6 comparable companies listed on the Hong Kong Stock Exchange and 3 comparable companies listed on the Shanghai Stock Exchange, which were selected based on the similar selection criteria as adopted in the Business Valuation. Based on the market capitalisation of these comparables as at the Latest Practicable Date and the respective audited earnings attributable to owners of the comparables extracted from their respective latest published annual reports, the P/E Ratio of the comparables ranged from around 4.8 times to around 13.0 times with mean of approximately 9.4 times and median of 10.0 times. We note that the P/E Ratio of the Target Group used in the Business Valuation is within the range and close to the mean and median of the comparables.

With reference to the Business Valuation Report, a control premium and a discount for lack of marketability have been incorporated in the valuation of the Target Group based on guideline companies' multiples. We noted the control premium was adopted with reference to research result as published in the FactSet MergerStat Control Premium Study, where the sources of the information were from regulatory filings and public announcements for mergers and acquisitions in all markets. We have reviewed such research and find it consistent with the control premium used.

We further noted that the discount for lack of marketability ("**DLOM**") was adopted to value non-publicly traded company and as accordingly, the ownership interest in the Target is not readily marketable for the Target Company is a non-public trading company. Whilst the P/E Ratio was determined based on public listed companies whose shares are marketable, the incorporation of DLOM is to adjust such marketable interest value back to non-marketable interest value. Estimation of DLOM uses the Black Scholes model, which is a common and widely adopted method in the market. We have reviewed such calculation and find it reasonable.

In light of the above, and having considered that the Consideration of HK$1,200 million paid by the Group is equal to the value of the Target Group's Appraised Value (on a debt-free basis), we consider that the Consideration is justifiable and in the interests of the Company and the Shareholders as a whole. Accordingly, we are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

(b) Evaluation of Issue price

Comparison with recent issue of Consideration Shares

To further assess the fairness and reasonableness of the Issue Price, we have conducted a comparable analysis ("**Comparable Share Issues**") through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring), which (i) the transaction only involved issues of consideration shares to vendors that are connected persons for acquisition(s) and constituted a major transaction pursuant to Rule 14.08 of the Listing Rules and (ii) had net asset value of not more than HK$5 billion based on the latest respective annual report during the period from 1 September 2018, being six months immediately preceding the Last Trading Day, to the Last Trading Day (the "**Review Period**"). We consider such list an exhaustive list of relevant comparable issues of consideration shares based on the said criteria above.

Despite the subject companies constituting the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective acquisitions and different reasons for issuing consideration shares for their transaction, we would still consider, in light of our selection criteria, capturing recent issue of consideration shares by listed companies to connected person(s) for acquiring assets/companies under similar market conditions and sentiments can provide us with a general reference on the recent market trend of this type of transaction in Hong Kong equity capital market. Based on the aforesaid, despite the large range of discount/premium represented by the respective issue price under the Comparable Share Issues, we regard the Comparable Share Issues meaningful and representative samples for assessing the fairness and reasonableness of the Issue Price.

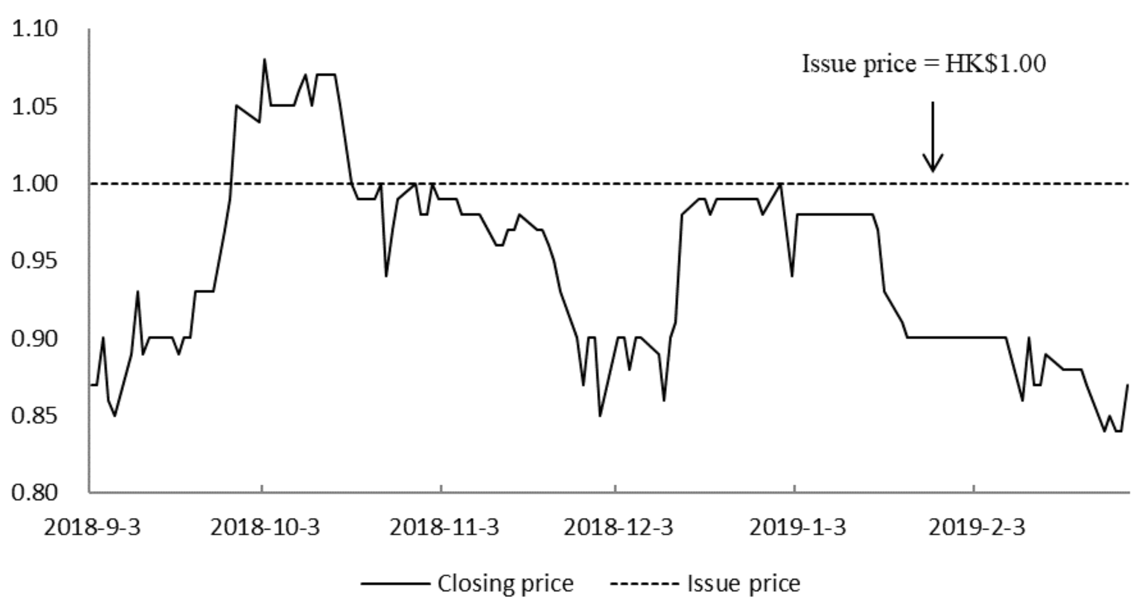
			Premium/(discount) of subscription price over/(to)		
Company name (Stock code)	**Date of announcement**	**Subscription price**	**the closing price on announce–ment date**	**the closing price of average of the last five (5) trading days**	**the closing price of average of the last ten (10) trading days**
New City Development Group Limited (456)	18-Feb-19	0.82	1.0%	0.0%	(4.0)%
Minshang Creative Technology Holdings Limited (1632)	31-Dec-18	1.10	(17.3)%	(11.6)%	(11.9)%
China Shengmu Organic Milk Limited (1432)	21-Dec-18	0.33	10.0%	(0.6)%	(0.9)%
Hao Tian International Construction Investment Group Limited (1341)	17-Dec-18	0.36	0.0%	(1.4)%	1.1%
OneForce Holdings Limited (1933)	29-Nov-18	0.68	21.4%	21.9%	21.9%
Differ Group Holding Company Limited (6878)	7-Nov-18	0.55	3.8%	5.8%	5.6%
Yongsheng Advanced Materials Company Limited (3608)	1-Nov-18	2.48	0.0%	0.8%	3.3%
	Average		**2.7%**	**2.1%**	**2.2%**
	Maximum		**21.4%**	**21.9%**	**21.9%**
	Minimum		**(17.3)%**	**(11.6)%**	**(11.9)%**
The Company	**2-Mar-19**	**1.00**	**14.9%**	**17.9%**	**15.9%**

The Issue Price represents a premium of approximately 14.9% to the closing price of the Shares on the date of the Agreement which is higher than the average premium of 2.7% represented by the issue price under the Comparable Share Issues. We also note that whilst the premiums represented by the Issue Price are all within the range of those under the Comparable Share Issues for each of the stated periods, the Issue Price represents a premium higher than the average premium derived from the issue prices of the Comparable Share Issues as compared with the respective average closing price for the last 5 and 10 consecutive trading days prior to or up to and including the last trading day. As such, we are of the view that the Issue Price is fair and reasonable.

Analysis of movements in Share price

Pursuant to the Sale and Purchase Agreement, 500,000,000 Consideration Shares at the Issue Price of HK$1.00 each will be issued by the Company to settle the Consideration upon Completion.

For the purpose of assessing the fairness and reasonableness of the Issue Price, we have reviewed the movements in closing price of the Shares for the Review Period. We are of the view that a period of six months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Issue Price.



Source: the Stock Exchange website

From the chart above, the Shares price closed in a range between HK$0.84 and HK$1.08 per Share during the Review Period with an average of approximately HK$0.94.

The Company's closing Share price rallied between mid-September and mid-October. From mid-October to November, the closing price declined rapidly from the highest point of HK$1.08 on 3 October 2018 to HK$0.85 on 30 November 2018. The Share price began to climb up again from 30 November 2018 to HK$1.00 per share on 31 December 2018. However, the Share price dropped gradually thereafter to HK$0.87 as at the Last Trading Day.

The issue price of HK$1.0 per Consideration Share was determined after arm's length negotiations with reference to the prevailing market price of the Shares and represents:

(i) a premium of approximately 14.9% over the closing price of HK$0.870 per Share as quoted on the Stock Exchange on 3 September 2018, the start of the Review Period;

(ii) a discount of approximately 7.4% to the closing price of HK$1.080 per Share as quoted on the Stock Exchange on 3 October 2018, being the highest closing price during the Review Period;

(iii) a premium of approximately 19.0% over the closing price of HK$0.840 per Share as quoted on the Stock Exchange on 25, 27 and 28 February 2019, being the lowest closing price during the Review Period;

(iv) a premium of approximately 14.9% over the closing price of HK$0.870 per Share as quoted on the Stock Exchange on the Last Trading Day;

(v) a premium of approximately 17.9% over the average closing price of the Shares as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day of approximately HK$0.848 per Share;

(vi) a premium of approximately 15.9% over the average closing price of the Shares as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day of approximately HK$0.863 per Share;

(vii) a premium of approximately 12.4% over the average closing price of the Shares as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day of approximately HK$0.890 per Share; and

(viii) a premium of approximately 23.5% over the closing price of HK$0.810 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

We can note that the Issue Price is at premium to most time in the Review Period, therefore, we consider the Issue Price fair and reasonable.

Conclusion

Having considered that (i) the Issue Price is within the range of those under the Comparable Share Issues, and at a higher range premium as the Comparable Share Issues; and (ii) the Issue Price of HK$1.00 represents a premium of approximately 6.4% over the average closing price per Share of HK$0.94 for the Review Period, we are of the view that the Issue Price is fair and reasonable.

(c) Promissory Note

The Company will issue the Promissory Note of approximately HK$400 million to settle the remaining portion of the Consideration. The Promissory Note shall bear no interest and shall be unsecured and shall be due on the date falling 36 months from the Completion Date.

In view of the liquidity position of the Group as at 30 September 2018 as mentioned in the section headed "Background of the Group – Financial information of the Group" above and the indebtedness of the Enlarged Group as at 31 March 2019 as mentioned in "Statement of Indebtedness of the Enlarged Group" in the Circular, the management believes that the issue of Promissory Note will (i) enable the Group to defer its cash payment without incurring additional finance cost to the Group; and (ii) allow greater flexibility to the Group and help preserve its cash resources for working capital needs prior to the maturity of the Promissory Note. We understand from the management that the Promissory Note will be fully repaid by internal resources at the maturity date. Given the Company had invested in some treasury products with maturity of less than one year and an aggregate balance of approximately RMB835.9 million as at 30 September 2018, we concur with the Directors' view that the Company has adequate financial resources for future repayment.

Taking into account the above, we are of the view that the issuance of the Promissory Note to settle the remaining portion of the Consideration is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

(d) Section summary

Having considered our discussion above, we are of the view that the terms of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

5. Effect of dilution on public Shareholders

The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon Completion and immediately after the allotment and issuance of the Consideration Shares (assuming no other Shares are issued or repurchased before then):

	As at the Latest Practicable Date		Immediately upon allotment and issue of all Consideration Shares	
	Number of shares	*Approximate %*	*Number of shares*	*Approximate %*
Li Lixin and his associates *(Note 1)*	2,847,939,680	37.8	2,847,939,680	35.4
Mighty Mark Investments Limited and his associates *(Note 2 & 3)*	1,793,552,456	23.8	1,793,552,456	22.3
Vendor	–	–	500,000,000	6.2
Public Shareholders	2,902,528,255	38.4	2,902,528,255	36.1
Total	7,544,020,391	100.0	8,044,020,391	100.0

Note:

1. Mr. Li Lixin's interests in 2,832,373,680 Shares are held as to 17,822,000 Shares personally, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited and 1,482,412,666 Shares through Shi Hui Holdings Limited. The issued share capital of Big-Max Manufacturing Co., Limited and Shi Hui Holdings Limited are wholly owned by Mr. Li Lixin. Mr. Li Zhangyi, son of Mr. Li Lixin, is beneficially interested in 15,566,000 Shares.

2. Ms. Cheng Weihong is interested in 1,389,407,702 Shares through Mighty Mark Investments Limited and 300,000,000 Shares through Hopeful Glad Limited, the entire issued share capital of Mighty Mark Investments Limited and Hopeful Glad Limited are wholly owned by Ms. Cheng Weihong. Ms Cheng's associates, being Beasy East Asia Limited and the other two individuals, are interested in 99,144,754 Shares, 2,000,000 Shares and 3,000,000 Shares respectively.

3. Mighty Mark Investments Limited does not have any involvement in the Acquisition.

4. The Acquisition will not result in a change in control of the Company.

As illustrated in the above shareholding table, upon Completion, a total of 500,000,000 Consideration Shares will be allotted and issued by the Company to the Vendor pursuant to the Agreement as payment for part of the Consideration. As a result, the aggregate shareholding of the public Shareholders will then be diluted from approximately 38.4% to 36.1%, representing a dilution of approximately 2.3%.

Although the Acquisition will result in a dilution for the public Shareholders, we have taken into account (i) the reasons for and benefit of the Acquisition; (ii) the Consideration being fair and reasonable to the Company and the Shareholders as a whole; (iii) the issuance of Consideration Shares and Promissory Notes are viable ways to complete the Acquisition which would allow greater flexibility to the Group and help preserve its cash resources for working capital needs; (iv) the Issue Price being fair and reasonable so far as the Independent Shareholders are concerned; and (v) the potential financial impact to the Group as a result of the Acquisition (as further described in the section below), and consider the effect of dilution on the public Shareholders to be acceptable and fair and reasonable.

6. Possible financial effects as a result of the Acquisition

Upon Completion, the Target Group will become a subsidiary of the Company, and its financial results, assets and liabilities will be consolidated with the accounts of the Group thereafter. The possible financial effects of the Acquisition on the Group's earning, total assets and liabilities and gearing position as described in Appendix IV to the Circular are summarised and considered below. However, it should be noted that the analysis below is for illustration purpose only and does not purport to represent the financial position of the Group upon Completion. The actual financial effects from the Acquisition will be computed based on the financial information of the Target Group on the Completion Date.

(a) Earnings

Upon the Completion, the Target Group will become a wholly-owned subsidiary of the Group and the financial result of the Target Group will be consolidated into the consolidated financial statements of the Group. Given the profitability of the Target Group, it is expected that the Target Company will contribute property management service income to the Group and will enhance the revenue stream and earnings of the Group following Completion. In addition, based on "Unaudited Pro Forma Financial Information of the Enlarged Group" of the Circular, it is expected that the Group will recognise a negative goodwill as gain in income statement as a result of the Acquisition.

(b) Assets and liabilities

Based on the interim report of the Group for the six months ended 30 September 2018, the Group had total assets and total liabilities of approximately RMB4,187.5 million and RMB1,962.3 million, respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, if the Acquisition had been completed on 30 September 2018, the total assets and total liabilities of the Enlarged Group would have increased to approximately RMB8,181.5 million and approximately RMB5,388.7 million respectively.

(c) Gearing position

As at 30 September 2018, the debt-to-assets ratio of the Group was approximately 25.2%, being the total interest-bearing liabilities divided by total assets. Assuming the Acquisition had been completed on 30 September 2018, the debt-to-assets ratio of the Enlarged Group would increase to approximately 27.8%.

(d) Working capital

According to the "Financial information of the Group" as set out in Appendix I to the Circular, after due care and careful consideration of the cash flow forecast and with its underlying assumptions, the Directors are of the opinion that, after taking into account the Acquisition, the present financial resources available to the Enlarged Group, including internally generated funds, existing available banking facilities, the Enlarged Group will have sufficient working capital to meet its present requirements for at least twelve months from the date of the Circular in the absence of unforeseen circumstances.

(e) Section summary

Having considered the abovementioned possible financial effects of the Acquisition, which is not expected to have any material adverse impact on the Enlarged Group immediately upon Completion, we are of the view that the overall possible financial effects to the Group as a result of the Acquisition are acceptable.

We wish to draw the attention of the Shareholders that, as the fair value of the Target to be acquired by the Group under the Acquisition at Completion may be substantially different from the fair value used in the preparation of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to the Circular, the actual financial effects of the Acquisition on the Enlarged Group at the Completion may be different from the amounts presented in this section and the differences may be significant.

7. Conclusion

Having considered the above factors, in particular:

(i) the reasons for entering into the Agreement and transactions being in line with the Group's business focus as discussed in detail in section headed "Reasons for and benefits of the Acquisition" above;

(ii) the Consideration is the same to the Target Group's Appraised Value (on a debt-free basis) based on the Business Valuation Report prepared by RHL;

(iii) the Issue Price being at a premium to the average closing price of the Shares for the Review Period;

(iv) the premium represented by the Issue Price being within the range of those under the Comparable Share Issues for the Review Period and therefore, is considered in line with or better than the market when compared with the Comparable Share Issues;

(v) settlement by Promissory Note will enable the Group to defer its cash payment without incurring additional finance cost, allow greater flexibility to the Group and help preserve its cash resources for working capital needs;

(vi) the dilution factor, as detailed in section headed "Effect of dilution on public Shareholders" above, being considered acceptable so far as the Company and the Independent Shareholders are concerned; and

(vii) as discussed in detail in section headed "Possible financial effects as a result of the Acquisition" above, no material adverse effect on the financial position and profitability of the Group would be expected immediately upon Completion,

we are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

In view of the above principal factors and reasons for the Acquisition, we are of the view that (i) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as Independent Shareholders are concerned; and (ii) although the Acquisition is not in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Yu Ming Investment Management Limited
Warren Lee
Managing Director

*Mr. Warren Lee ("**Mr. Lee**") is a Responsible Officer of Yu Ming Investment Management Limited licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activity under the SFO. Mr. Lee has over 20 years of experience in corporate finance advisory and commercial field in Hong Kong and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for (i) each of the three years ended 31 March 2018 and (ii) the six months ended 30 September 2018 are disclosed in the following documents which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.lisigroup.com.hk/):

- The annual report of the Company for the year ended 31 March 2016 (pages 29 to 111) published on 28 July 2016, available on:
  http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728668.pdf

- The annual report of the Company for the year ended 31 March 2017 (pages 43 to 133) published on 27 July 2017, available on:
  http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0727/LTN20170727503.pdf

- The annual report of the Company for the year ended 31 March 2018 (pages 44 to 131) published on 31 July 2018, available on:
  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0731/LTN20180731181.pdf

- The interim report of the Company for the six months ended 30 September 2018 (pages 3 to 56) published on 28 December 2018, available on:
  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1228/LTN20181228075.pdf

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As at 31 March 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of the circular, the Enlarged Group had aggregate outstanding loans from banks and other financial institutions of approximately RMB2,016,943,000, which are secured and/or guaranteed. Besides, the Enlarged Group had aggregate outstanding borrowings due to shareholders and related parties of approximately RMB178,654,000, which are unsecured and unguaranteed.

Guarantees in an aggregate amount of RMB2,973,100,000 are given to banks with respect of banking facilities granted to third party customers and a related party of the Enlarged Group.

Save as disclosed above, the Enlarged Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 31 March 2019.

3. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors confirm that, after due and careful enquiry and taking into account the Acquisition and the financial resources available to the Enlarged Group including banking facilities and other internal resources, the Enlarged Group will have sufficient working capital for at least the next 12 months commencing from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in (i) manufacturing and trading of plastic and metal household products, (ii) operation of department stores and supermarkets, and (iii) wholesale of alcohol, wine, beverages and electrical appliances；(iv) the trading and sales of imported cars；and (v) investment holding.

According to the Ministry of Industry and Information Technology of the PRC, the PRC government considered its automotive industry as one of the country's pillar industries. As such, the Board considers that the Acquisition provides a valuable opportunity to the Group to further expand into the PRC automotive industry.

The Target Group was nominated as the pilot enterprise by Tianjin Binhai New Area Commission of Commerce for operating as Tianjin's first parallel car import platform, providing a one-stop service for car exhibition, car trading and guarantees services. The Target Group's parallel imported car business has accounted for a majority throughput rate of Tianjian Port in respect of parallel cars imported to the PRC market.

In respect of other existing lines of business, the Group has been working on operational efficiency in resource management and scale procurement, brand building and enhancement and cost control with business strategy of focusing on high margin products/services.

The management will also actively look into further investment and acquisition targets of appropriate and reasonable valuation and consider other uses of fund for the best benefit of the Company and the Shareholders as a whole. The investment objectives of the Group will be in driving impactful business growth, strengthening further competitive advantage of existing business segments and enhancing the return to the Shareholders.

The following is the text of a report set out on pages II – 1 to II – 48, received from the Target Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LISI GROUP (HOLDINGS) LIMITED

Introduction

We report on the historical financial information of Robust Cooperation Limited (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages II - 3 to II - 48, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2016, 2017 and 2018 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II - 3 to II - 48 forms an integral part of this report, which has been prepared for inclusion in the circular of Lisi Group (Holdings) Limited (the "Company" or "Lisi Group") dated 28 May 2019 (the "Circular") in connection with the proposed acquisition of entire equity interests in the Target Company by the Company (the "Proposed Acquisition").

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

The consolidated financial statements of the Target Group for the Relevant Periods ("Underlying Financial Statements"), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2016, 2017 and 2018 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II - 1 have been made.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 May 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Underlying Financial Statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Consolidated statements of profit or loss
(Expressed in Renminbi ("RMB"))

	Note	**2016** *RMB'000*	**2017** *RMB'000*	**2018** *RMB'000*
Revenue	4	105,491	121,423	190,698
Cost of sales		(32,089)	(30,984)	(30,437)
Gross profit		73,402	90,439	160,261
Other income	5	24,769	39,895	14,524
Selling expenses		(4,128)	(5,051)	(4,778)
Administrative expenses		(9,121)	(10,225)	(10,683)
Impairment losses		(13,403)	(1,576)	(26,576)
Profit from operations		71,519	113,482	132,748
Net valuation gain on investment properties	11	34,009	91,762	86,350
Finance costs	6(a)	(51,262)	(50,597)	(75,865)
Share of losses of an associate		–	–	(1,409)
Profit before taxation	6	54,266	154,647	141,824
Income tax	7(a)	(13,908)	(39,710)	(35,714)
Profit for the year attributable to the equity shareholder of the Target Company		40,358	114,937	106,110

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income
(Expressed in RMB)

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	40,358	114,937	106,110
Other comprehensive income for the year (after tax)			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency	(2,157)	2,228	(1,846)
Total comprehensive income for the year attributable to the shareholder of the Target Company	38,201	117,165	104,264

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in RMB)

		At 31 December		
		2016	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	10	12,374	11,818	9,853
Investment properties	11	1,517,440	1,611,600	1,703,840
Interest in an associate	12	–	–	3,691
		1,529,814	1,623,418	1,717,384
Current assets				
Trade and other receivables	13	1,512,323	1,862,131	1,948,619
Non-equity investments	14	–	20,869	–
Restricted bank deposits	15	334,775	251,199	380,692
Cash at bank and in hand	16(a)	39,288	42,351	12,571
		1,886,386	2,176,550	2,341,882
Current liabilities				
Trade and other payables	17	1,095,069	1,585,877	1,333,782
Bank and other loans	18	590,343	413,462	758,620
Income tax payable		4,442	16,518	31,099
		1,689,854	2,015,857	2,123,501
Net current assets		196,532	160,693	218,381
Total assets less current liabilities		1,726,346	1,784,111	1,935,765

The accompanying notes form part of the Historical Financial Information.

		At 31 December		
		2016	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank and other loans	18	519,164	432,584	458,665
Deferred tax liabilities	19	301,266	328,446	349,448
		820,430	761,030	808,113
NET ASSETS		905,916	1,023,081	1,127,652
CAPITAL AND RESERVES				
Share capital	20(c)	8	8	315
Reserves		905,908	1,023,073	1,127,337
TOTAL EQUITY		905,916	1,023,081	1,127,652

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity
(Expressed in RMB)

	Note	Share capital RMB'000	Exchange reserve RMB'000 (Note 20(d))	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2016		8	9,562	858,145	867,715
Changes in equity for 2016:					
Profit for the year		–	–	40,358	40,358
Other comprehensive income		–	(2,157)	–	(2,157)
Total comprehensive income		–	(2,157)	40,358	38,201
Balance at 31 December 2016 and 1 January 2017		8	7,405	898,503	905,916
Changes in equity for 2017:					
Profit for the year		–	–	114,937	114,937
Other comprehensive income		–	2,228	–	2,228
Total comprehensive income		–	2,228	114,937	117,165
Balance at 31 December 2017 and 1 January 2018		8	9,633	1,013,440	1,023,081
Changes in equity for 2018:					
Profit for the year		–	–	106,110	106,110
Other comprehensive income		–	(1,846)	–	(1,846)
Total comprehensive income		–	(1,846)	106,110	104,264
Effect on equity arising from the Reorganisation	20(c)	(8)	–	–	(8)
Capital injection	20(c)	315	–	–	315
Balance at 31 December 2018		315	7,787	1,119,550	1,127,652

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

		At 31 December		
		2016	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Profit before taxation		54,266	154,647	141,824
Adjustments for:				
Depreciation	6(c)	1,745	2,217	2,299
Net impairment of trade and other receivables	6(c)	1,463	5,416	2,571
Expected credit losses from financial guarantees issued	6(c)	11,940	(3,840)	24,005
Net gain from changes in fair value	11	(34,009)	(91,762)	(86,350)
Interest income	5	(23,242)	(22,886)	(9,492)
Finance costs	6(a)	51,262	50,597	75,865
Foreign exchange (gain)/loss, net		(32)	73	6
Share of profits less losses of associates		–	–	1,409
Changes in working capital:				
(Increase)/decrease in trade and other receivables		(106,721)	(325,442)	150,675
Increase/(decrease) in trade and other payables		265,849	627,041	(161,022)
Cash generated from operations		222,521	396,061	141,790
Income tax paid		(389)	(453)	(131)
Net cash generated from operating activities		222,132	395,608	141,659

The accompanying notes form part of the Historical Financial Information.

	Note	At 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000
Investing activities				
Payments for purchase of property, plant and equipment		(3,382)	(4,990)	(4,032)
Net (increase)/decrease in deposits with banks		(30,000)	–	30,000
Net (increase)/decrease in wealth-management products		–	(20,000)	21,268
Net increase in advances to related and third parties		(377,591)	(206,002)	(347,365)
Investment in an associate		–	–	(5,100)
Interest received		24,896	23,922	7,484
Net cash used in investing activities		(386,077)	(207,070)	(297,745)
Financing activities				
Proceeds from new bank and other loans	16(b)	1,035,033	825,772	1,325,623
Net decrease/(increase) in restricted deposits		10,485	83,576	(129,493)
Repayment of bank loans	16(b)	(841,521)	(1,089,233)	(954,384)
Proceeds from advance from a close family member of the Target Company's ultimate controlling shareholder (the "Controlling Shareholder")	16(b)	–	–	34,704
Proceeds from advances from third parties	16(b)	13,400	180,009	103,790
Repayment of advances from third parties	16(b)	(12,380)	(135,000)	(149,703)
Finance costs paid	16(b)	(51,262)	(50,597)	(74,232)
Net cash generated from/(used in) financing activities		153,755	(185,473)	156,305
Net (decrease)/increase in cash and cash equivalents		(10,190)	3,065	219
Cash and cash equivalents at the beginning of the year		19,473	9,288	12,351
Effect of foreign exchange rate changes		5	(2)	1
Cash and cash equivalents at the end of the year	16(a)	9,288	12,351	12,571

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target Company was incorporated in the British Virgin Islands on 5 February 2018 as a limited liability company under the British Virgin Islands Business Companies Act, 2004. The Target Company is an investment holding company and has not carried on any business since the date of its incorporation save for the Target Group reorganisation below. The Target Group is principally engaged in the operation of parallel imported car trading platform in the People's Republic of China (the "PRC").

Prior to the incorporation of the Target Company, the above mentioned principal activities were carried out by Prosper Ocean International Enterprise Limited ("Prosper Ocean") and its subsidiaries. To rationalise the corporate structure in preparation for the Proposed Acquisition, the Target Company was incorporated and underwent the reorganisation and became the holding company of the Target Group. As Prosper Ocean was controlled by Mr. Munoz Fierro Jorge Patricio before and after the reorganisation and therefore there were no changes in economic substance of the ownership of business of the Target Group. Accordingly, the reorganisation has been accounted for using a principal similar to that for a reverse acquisition as set out in HKFRS 3, *Business Combinations* with Prosper Ocean treated as acquirer for accounting purpose.

Upon completion of the reorganisation and as at the date of this report, the Target Company has direct or indirect interests in the subsidiaries listed below, all of which are private companies.

			Proportion of ownership interest		
Company name	**Place and date of incorporation/ establishment**	**Particulars of issued and paid-up capital**	**Held by the Target Company**	**Held by subsidiaries**	**Principal activities**
Prosper Ocean International Enterprise Limited 盛海國際有限公司	Hong Kong 20 Jun 2012	10,000 shares	100%	–	Investment holding
Tianjin Prominent Hero International Logistics Co., Ltd.* 天津英之傑國際物流有限公司	The PRC 27 Nov 2002	USD10,000,000	–	100%	Investment holding and provision of ancillary services related to parallel imported car trading platform
Tianjin Binhai International Auto Mall Co., Ltd.* 天津濱海國際汽車城有限公司	The PRC 28 Feb 2001	RMB350,000,000	–	100%	operation of parallel imported car trading platform

Note:

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

As at the date of this report, no audited financial statements have been prepared for the Target Company, Tianjin Prominent Hero International Logistics Co., Ltd. (a wholly foreign owned enterprise), and Tianjin Binhai International Auto Mall Co., Ltd. (a foreign invested enterprise). The statutory financial statements of Prosper Ocean were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standard and audited by S.K.CHUI & CO.

The Historical Financial Information has been prepared and presented as a consolidation of the financial statements of Prosper Ocean with the assets and liabilities of Prosper Ocean and its subsidiaries recognised and measured at the historical carrying amount prior to the reorganisation.

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

The Historical Financial Information has been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. Further details of the significant accounting policies adopted are set out in Note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Target Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2018 are set out in Note 26.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for unlisted non-equity investments (see Note 2(e)) and investment property (see Note 2(f)) which are stated at their fair values.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell (see Note 2(g)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Target Group's equity interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative equity interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Target Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(d)) or joint venture.

(d) Associates

An associate is an entity in which the Target Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method unless it is classified as held-for-sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Target Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Target Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(i)(i)). Any acquisition date excess over cost, the Target Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Target Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Target Group's share of losses exceeds its interest in the associate, the Target Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Target Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Target Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Target Group and its associate are eliminated to the extent of the Target Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Target Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former associate at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Other investments

Investments in wealth management products are recognised/derecognised on the date the Target Group commits to purchase/sell the investment. The investments are stated at fair value through profit or loss (FVPL), see Note 21(e).

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(h)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(r)(ii).

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold land and buildings	24 – 31 years
–	Motor vehicles	5 years
–	Furniture, fixtures and equipment	3 – 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

When a property held for own use becomes an investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the property revaluation reserve within equity. Any such revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss on the date of retirement or disposal. Any loss is recognised immediately in profit or loss.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Target Group

Assets that are held by Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(ii) Operating lease charges

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

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and lease receivables

The Target Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);

– contract assets as defined in HKFRS 15 (see Note 2(j)); and

– lease receivables.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Target Group is exposed to credit risk.

In measuring ECLs, the Target Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Target Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Target Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Target Group in full, without recourse by the Target Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(r)(iii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Target Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

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

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Target Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Target Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

The Target Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Target Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in Note 2(i)(i) apply.

As the Target Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Target Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Target Group recognises revenue (see Note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(k)).

A contract liability is recognised when the customer pays consideration before the Target Group recognises the related revenue (see Note 4). A contract liability would also be recognised if the Target Group has an unconditional right to receive consideration before the Target Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Target Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(j)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(i)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(i)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(i)(ii), trade and other payables are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Target Group's accounting policy for borrowing costs (see Note 2(t)).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

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

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(f), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

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

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

(r) Revenue and other income

Income is classified by the Target Group as revenue when it arises from the provision of agent services or the use by others of the Target Group's assets under leases in the ordinary course of the Target Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Target Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Target Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Target Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Target Group's revenue and other income recognition policies are as follows:

(i) Service fee and commission income

When the Target Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognised when the related agent services are rendered at the net amount of commission received or to be received by the Target Group.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(iv) Government grants

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

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

The results of operations which have a functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Notes 11 and 21 contain information about the assumptions and their risk factors relating to valuation of investment property and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Expected credit loss for trade and other receivables and financial guarantees issued

The management maintains loss allowance for trade and other receivables and financial guarantees issued for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the historical credit loss experience, adjusted for factors that are specific to the debtors and assessments of both current and forecast general economic conditions. If the financial condition of the debtors were to deteriorate, and/or the existing/forecast changes have a negative impact on the general economic conditions, credit losses would be higher than estimated.

(b) Deferred taxation

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4. REVENUE

The principal activities of the Target Group are the operation of parallel imported car trading platform and property investment.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
Rendering of services:			
– related to parallel imported car trading platform	39,499	48,336	116,264
– management fee income from leasing of investment properties	26,306	28,293	27,639
	65,805	76,629	143,903
Revenue from other sources			
Rental income from investment properties	39,686	44,794	46,795
	105,491	121,423	190,698

The Target Group's revenue from all sources are recognised over time.

The Target Group's customer base is diversified and includes one, one, two customers with whom transactions have exceeded 10% of the Target Group's revenues in 2016, 2017, and 2018 respectively.

Details of concentrations of credit risk arising from Target Group's customers are set out in Note 21(a).

Because all the contracts with customers of the Target Group have an original expected duration of one year or less, the Target Group applies the practical expedient in paragraph 121 of HKFRS 15 to all the contracts with customers and no information related to revenue expected to be recognised in the future under the Target Group's existing contracts is required to disclose.

The Target Group has applied the practical expedient in paragraph 94 of HKFRS 15 and recognises the incremental costs of obtaining contracts as expense when incurred if the amortisation period of the assets that the Target Group otherwise would have recognised is within one year or less.

(b) Total future minimum lease payments receivable by the Target Group

Total future minimum lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Target Group in future periods as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	22,463	22,384	20,617
After 1 year but within 5 years	780	1,299	539
	23,243	23,683	21,156

5. OTHER INCOME

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interest income from advance granted	17,462	14,986	2,780
Interest income from bank deposits	5,780	7,900	6,712
Government grants	1,527	17,009	5,032
	24,769	39,895	14,524

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans and other borrowings *(Note 16(b))*	51,262	50,597	75,865

No borrowing costs have been capitalised during the Relevant Periods.

(b) Staff costs

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Contributions to defined contribution retirement plan	1,577	1,961	3,270
Salaries, wages and other benefits	279	309	221
	1,856	2,270	3,491

The employees of the subsidiaries of the Target Group established in the PRC participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at 17% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement schemes at their normal retirement age.

(c) Other items

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation *(Note 10)*	1,745	2,217	2,299
Net impairment losses on trade and other receivables	1,463	5,416	2,571
Expected credit losses for financial guarantees issued	11,940	(3,840)	24,005
Operating lease charges in respect of properties	602	468	348
Net foreign exchange (gain)/loss	(32)	73	6
Gross rental and service receivable from investment properties	65,992	73,087	74,434
Less: direct outgoings	(25,301)	(24,283)	(22,622)
Net rental and service receivable from investment properties	40,691	48,804	51,812

7. INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
– Provision for the year	4,539	12,530	14,712
Deferred tax *(Note 19(a))*			
– Origination and reversal of temporary differences	9,369	27,180	21,002
	13,908	39,710	35,714

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	54,266	154,647	141,824
Expected tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned *(Notes (i), (ii) and (iii))*	13,567	38,662	35,457
Tax effect of unused tax losses not recognised	315	838	–
Tax effect of temporary differences not recognised	(143)	45	222
Tax effect of utilisation of tax losses not recognised in previous year	–	–	(110)
Tax effect of non-deductible expenses	169	165	145
Income tax	13,908	39,710	35,714

Notes:

(i) The Target Company is not subject to any income tax pursuant to the rules and regulations of the British Virgin Islands.

(ii) The subsidiary of the Target Group incorporated in Hong Kong is subject to Hong Kong Profits Tax rate of 16.5% during the Relevant Periods. No provision for Hong Kong Profits Tax has been made as the subsidiary did not have assessable profits subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) The subsidiaries of the Target Group established in the Mainland China are subject to PRC Corporate Income Tax rate of 25% during the Relevant Periods.

8. DIRECTORS' EMOLUMENTS

The sole director of Target Company, Mr. Munoz Fierro Jorge Patricio, did not receive any remuneration from the Target Group during the Relevant Periods.

There was no amount paid during the Relevant Periods to this director in connection with his retirement from employment or compensation for loss of office with the Target Group, or inducement to join. There was no arrangement under which the director waived or agreed to waive any remuneration during the Relevant Periods.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the Relevant Periods, none of them is director for each of the years ended 31 December 2016, 2017 and 2018, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	454	495	522
Retirement scheme contributions	67	75	77
	521	570	599

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Target Group are within the following bands:

	2016	**2017**	**2018**
	Number of Individuals	*Number of Individuals*	*Number of individuals*
Hong Kong dollars ("HK$") 0 to HK$1,000,000	5	5	5

During the Relevant Periods, no emoluments were paid by the Target Group to these individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixture and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2016	6,582	6,477	17,046	186	30,291
Additions	77	1,430	908	73	2,488
Transfer in/(out)	63	–	196	(259)	–
At 31 December 2016	6,722	7,907	18,150	–	32,779
Accumulated depreciation and impairment losses:					
At 1 January 2016	(630)	(2,948)	(15,082)	–	(18,660)
Charge for the year	(205)	(992)	(548)	–	(1,745)
At 31 December 2016	(835)	(3,940)	(15,630)	–	(20,405)
Net book value:					
At 31 December 2016	5,887	3,967	2,520	–	12,374
Cost:					
At 1 January 2017 and 31 December 2016	6,722	7,907	18,150	–	32,779
Additions	47	1,265	349	–	1,661
At 31 December 2017	6,769	9,172	18,499	–	34,440
Accumulated depreciation and impairment losses:					
At 1 January 2017 and 31 December 2016	(835)	(3,940)	(15,630)	–	(20,405)
Charge for the year	(244)	(1,277)	(696)	–	(2,217)
At 31 December 2017	(1,079)	(5,217)	(16,326)	–	(22,622)
Net book value:					
At 31 December 2017	5,690	3,955	2,173	–	11,818
Cost:					
At 1 January 2018	6,769	9,172	18,499	–	34,440
Additions	3	321	10	–	334
At 31 December 2018	6,772	9,493	18,509	–	34,774
Accumulated depreciation and impairment losses:					
At 1 January 2018	(1,079)	(5,217)	(16,326)	–	(22,622)
Charge for the year	(246)	(1,438)	(615)	–	(2,299)
At 31 December 2018	(1,325)	(6,655)	(16,941)	–	(24,921)
Net book value:					
At 31 December 2018	5,447	2,838	1,568	–	9,853

(i) All of the Target Group's leasehold land and buildings were pledged against bank and other loans drawn by the Target Group (see Note 18(d)).

11. INVESTMENT PROPERTIES

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Valuation			
At 1 January	1,480,040	1,517,440	1,611,600
Additions	3,391	2,398	5,890
Fair value adjustments included in the consolidated statement of profit or loss	34,009	91,762	86,350
At 31 December	1,517,440	1,611,600	1,703,840

Notes:

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Target Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The investment properties are measured at fair value on a recurring basis and their fair value measurement fall into level 3 of the fair value hierarchy described above.

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Target Group's investment properties were revalued at the end of each reporting period. The valuations were carried out by an independent firm of surveyors, RHL Appraisal Limited, who has among their staff Members of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The Target Group's Chief Financial Officer has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each reporting date.

(ii) Information about Level 3 fair value measurements

			At 31 December		
			2016	**2017**	**2018**
	Valuation techniques	*Unobservable input*	*Range RMB*	*Range RMB*	*Range RMB*
Investment properties – Mainland China	Market comparison approach	Price per square meter	18,533 to 27,818	19,715 to 29,493	20,897 to 31,106

The fair value of investment properties located in the Mainland China is determined using market comparison approach. The significant unobservable input used in the fair value measurement is sales price per square meter of the buildings. The fair value measurement is positively correlated to the price per square meter.

(b) All of the Target Group's investment properties were pledged against bank and other loans drawn by the Target Group (see Note 18(d)).

12. INTEREST IN AN ASSOCIATE

The Target Group's associate, which is an unlisted entity whose quoted market price is not available, is as follows:

			Proportion of ownership interest			
Name of associate	**Place of establishment and operations**	**Particulars of registered capital**	**The Target Group's effective interest**	**Held by the Target Company**	**Held by a subsidiary**	**Principal activities**
Beiqi Penglong Cali (Tianjin) Automobile Services Company Limited* 北汽鵬龍開利(天津)汽車服務有限公司	The PRC	RMB50,000,000	34%	–	34%	Automobile modification

Note:

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

The above associate is accounted for using the equity method in the Historical Financial Information.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2018
	RMB'000
Reconciliation to the Target Group's interests in the associate	
Gross amounts of net assets of the associate	10,856
Target Group's effective interest	34%
Carrying amount in the consolidated financial statements	3,691

Subsequent to the year ended 31 December 2018, the Target Group planned to dispose of the investment in the above associate to another investor of the associate.

13. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from third parties	184,964	164,707	202,318
Bills receivable *(Note (a))*	70,000	–	–
	254,964	164,707	202,318
Less: loss allowance *(Note 21(a))*	(692)	(3,150)	(2,565)
	254,272	161,557	199,753
Advances to:			
– Third parties	915,895	1,111,847	1,351,794
– A company controlled by a close family member of the Controlling Shareholder	20,000	20,000	–
Interest receivables	2,873	968	2,577
Others	3,430	3,597	3,894
	942,198	1,136,412	1,358,265
Less: allowance for doubtful debts	(14,187)	(17,145)	(20,301)
Financial assets measured at amortised cost	928,011	1,119,267	1,337,964
Prepayments to suppliers	328,438	579,157	402,451
Deductible value added tax	1,602	2,150	8,451
	1,512,323	1,862,131	1,948,619

All of the trade and other receivables, net of loss allowance are expected to be recovered or recognised as expense within one year.

Notes:

(a) As at 31 December 2016, 2017 and 2018, bills receivables of the Target Group include bills discounted to banks amounted RMB70,000,000, RMBNil and RMBNil, respectively. These receivables were not derecognised as the Target Group remains exposed to the credit risk of these receivables. The carrying amount of the associated bank loans amounted to RMB70,000,000, RMBNil and RMBNil, respectively.

(b) Ageing analysis

As at 31 December 2016, 2017 and 2018, the ageing analysis of trade and bills receivables (which are included in trade and other receivables), based on invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	251,939	149,315	189,948
Over 1 year	2,333	12,242	9,805
	254,272	161,557	199,753

Details on the Target Group's credit policy and credit risk arising from trade and other receivable are set out in Note 21(a).

14. NON-EQUITY INVESTMENTS

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets measured at FVPL			
Wealth management products	–	20,869	–

15. RESTRICTED BANK DEPOSITS

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Deposits pledged for issuance of bank bills	260,001	110,001	163,150
Deposits pledged for issuance of letter of credit	69,774	131,198	199,392
Deposits pledged for bank loans	5,000	10,000	18,150
	334,775	251,199	380,692

16. CASH AT BANK AND IN HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and in hand comprise:

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Representing:			
– cash and cash equivalents	9,288	12,351	12,571
– deposits with banks over three months of original maturity	30,000	30,000	–
	39,288	42,351	12,571

The Target Group's operations in the PRC conduct their businesses in RMB. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans	Amount due to a close family member of the Controlling Shareholder	Non-interest bearing advances from third parties	Interest payable	Total
	RMB'000 *(Note 18)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	915,995	31,870	–	–	947,865
Changes from financing cash flows:					
Proceeds from new bank and other loans	1,035,033	–	13,400	–	1,048,433
Repayment of bank and other loans	(841,521)	–	(12,380)	–	(853,901)
Finance costs paid	–	–	–	(51,262)	(51,262)
Total changes from financing cash flows	193,512	–	1,020	(51,262)	143,270
Exchange adjustments	–	2,166	–	–	2,166
Other changes:					
Interest expenses *(Note 6(a))*	–	–	–	51,262	51,262
At 31 December 2016	1,109,507	34,036	1,020	–	1,144,563

	Bank and other loans *RMB'000* *(Note 18)*	Amount due to a close family member of the Controlling Shareholder *RMB'000*	Non-interest bearing advances from third parties *RMB'000*	Interest payable *RMB'000*	Total *RMB'000*
At 1 January 2017	1,109,507	34,036	1,020	–	1,144,563
Changes from financing cash flows:					
Proceeds from new bank and other loans	825,772	–	180,009	–	1,005,781
Repayment of bank and other loans	(1,089,233)	–	(135,000)	–	(1,224,233)
Finance costs paid	–	–	–	(50,597)	(50,597)
Total changes from financing cash flows	(263,461)	–	45,009	(50,597)	(269,049)
Exchange adjustments	–	(2,244)	–	–	(2,244)
Other changes:					
Interest expenses *(Note 6(a))*	–	–	–	50,597	50,597
At 31 December 2017	846,046	31,792	46,029	–	923,867
At 1 January 2018	846,046	31,792	46,029	–	923,867
Changes from financing cash flows:					
Proceeds from new bank and other loans	1,325,623	–	103,790	–	1,429,413
Proceeds from advance from a close family member of the Controlling Shareholder	–	34,704	–	–	34,704
Repayment of bank and other loans	(954,384)	–	(149,703)	–	(1,104,087)
Finance costs paid	–	–	–	(74,232)	(74,232)
Total changes from financing cash flows	371,239	34,704	(45,913)	(74,232)	285,798
Exchange adjustments	–	1,847	–	–	1,847
Other changes:					
Interest expenses *(Note 6(a))*	–	–	–	75,865	75,865
At 31 December 2018	1,217,285	68,343	116	1,633	1,287,377

17. TRADE AND OTHER PAYABLES

	At 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Bills payables to parallel imported cars suppliers	592,141	618,020	758,805
Trade payables to third parties	8,540	47,883	185
	600,681	665,903	758,990
Deposits from customers:			
– Third parties	22,246	22,966	23,262
– Lisi Group	–	50,000	50,000
– Companies over which a close family member of the Controlling Shareholder has significant influence	63,372	20,472	20,472
Non-interest bearing advances from *(Note (i))*:			
– Third parties	1,020	46,029	116
Amount due to a close family member of the Controlling Shareholder *(Note (i))*	34,036	31,792	68,343
Interest payables	–	–	1,633
Other accruals and payables	827	1,010	5,070
	121,501	172,269	168,896
Financial liabilities measured at amortised cost	722,182	838,172	927,886
Receipt in advance from customers:			
– Third parties	314,461	668,178	247,426
– Lisi Group	–	54,042	108,980
– Company over which a close family member of the Controlling Shareholder has significant influence	29,101	–	–
Expected credit loss for financial guarantee issued	29,325	25,485	49,490
	1,095,069	1,585,877	1,333,782

Note:

(i) The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the other trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

At 31 December 2016, 2017 and 2018, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	600,681	665,903	758,990

18. BANK AND OTHER LOANS

(a) The Target Group's bank and other loans are analysed as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans:			
– Unsecured and guaranteed	99,250	79,250	95,000
– Secured	684,513	472,332	588,405
	783,763	551,582	683,405
Loans from other financial institutions:			
– Secured	325,744	294,464	533,880
	1,109,507	846,046	1,217,285

(b) At 31 December 2016, 2017 and 2018, The Target Group's bank and other loans were repayable as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	590,343	413,462	758,620
After 1 year but within 2 years	86,580	86,580	319,241
After 2 years but within 5 years	259,740	259,740	139,424
After 5 years	172,844	86,264	–
	519,164	432,584	458,665
	1,109,507	846,046	1,217,285

All of the long-term bank and other loans are carried at amortised cost.

(c) At 31 December 2016, 2017 and 2018, the Target Group's banking facilities amounted to RMB1,210 million, RMB1,420 million and RMB1,235 million were utilised to the extent of RMB464 million, RMB682 million and RMB680 million.

(d) Certain of the Target Group's bank and other loans are secured by the Target Group's leasehold land and buildings, investment properties, bills receivables, bank deposits and equity interest of a subsidiary of the Target Group. The aggregate carrying values of the leasehold land and buildings, investment properties, bills receivables and bank deposits pledged are analysed as follows:

	At 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Pledged for bank and other loans:			
Leasehold land and buildings *(Note 10)*	5,887	5,690	5,447
Investment properties *(Note 11)*	1,517,440	1,611,600	1,703,840
Bank deposits *(Note 15)*	5,000	10,000	18,150
Bills receivable *(Note 13(a))*	70,000	–	–

(e) Certain of the Target Group's bank facilities, bank and other loans are subject to the fulfilment of covenants relating to financial ratios commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants the drawn down facilities or the loans would become payable on demand. The Target Group regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in Note 21(b). During the Relevant Periods, none of the covenants relating to drawn down facilities and bank and other loans had been breached.

19. DEFERRED TAX

(a) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

	Loss allowance	Tax allowance in excess of depreciation on properties, plant and equipment	Fair value adjustments on investment properties and related depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1 January 2016	7,400	(56)	(299,241)	(291,897)
Credited/(charged) to profit or loss	3,499	(23)	(12,845)	(9,369)
At 31 December 2016 and 1 January 2017	10,899	(79)	(312,086)	(301,266)
Credited/(charged) to profit or loss	348	(18)	(27,510)	(27,180)
At 31 December 2017 and 1 January 2018	11,247	(97)	(339,596)	(328,446)
Credited/(charged) to profit or loss	6,423	(27)	(27,398)	(21,002)
At 31 December 2018	17,670	(124)	(366,994)	(349,448)

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Target Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,260,000, RMB4,612,000 and RMB4,172,000 at 31 December 2016, 2017 and 2018, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. All unused tax losses at 31 December 2016, 2017 and 2018 will expire on or before 31 December 2021, 2022 and 2023 respectively.

(c) Deferred tax liabilities not recognised

At 31 December 2017 and 2018, temporary differences relating to the undistributed profits of subsidiaries of the Target Group established in the PRC amounted to RMB20 million and RMB49 million, respectively. Deferred tax liabilities of RMB2 million and RMB5 million, respectively, have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Target Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

20. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Target Group's consolidated equity during the Relevant Periods is set out in the consolidated statements of changes in equity. Details of the changes in the Target Company's individual components of equity between the beginning and the end of the Relevant Periods are set out below:

The Target Company

	Share capital	Exchange reserve	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 5 February 2018 (date of incorporation)	–	–	–
Changes in equity for the period from 5 February 2018 (date of incorporation) to 31 December 2018:			
Loss and other comprehensive income for the period	–	28	28
Capital injection	315	–	315
Balance at 31 December 2018	315	28	343

(b) Dividends

The Target Group did not declare any dividends during the Relevant Periods.

(c) Paid-in/share capital

For the purpose of this Historical Financial Information, the paid-in/share capital of the Target Group at 1 January 2016, 31 December 2016, 2017 and 2018 represented the aggregate of the paid-in capital or share capital of the companies comprising the Target Group as at the respective dates.

The capital injection during the year ended 31 December 2018 represents the shares of the Target Company issued during the year.

As part of the Reorganisation undertook by the Target Group, the Target Company acquired the entire equity interests in Prosper Ocean on 11 December 2018 for an aggregate consideration of RMB8,000. The paid-in capital of Prosper Ocean was eliminated as of 31 December 2018. The share capital of the Target Group at 31 December 2018 represented the share capital of the Target Company.

(d) Nature and purpose of reserves

Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations which have a functional currency other than RMB into RMB. The reserve is dealt with in accordance with the accounting policies set out in Note 2(s).

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Company is not subject to externally imposed capital requirements.

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Target Group. The Target Group's credit risk is primarily attributable to trade and other receivables. The Target Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit standing, for which the Target Group considers to have low credit risk.

Except for the financial guarantees given by the Target Group as set out in Note 22(a), the Target Group does not provide any other guarantees which would expose the Target Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the Relevant Periods is disclosed in Note 22(a).

Trade and other receivables

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. At 31 December 2016, 2017 and 2018, 11%, 13% and 31% of the total trade receivables, respectively, was due from the Target Group's largest debtor, and 48%, 48% and 51% of the total trade receivables, respectively, was due from the five largest debtors.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Target Group generally requires customers to settle trade receivables in accordance with contracted terms and other debts in accordance with agreements. Credit terms may be granted to customers, depending on the nature of business. Normally, the Target Group does not obtain collateral from customers.

The Target Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Target Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Target Group's different customer bases.

The following table provides information about the Target Group's exposure to credit risk and ECLs for trade receivables at 31 December 2016, 2017 and 2018:

		At 31 December 2016	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	0.06%	182,048	109
Over 1 year	20%	2,916	583
		184,964	692

		At 31 December 2017	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	0.06%	149,404	89
Over 1 year	20%	15,303	3,061
		164,707	3,150

		At 31 December 2018	
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Within 1 year	0.06%	190,062	114
Over 1 year	20%	12,256	2,451
		202,318	2,565

Expected loss rates are based on actual loss experience, adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Target Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Relevant Periods is as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	243	692	3,150
Impairment losses recognised	449	2,458	–
Reversal of impairment losses	–	–	(585)
At 31 December	692	3,150	2,565

(b) Liquidity risk

The treasury function is centrally managed by the Target Group, which including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of each reporting period of the Target Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Target Group can be required to pay.

	At 31 December 2016 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	633,913	118,040	321,674	186,963	1,260,590	1,109,507
Trade and other payables measured at amortised cost	722,182	–	–	–	722,182	722,182
	1,356,095	118,040	321,674	186,963	1,982,772	1,831,689

	At 31 December 2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	451,855	112,720	305,183	90,733	960,491	846,046
Trade and other payables measured at amortised cost	838,172	–	–	–	838,172	838,172
	1,290,027	112,720	305,183	90,733	1,798,663	1,684,218

	At 31 December 2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	785,087	370,303	154,150	–	1,309,540	1,217,285
Trade and other payables measured at amortised cost	927,886	–	–	–	927,886	927,886
	1,712,973	370,303	154,150	–	2,237,426	2,145,171

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group's interest rate risk arises primarily from interest bearing borrowings. Borrowings issued at variable rates and fixed rates expose the Target Group to cash flow interest rate risk and fair value interest rate risk respectively.

The following table details the interest rate profile of the Target Group's borrowings at the end of each reporting period.

	At 31 December 2016		At 31 December 2017		At 31 December 2018	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings						
Bank loans	3.08%~10.31%	1,109,507	4.57%~12.00%	822,296	4.35%~11.00%	1,169,285
Variable rate borrowings						
Bank loans	N/A	–	4.57%~5.00%	23,750	4.57%~6.53%	48,000
Total borrowings		1,109,507		846,046		1,217,285
Fixed rate borrowings as a percentage of total borrowings		100%		97%		96%

(d) Currency risk

The Target Group is exposed to currency risk primarily through financing activities and intercompany transactions which give rise to cash balances and other payables that are denominated in a foreign currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily HK$. The Target Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(i) Exposure to currency risk

The following table details the Target Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations, which have a functional currency other than RMB, into the Target Group's presentation currency are excluded.

	Exposure to foreign currencies *(expressed in RMB)*		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	30	1	3
Other payables	(34,036)	(31,793)	(68,334)
Gross exposure arising from recognised assets and liabilities	(34,006)	(31,792)	(68,331)

(ii) Sensitivity analysis

At 31 December 2016, 2017 and 2018, it is estimated that a general increase/decrease of 5% in exchange rates of RMB against HK$, with all other variable held constant, would have increased/decreased the Target Group's profit after tax (and retained profits) by approximately RMB1,420,000, RMB1,327,000 and RMB2,853,000, respectively.

Results of the analysis as presented represent the instantaneous effects on each of the Target Group entities' profit after tax and retained profits measured in HK$ translated into RMB at the exchange rate ruling at each end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Target Group which expose the Target Group to foreign currency risk at the end of each reporting period, including inter-company payables and receivables within the Target Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations which have a functional currency other than RMB into the Target Group's presentation currency.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Target Group's financial instruments measured at each end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as disclosed in Note 11(a)(i).

		Fair value measurement as at 31 December 2017 categorised into		
	Fair value at 31 December 2017	**Level 1**	**Level 2**	**Level 3**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Non-equity investments	20,869	–	–	20,869

During the Relevant Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Target Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**At 31 December 2017**
Non-equity investments	Discounted cash flow model	Discount rate	6.5%

The fair value of non-equity investments is determined using the discounted cash flow model and the significant unobservable input used in the fair value measurement is discount rate, which is 6.5% as at 31 December 2017. The fair value measurement is negatively correlated to the discount rate. As at 31 December 2017, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 5% would have decreased/increased the Target Group's profit by RMB33,000.

The movements during the Relevant Periods in the balance of the Level 3 fair value measurements are as follows:

	2016 *RMB'000*	**2017** *RMB'000*	**2018** *RMB'000*
Non-equity investments:			
At 1 January	–	–	20,869
Payment for purchases	–	20,000	–
Changes in fair value recognised in profit or loss during the year	–	869	399
Proceeds from sales	–	–	(21,268)
At 31 December	–	20,869	–

(ii) ***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2016, 2017 and 2018.

22. CONTINGENT LIABILITIES

(a) Financial guarantees issued

During the Relevant Periods, the Target Group has guaranteed the banking facilities of some major customers of the Target Group.

At the end of each reporting period, the director of the Target Company do not consider it probable that a claim will be made against the Target Group under the guarantees. The exposure of the Target Group at the end of 31 December 2016, 2017 and 2018 under the guarantees is approximately RMB2,064 million, RMB1,857 million and RMB3,299 million, respectively, being the aggregate banking facilities granted to third party customers of the Target Group by banks.

Movement in the expected credit losses in respect of financial guarantees issued during the Relevant Periods is as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	17,385	29,325	25,485
Expected credit losses recognised/(reversed)	11,940	(3,840)	24,005
At 31 December	29,325	25,485	49,490

23. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances and transactions disclosed elsewhere in the Historical Financial Information, the Target Group had the following material related party transactions during the Relevant Periods.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the Target Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	233	236	235
Contributions to defined contribution plan	34	35	36
	267	271	271

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Transactions with related parties during the Relevant Periods

	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Rendering of services	963	3,489	507
Rental income from operating leases	1,109	630	327
Services income from operating leases	1,273	613	327

As at 31 December 2016, 2017 and 2018, bank and other loans of RMB740,744,000, RMB649,464,000, and RMB1,108,880,000, respectively were secured or guaranteed by the Controlling Shareholder, close family members of the Controlling Shareholder, a key management personnel of the Target Group and an entity controlled by a close family member of the Controlling Shareholder. Up to 31 March 2019, RMB406 million of bank and other loans secured or guaranteed by related parties was repaid by the Target Group.

As at 31 December 2016, 2017 and 2018, unutilised banking facilities of RMB665 million, RMB619 million and RMB555 million respectively were guaranteed by close family members of the Controlling Shareholder and entities controlled by a close family member of the Controlling Shareholder.

24. IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, 2017 and 2018, the director of the Target Group considers the ultimate controller of the Target Group to be Mr. Munoz Fierro Jorge Patricio. At 31 December 2018, the director of the Target Group considers the immediate parent of the Target Group to be Valuable Peace Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

25. STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY AT 31 DECEMBER 2018

(Expressed in RMB)

	Note	**2018** *RMB'000*
Non-current assets		
Investments in a subsidiary		9
		9
Current assets		
Other receivables		343
		343
Current liabilities		
Other payables		9
		9
Net current assets		334
Total asset less current liabilities		343
NET ASSETS		343
CAPITAL AND RESERVES	20	
Share capital		315
Reserves		28
TOTAL EQUITY		343

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in this Historical Financial Information. These include the following which may be relevant to the Target Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Target Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Target Group expected that the adoption of them is unlikely to have a significant impact of the Target Group's results of operations and financial position. The actual impact upon the initial adoption of these amendments, new standards and interpretations may differ as the assessment completed to date is based on the information currently available to the Target Group, and further impacts may be identified before the amendments, new standard and interpretations are initially applied.

SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Company and its subsidiaries comprising the Target Group in respect of any period subsequent to 31 December 2018.

Set out below is the management discussion and analysis of the Target Group for each of the years ended 31 December 2016, 2017 and 2018 (the "**Relevant Periods**").

Financial results

For each of the three years ended 31 December 2016, 2017 and 2018 respectively, the Target Group recorded:

(i) gross merchandise volume of approximately RMB3,118.1 million, RMB4,455.2 million and RMB5,073.7 million respectively, which mainly represents the total sales dollar value for imported cars traded through the platform of the Target Group；

(ii) revenue of approximately RMB105.5 million, RMB121.4 million and RMB190.7 million respectively, which mainly represents commission and service income earned from the operation of parallel imported car trading platform and rental income and management fee income from Properties. The increase in revenue during the Relevant Period was primarily due to increase in the number of imported cars transacted through the platform；

(iii) profit after taxation of approximately RMB40.4 million, RMB114.9 million and RMB106.1 million respectively, which has included the fair value gain on investment properties owned by the Target Group in the sum of RMB34.0 million, RMB91.8 million and RMB86.4 million in the respective years.

Financial position

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group had:

(i) investment properties of approximately RMB1,517.4 million, and RMB1,611.6 million and RMB1,703.8 million. The fair values of the Properties as at the respective year end dates have been appraised by an independent valuer;

(ii) trade and other receivables of approximately RMB1,512.3 million, RMB1,862.1 million and RMB1,948.6 million, which primarily represents trade receivables, advances to customers and prepayments to suppliers;

(iii) bank balances and cash of approximately RMB374.1 million, RMB293.6 million and RMB393.3 million respectively；

(iv) current liabilities of approximately RMB1,689.9 million, RMB2,015.9 million and RMB2,123.5 million respectively, which mainly consist of bills payables to suppliers, receipt in advance from customers and bank and other loans; and

(v) non-current liabilities of approximately RMB820.4 million, RMB761.0 million and RMB808.1 million respectively, which consist of bank and other loans and deferred tax liabilities.

Capital structure, liquidity and financial resources

The capital structure of the Target Group consists of debts and equity. Except for bank and other loans of RMB1,109.5 million, RMB846.0 million and RMB1,217.3 million as at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group did not have any borrowings as at the respective financial year ends and utilized internal generated cash to finance its operations. The bank loan bears interest rates ranging from 3.08% to 12% during the Relevant Periods.

Gearing ratio

As at 31 December 2016, 31 December 2017 and 31 December 2018, the gearing ratio of the Target Group was 32.5%, 22.3% and 29.9% respectively.

Contingent liabilities

The exposure of the Target Group at the end of 31 December 2016, 2017 and 2018 under the financial guarantees issued is approximately RMB2,064 million, RMB1,857 million and RMB3,299 million, respectively, being the aggregate banking facilities granted to third party customers of the Target Group by banks.

Pledge of assets

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group pledged its investment properties, leasehold land and buildings, bank deposits and bill receivables with a total value of approximately RMB1,598.3 million, RMB1,627.3 million and RMB1,727.4 million respectively, together with equity interest in the Operating Company, to secure the bank and other loans.

Foreign currencies

During the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, a vast majority of the business transactions, assets and liabilities of the Target Group were denominated in RMB. Therefore, the Target Group has minimal exposure to currency exchange risk and the Target Group did not hold any financial instruments for hedging purposes.

Human resources

As at 31 December 2016, 31 December 2017, and 31 December 2018, the Target Group employed a total of 33, 43 and 62 employees respectively. Staff recruitment and promotion of the Target Group are primarily determined based on the employee's experience, qualification and performance. The remuneration and staff benefit policies are also performance-based and are determined with reference to the competitive market salary levels.

Significant investments held

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group did not have any significant investment save for the Properties.

Material acquisitions and disposals of subsidiaries and associated companies

During the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group had no material acquisitions and disposals of subsidiaries and associated companies.

Future plans for material investments

As at 31 December 2016, 31 December 2017 and 31 December 2018, the Target Group did not have any future plans for material investments or acquisitions of capital assets.

Segment information

The Target Group is principally engaged in the operation of parallel imported car trading platform which is considered as one operating segment. All of the Target Group's revenue is generated in the PRC and all of its assets are located in the PRC. Accordingly, no segment information is presented.

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

1. Introduction

The following unaudited pro forma financial information of the Enlarged Group, being Lisi (Group) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), together with Robust Cooperation Limited (the "Target Company") and its subsidiaries (collectively the "Target Group"), comprising the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2018, has been prepared by the directors of the Company in accordance with paragraphs 4.29 and 14.67(6)(a)(ii) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of illustrating the effect of the proposed acquisition of entire equity interests in the Target Company by the Group (the "Proposed Acquisition"), to provide information about how the Proposed Acquisition might have affected the Group's financial position as at 30 September 2018, as if the Proposed Acquisition had taken place at 30 September 2018.

The unaudited pro forma financial information has been prepared using accounting policies materially consistent with that of the Group and based on the consolidated statement of financial position of the Group at 30 September 2018 as extracted from the Group's condensed consolidated financial statements for the six months ended 30 September 2018 as set out in the published interim report of the Group for the six months ended 30 September 2018 as mentioned in the "Financial Information of the Group" in Appendix I to this Circular after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Proposed Acquisition that are (i) directly attributable to the Proposed Acquisition concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Proposed Acquisition been completed as at the specified dates or any future date.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the historical financial information of the Group as set out in the published interim report of the Group for the six months ended 30 September 2018, the consolidated statement of financial position of the Target Group at 31 December 2018 as set out in the "Accountants' Report of the Target Group" in Appendix II to this Circular, and other financial information included elsewhere in this circular. The unaudited pro forma financial information of the Enlarged Group does not take into account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information of the Enlarged Group.

2. Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2018

(Expressed in RMB)

	Consolidated statement of financial position of the Group as at 30 September 2018	Consolidated statement of financial position of the Target Group as at 31 December 2018	Other Pro forma Adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(a)	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	
Non-current assets						
Property, plant and equipment	448,651	9,853	–	28,712	–	487,216
Investment properties	779,900	1,703,840	–	–	–	2,483,740
Goodwill	679,766	–	–	–	–	679,766
Intangible assets	745	–	–	–	–	745
Interest in an associate	–	3,691	–	–	–	3,691
Equity investment	134,775	–	–	–	–	134,775
Deferred tax assets	7,495	–	–	–	–	7,495
	2,051,332	1,717,384	–	28,712	–	3,797,428
Current assets						
Inventories	448,587	–	–	–	–	448,587
Trade and other receivables	708,680	1,948,619	(94,058)	–	–	2,563,241
Non-equity investments	835,945	–	–	–	–	835,945
Restricted bank deposits	95,203	380,692	–	–	–	475,895
Cash and cash equivalents	47,787	12,571	–	–	–	60,358
	2,136,202	2,341,882	(94,058)	–	–	4,384,026
Current liabilities						
Trade and other payables	632,142	1,333,782	(94,058)	561,630	20,000	2,453,496
Bank and other loans	892,570	758,620	–	–	–	1,651,190
Income tax payable	25,488	31,099	–	–	–	56,587
	1,550,200	2,123,501	(94,058)	561,630	20,000	4,161,273
Net current assets	586,002	218,381	–	(561,630)	(20,000)	222,753
Total assets less current liabilities	2,637,334	1,935,765	–	(532,918)	(20,000)	4,020,181

	Consolidated statement of financial position of the Group as at 30 September 2018	Consolidated statement of financial position of the Target Group as at 31 December 2018	Other Pro forma Adjustments			Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 3(a)	*Note 3(b)*	*Note 3(c)*	*Note 3(d)*	*Note 3(e)*	
Non-current liabilities						
Bank and other loans	162,600	458,665	–	–	–	621,265
Deferred tax liabilities	249,515	349,448	–	7,178	–	606,141
	412,115	808,113	–	7,178	–	1,227,406
NET ASSETS	2,225,219	1,127,652	–	(540,096)	(20,000)	2,792,775
Capital and reserves						
Share capital	65,494	315	–	4,073	–	69,882
Reserves	2,159,725	1,127,337	–	(544,169)	(20,000)	2,722,893
TOTAL EQUITY	2,225,219	1,127,652	–	(540,096)	(20,000)	2,792,775

3. Notes to the Unaudited Pro Forma Financial Information

(a) The consolidated statement of financial position of the Group as at 30 September 2018 was extracted from the Group's condensed consolidated financial statements for the six months ended 30 September 2018 as set out in the published interim report for the six months ended 30 September 2018.

(b) The consolidated statement of financial position of the Target Group as at 31 December 2018 was derived from the Accountants' Report of the Target Group in Appendix II to this Circular.

(c) The adjustment represented the elimination of deposits and prepayments paid by the Group to the Target Group for the purchase of parallel imported cars. For the purpose of this pro forma financial information, the balance to be eliminated is determined based on the outstanding balance as at 30 September 2018.

(d) The identifiable assets and liabilities of the Target Group to be acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3, *Business Combinations*.

Pro forma adjustments made represent:

	Notes	*RMB'000*
Consideration:		
Fair value of consideration shares to be issued upon completion	(i)	460,688
Consideration cash	(i)	263,250
Present value of consideration promissory note to be issued upon completion	(i)	298,380
Total consideration		1,022,318
Less: fair value of the net assets acquired	(ii)	(1,149,186)
Gain arising from the Proposed Acquisition	(iii)	(126,868)

(i) The consideration for the Proposed Acquisition will be satisfied by issuance of consideration shares and payment of cash and issuance of promissory note by the Company.

The consideration shares will be issued within ten business days after the completion date of the Proposed Acquisition, and the number of consideration shares to be issued is equal to HK$500 million divided by the issue price of HK$1.0, i.e. 500,000,000 shares.

The consideration of HK$300 million will be paid by cash by the Company within ten business days after the completion date of the Proposed Acquisition.

The consideration of HK$400 million will be paid by promissory note to be issued by the Company within ten business days after the completion date of the Proposed Acquisition, and payment of under the promissory note is due and payable in three years from the date of issuance.

For the purpose of this pro forma adjustment, the exchange rate for conversion of HK$ to RMB is 0.8775, being the exchange rate at 30 September 2018, as if the Proposed Acquisition had been completed on that date.

For the purpose of this unaudited pro forma financial information, the fair value of consideration shares to be issued is estimated as RMB460,688,000, based on 500,000,000 shares to be issued by the Company upon completion of the Proposed Acquisition and closing price of HK$1.05 per share as at 30 September 2018 and is recognised as share capital and share premium of the Company. The fair value of the consideration shares are estimated in accordance with HKFRS 13, *Fair Value Measurement* and is consistent with the accounting policies adopted by the Group.

For the purpose of this unaudited pro forma financial information, the present value of the promissory note to be issued is estimated as RMB298,380,000. The estimated present value of the bills payable to be issued is calculated at the discount rate of 5.56%.

(ii) Fair value of net assets to be acquired represents:

	Carrying amount	**Fair value adjustment**	**Fair value**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	9,853	28,712	38,565
Interest in an associate	3,691	–	3,691
Investment properties	1,703,840	–	1,703,840
Trade and other receivables	1,948,619	–	1,948,619
Cash at cash equivalents	12,571	–	12,571
Restricted bank deposits	380,692	–	380,692
Trade and other payables	(1,333,782)	–	(1,333,782)
Bank loans	(758,620)	–	(758,620)
Income tax payable	(31,099)	–	(31,099)
Bank and other loans	(458,665)	–	(458,665)
Deferred tax liabilities	(349,448)	(7,178)	(356,626)
	1,127,652	21,534	1,149,186

The fair value adjustment represents that for the office building and the related deferred tax impact. The fair value of the office building is determined by reference to the valuation prepared by external valuer using the market approach. Based on the provisional estimation, the fair value of identifiable intangible asset is not expected to be material and has not been included in the above fair value adjustment.

(iii) The shortfall of amount of the consideration below the fair value of the net identifiable assets of the Target Group is recognised as a negative goodwill. The pro forma negative goodwill represents 11.0% of the fair value of the net assets acquired, 3.0% of the total assets of the Group and 1.6% of the pro forma total assets of the Enlarged Group. Pursuant to HKFRS 3, *Business Combinations*, the Company will recognise the resulting negative goodwill as a gain in profit or loss on acquisition date.

For the purpose of the pro forma financial information, the allocation of the purchase price is determined based on the directors' estimates of the fair value of the consideration and fair value of the identifiable assets and liabilities of the Target Group at the date of the consolidated statement of financial position as illustrated above. The amounts of goodwill (or negative goodwill) and fair values of the consideration and the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the consideration and fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the Proposed Acquisition. In addition, intangible assets of the Target Group which were not otherwise recognised may be recognised at their fair value upon completion of the Proposed Acquisition. Consequently, the resulting goodwill (or negative goodwill), the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in this pro forma financial information.

(e) The Directors estimated that acquisition-related costs (including fee to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses) shall be approximately RMB20 million.

(f) The Directors assume that the exchange rate HK$ against RMB used in the unaudited pro forma financial information of the Enlarged Group was stated specifically in Note 3(d). No representation is made that RMB amounts have been, could have been or could be converted to HK$, or vice versa, at that rate or at any other rates or at all.

(g) No adjustments has been made to the pro forma financial information to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 30 September 2018.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF LISI GROUP (HOLDINGS) LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of Lisi Group (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2018 and related notes as set out in Part A of Appendix IV to the circular dated 28 May 2019 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix IV to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition of entire issued share capital in Robust Cooperation Limited (the "Proposed Acquisition") on the Group's financial position as at 30 September 2018 as if the Proposed Acquisition had taken place at 30 September 2018. As part of this process, information about the Group's financial position as at 30 September 2018 has been extracted by the Directors from the interim report of the Group for the six months ended 30 September 2018, on which a review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 September 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

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

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
28 May 2019

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, an independent valuer, in connection with their opinion of the value of the Properties as at 28 February 2019.

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The Board of Directors
Lisi Group (Holdings) Limited
Workshop 06 & 07
36th Floor
King Palace Plaza
52A Sha Tsui Road
Tsuen Wan
New Territories
Hong Kong

28 May 2019

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the property interests located in The People's Republic of China ("The PRC") to be acquired by Lisi Group (Holdings) Limited (the "Group") and its subsidiaries (hereinafter together referred to as the "Group"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the property interests as at 28 February 2019 (the "Valuation Date").

VALUATION STANDARDS

The valuation has been carried out in accordance with the International Valuation Standards (2017) published by the International Valuation Standards Council effective from 1 July 2017, and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

BASIS OF VALUATION

Our valuation has been undertaken on the basis of Market Value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the valuation of the property interests, whereas applicable, we have adopted the Market Approach assuming sale of property interests in their existing state and by making reference to comparable asking or sale transactions as available in the relevant markets.

Market Approach estimates the value of a property by comparing recent sales of similar interests in the building or buildings located in their surrounding area. By analysing such sales which qualify as 'arms-length' transactions, between willing buyers and sellers, adjustments are made for size, location, time, amenities and other relevant factors when comparing such sales prices to assess the value of the property. This approach is commonly used to value properties when reliable sales evidence of properties of a similar nature is available.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advice given by the PRC legal adviser, Shu Jin Law Firm, on The PRC laws, regarding the titles to the property interests in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter, the summary of values and the valuation certificates are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property interests set out in this letter, the summary of values and the valuation certificates.

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property interests in The PRC. We have also accepted advice given to us on matters such as identification of the properties, particulars of occupancy, statutory notices, easements, tenure, areas, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site areas in respect of the subject sites but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the properties. No structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We are unaware of any adverse ground conditions affecting the properties and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future developments. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the development period. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

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

As the property interests are held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the land use rights.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("RMB").

The summary of values and property particulars and opinion of value are attached hereto.

Yours faithfully,
For and on behalf of
RHL Appraisal Limited

Serena S. W. Lau	**Jessie X. Chen**
FHKIS, AAPI, MRICS, RPS(GP), MBA(HKU)	*MRICS, MSc (Real Estate), BEcon*
Managing Director	**Senior Associate Director**

Note:

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 20 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 8 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUES

Property Interests to be Acquired by the Group for Investment in The PRC

No.	Property	Market Value as at 28 February 2019 *RMB*
1	Caili Building, No. 188 Tianbao Avenue, Binhai New District, Tianjin, The PRC	854,000,000
2	Tianjin Binhai International Automobile City, No. 86 Tianbao Avenue, Binhai New District, Tianjin, The PRC	884,000,000
Total:		**1,738,000,000**

PROPERTY PARTICULARS AND OPINION OF VALUE

Property Interests to be acquired by the Group for Investment in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2019
1.	Caili Building, No. 188 Tianbao Avenue, Binhai New District, Tianjin, The PRC	Caili Building (the "Building") is a 23-storey (including a mezzanine floor) commercial building over a single-storey basement and is erected on a parcel of land with a site area of approximately 8,075.80 square metres, which was completed in about 2009. The property comprises the whole of Levels 1 to 22 of the Building with a total gross floor area of approximately 28,568.61 square metres. The land use rights of the property were granted for a term expiring on 7 September 2042 for commercial use.	As per our on-site inspection, a portion of Level 1 was occupied for shop use and the remaining area of the property was occupied for office use. As per the information provided, the property was subject to different tenancies with the latest expiry in May 2037 at a total monthly rental income of approximately RMB1,900,000, inclusive of management fees and other outgoings.	RMB854,000,000 (Renminbi Eight Hundred and Fifty Four Million)

Notes:

1. The property was inspected by Ms Liu Jing (Msc in Geoinformation Science) on Jan 2019.

2. Pursuant to twenty-two Tianjin Certificates of Real Estate Ownership, issued by The Planning and Land Resources Bureau of Binhai New District, Tianjin, the land use rights and the building ownership rights of property with a site area of approximately 8,075.80 square metres and a total gross floor area of approximately 28,568.61 square metres were vested in Tianjin Binhai International Automobile City Company Limited. The land use rights of the property were granted for a term expiring on 7 September 2042 for commercial uses.

Details of the certificates are as follows:–

Certificate No.	Level	Date of Issue	Approximate Gross Floor Area (sq.m.)
Fang Di Zheng Jing Zi Di No. 115031301180	Level 1	21 May 2013	2,570.13
Fang Di Zheng Jing Zi Di No. 115031301181	Level 2 (including Mezzanine Floor)	21 May 2013	5,057.38
Fang Di Zheng Jing Zi Di No. 115031301182	Level 3	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301183	Level 4	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301184	Level 5	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301185	Level 6	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301186	Level 7	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301201	Level 8	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301187	Level 9	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301188	Level 10	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301189	Level 11	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301190	Level 12	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301191	Level 13	21 May 2013	1,071.75
Fang Di Zheng Jing Zi Di No. 115031301192	Level 14	21 May 2013	1,071.75
Fang Di Zheng Jing Zi Di No. 115031301193	Level 15	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301194	Level 16	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301195	Level 17	21 May 2013	1,129.63
Fang Di Zheng Jing Zi Di No. 115031301196	Level 18	21 May 2013	1,071.75
Fang Di Zheng Jing Zi Di No. 115031301197	Level 19	21 May 2013	1,029.30
Fang Di Zheng Jing Zi Di No. 115031301198	Level 20	21 May 2013	817.37
Fang Di Zheng Jing Zi Di No. 115031301199	Level 21	21 May 2013	800.52
Fang Di Zheng Jing Zi Di No. 115031301200	Level 22	21 May 2013	393.47
Total:			28,568.61

3. Pursuant to the tenancy schedule provided, the property was subject to different tenancies with the latest expiry in May 2037 at a total monthly rental income of approximately RMB1,900,000, inclusive of management fees and other outgoings.

   The key terms of the tenancies are summarized below:

Number of tenants	:	195
Total Lettable Area	:	21,486.80 sqm representing an occupancy rate of 75%
Tenure	:	7 months to 20 years
Expiry Date	:	From March 2019 to May 2037
Total Monthly Rent	:	Approximately RMB1,900,000, inclusive of management fees and other outgoings

4. Pursuant to the information provided, the property is currently subject to various mortgages in favour of Tianjin Branch of Shengjing Bank Company Limited and New China Trust Company Limited. In the valuation, we have not taken into account such mortgage.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at the east of Haibin Eighth Road, the south of Tianbao Avenue, the west of Haibin Ninth Road and the north of Xingang Avenue, Binhai New District, Tianjin, The PRC.
Transportation	:	The property is located at about 10 minutes' driving distance to the Exhibition Centre Station of Tianjin Metro Line No. 9, at about 10 minutes' drive to Tianjin New Port, at about 25 minutes' drive to Tianjin Binhai Railway Station and at about 55 minutes' drive to Tianjin Binhai International Airport.
Nature of Surrounding Area	:	The subject area is a newly developed urban area in Binhai New District. The neighbourhood of the property is dominated by various newly-built industrial, commercial and high-tech R&D developments.

6. We have been provided with a legal opinion regarding the legality of the Property by The PRC legal adviser of the Group, which contains, inter alia, the following:

(a) Tianjin Binhai International Automobile City Company Limited has obtained the Real Estate Title Certificate of the property, and owns the real estate title of the property in accordance with the laws;

(b) The real estate title of the property is subject to mortgages, the rights of handling the real estate title of the property are limited; and

(c) Subject to the agreement of the mortgagees, Tianjin Binhai International Automobile City Company Limited can legally transfer, lease, sub-mortgage or by other means handle the real estate title of the property within the mortgage term.

PROPERTY PARTICULARS AND OPINION OF VALUE

Property Interests to be acquired by the Group for Investment in The PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value as at 28 February 2019
2.	Tianjin Binhai International Automobile City, No. 86 Tianbao Avenue, Binhai New District, Tianjin, The PRC	The property comprises two convention halls and an ancillary building erected on a parcel of land with a site area of approximately 40,808.20 square metres. It was completed in various stages between 2002 and 2012. The property has a total gross floor area of approximately 42,302.36 square metres. The gross floor area breakdown of the property is listed as below:- **Use** — **Approximate Gross Floor Area** *(sq.m.)* Convention Hall A — 29,856.07 Ancillary Building — 319.96 Convention Hall B — 12,126.33 **Total: — 42,302.36** The land use rights of the property were granted for a term expiring on 27 February 2051 for warehouse/ non-residential uses.	As per our on-site inspection, the property was occupied for vehicle convention and logistics purposes. As per the information provided, the property was subject to different tenancies with the latest expiry in December 2019 at a total monthly rental income of approximately RMB3,900,000, inclusive of management fees and other outgoings.	RMB884,000,000 (Renminbi Eight Hundred and Eighty Four Million)

Notes:

1. The property was inspected by Ms Liu Jing (Msc in Geoinformation Science) on Jan 2019.

2. Pursuant to a Real Estate Title Certificate, Jin (2016) Bao Shui Qu Bu Dong Can Quan Zheng Di No. 1000943 dated 15 April 2016 and issued by The Housing Security and Land Resources Administration Bureau of Binhai New District, Tianjin, the land use rights and the building ownership rights of the property with a site area of approximately 40,808.20 square metres and a total gross floor area of approximately 42,302.36 square metres were vested in Tianjin Binhai International Automobile City Company Limited. The land use rights of the property were granted for a term expiring on 27 February 2051 for warehouse/non-residential uses.

3. Pursuant to the tenancy schedule provided, the property was subject to different tenancies with the latest expiry in December 2019 at a total monthly rental income of approximately RMB3,900,000, inclusive of management fees and other outgoings.

   The key terms of the tenancies are summarized below:

Number of tenants	:	337
Total Lettable Area	:	41,955.78 sqm representing an occupancy rate of 93%
Tenure	:	5 months to 2 years
Expiry Date	:	From March 2019 to December 2019
Total Monthly Rent	:	Approximately RMB3,900,000, inclusive of management fees and other outgoings

4. Pursuant to the information provided, the property is currently subject to various mortgages in favour of Nankai Branch of Tianjin Rural Commercial Bank Company Limited and New China Trust Company Limited. In the valuation, we have not taken into account such mortgage.

5. The general description and market information of the property are summarized as below:

Location	:	The property is located at the east of Haibin Third Road, the south of Tianbao Avenue, the west of Haibin Forth Road and the north of Xingang Avenue, Binhai New District, Tianjin, The PRC.
Transportation	:	The property is located at about 13 minutes' driving distance to the Exhibition Centre Station of Tianjin Metro Line No. 9, at about 15 minutes' drive to Tianjin New Port, at about 28 minutes' drive to Tianjin Binhai Railway Station and at about 60 minutes' drive to Tianjin Binhai International Airport.
Nature of Surrounding Area	:	The subject area is a newly developed urban area in Binhai New District. The neighbourhood of the property is dominated by various newly-built industrial, commercial and high-tech R&D developments.

6. We have been provided with a legal opinion regarding the legality of the Property by The PRC legal adviser of the Group, which contains, inter alia, the following:

   (a) Tianjin Binhai International Automobile City Company Limited has obtained the Real Estate Title Certificate of the property, and owns the real estate title of the property in accordance with the laws;

   (b) The real estate title of the property is subject to mortgages, the rights of handling the real estate title of the property are limited;

   (c) The use of the property for vehicle convention purposes is in line with the planned use, and is complying with relevant laws and regulations; and

   (d) Subject to the agreement of the mortgagees, Tianjin Binhai International Automobile City Company Limited can legally transfer, lease, sub-mortgage or by other means handle the real estate title of the property within the mortgage term.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately after the issue of the Consideration Shares will be, as follows:

		HK$
Authorised:		
10,000,000,000	Shares as at the Latest Practicable Date	100,000,000
Issued and fully paid:		
7,544,020,391	Shares in issue as at the Latest Practicable Date	75,440,203.91
500,000,000	Consideration Shares to be issued	5,000,000.00
8,044,020,391	Shares	80,440,203.91

All the existing Shares in issue are fully paid and rank *pari passu* in all respects including all rights as to voting, dividends and interests in capital. The Consideration Shares to be issued will rank *pari passu* in all respects with all other Shares in issue as at the date of allotment and issue of the Consideration Shares.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 the Directors or the chief executives of the Company or their associates were deemed or taken to have under provisions of the SFO), or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name	Class	Capacity	Number of Shares/ underlying Shares *(Note)*	Approximate percentage of the issued share capital of the Company
Mr Li Lixin	*Ordinary Shares*	*Note 2*	2,832,373,680 (L) 2,814,550,681 (S)	37.54% 37.31%
Mr Tong Shiping	*Ordinary Shares*	*Note 3*	1,689,407,702 (L) 200,000,000 (S)	22.39% 2.65%
Ms Cheng Weihong	*Ordinary Shares*	*Note 3*	1,689,407,702 (L) 200,000,000 (S)	22.39% 2.65%

Note 1: (L) denotes long positions (S) denotes short positions.

Note 2: Mr Li Lixin's interest in 2,832,373,680 Shares is held as to 17,822,000 Shares personally, 1,332,139,014 Shares through Big-Max Manufacturing Co., Limited ("**Big-Max**") and 1,482,412,666 Shares through Shi Hui Holdings Limited ("**Shi Hui**"). The issued share capital of Big-Max and Shi Hui are wholly owned by Mr Li Lixin.

Note 3: Mr Tong Shiping is the husband of Ms Cheng Weihong. Ms Cheng Weihong's interest in 1,389,407,702 Shares and 300,000,000 Shares are held through Mighty Mark Investments Limited ("**Mighty Mark**") and Hopeful Glad Limited ("**Hopeful Glad**") respectively. The issued share capital of Mighty Mark and Hopeful Glad are wholly owned by Ms Cheng Weihong.

(b) Substantial Shareholders' interests and short positions

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name	Capacity	Number of Shares/ underlying Shares *(Note)*	Approximate percentage of the issued share capital of the Company
Big-Max Manufacturing Co., Limited	Beneficial owner	1,332,139,014 (L) 1,332,139,014 (S)	17.66% 17.66%
Shi Hui Holdings Limited	Beneficial owner	1,482,412,666 (L) 1,482,411,667 (S)	19.65% 19.65%
Central Huijin Investment Limited	Person having a security interest in shares/interest in controlled corporation	2,965,009,680 (L)	39.30%
China Construction Bank Corporation	Person having a security interest in shares/interest in controlled corporation	2,965,009,680 (L)	39.30%
Mighty Mark Investments Limited	Beneficial owner	1,389,407,702 (L)	18.42%
浙江省財務開發公司	Person having a security interest in shares	999,999,001 (L)	13.26%
Caitong Securities Co., Limited	Person having a security interest in shares	999,999,001 (L)	13.26%
Asia United Fund	Investment manager	464,423,898 (L)	6.16%
Valuable Peace Limited	Beneficial owner	500,000,000 (L)	6.63%
Munoz Fierro Jorge Patricio	Interest in controlled corporation	500,000,000 (L)	6.63%
Greater Bay Area Homeland Investments Limited	Person having a security interest in shares/interest in controlled corporation	500,000,000 (L)	6.63%
Li Yuelan	Interest in controlled corporation	434,126,753 (L)	5.75%
Liu Xuezhong	Interest in controlled corporation	434,126,753 (L)	5.75%
China Fund Limited	Beneficial owner	413,750,753 (L)	5.48%

Note: (L) denotes long positions (S) denotes short positions.

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, save as disclosed below, so far as the Directors are aware of, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the business of the Group.

Mr. Li Lixin, the chairman, an executive Director and a controlling Shareholder of the Company, beneficially owns 98.15% equity interest of 利時集團股份有限公司 (Lisi Group Co. Ltd) ("**Lisi Co.**"). Mr. Cheng Jianhe, an executive Director, and Ms. Jin Yaxue, an executive Director, are also directors of Lisi Co.. As at the Latest Practicable Date, the principal businesses of Lisi Co. and its subsidiaries ("**Lisi Group**") include the manufacturing and sale of plastic and hardware products, the operation of department stores and supermarket chain, and investments in property development in the PRC.

Lisi Group operates four department stores (the "**Excluded Department Stores**") and one supermarket (the "**Excluded Supermarket**"). Two out of the four Excluded Department Stores and the Excluded Supermarket are located in Ningbo City and the remaining two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City in Zhejiang Province, respectively. All four Excluded Department Stores commenced business in 2010 or 2011 and recorded net losses for each of the two financial years ended 31 December 2012. Since the Excluded Department Stores are still in their startup stage of operation and are loss making, the Directors decided not to acquire the Excluded Department Stores at the material time.

The Excluded Supermarket is situated at the basement of one of the Excluded Department Stores and forms part of that Excluded Department Stores and as such, the Directors decided not to include the Excluded Supermarket into the target group acquired by the Group from Lisi Group in August 2013.

The Directors believed that the Group was capable of carrying on its business independently of, and at arm's length from, the Excluded Department Stores and the Excluded Supermarket owned by Lisi Group after completion of the acquisition of the entire issued share capital of Wealthy Honor Holdings Limited by the Company on the basis that, among other factors:

(a) while two of the Excluded Department Stores are situated in Ningbo City, the districts in which they are located are different from those in which the two department stores owned by the Group namely, New JoySun department store and Xiangshan Lisi Department Store, are located. The other two Excluded Department Stores are located in Tonglu County, Hangzhou City and Haiyan County, Jiaqing City; and

(b) the Company entered into a non-competition deed (the "**Non-competition Deed**") with Shi Hui, the guarantors and Lisi Co (the "**Covenantors**") on 31 August 2013. Under the Non-Competition Deed, the Covenantors have undertaken not to engage, other than through the Excluded Department Stores and the Excluded Supermarket, in any businesses of manufacture and sale of household products as well as the retail trade in merchandise in department stores and supermarkets in Ningbo City. The non-competition restrictions under the Non-Competition Deed shall terminate on the earlier of (i) the date on which the Covenantors cease to be a controlling Shareholder; and (ii) the date on which the Shares ceased to be listed on the Stock Exchange. As such, Lisi Group will not open, own or operate any new department stores or supermarkets in Ningbo City other than the Excluded Department Stores and the Excluded Supermarket so long as the Non-Competition Deed is in effect. Under the Non-Competition Deed, the Covenantors granted the Company an option to purchase the whole or part of the interest in the Excluded Department Stores or the Excluded Supermarket. The price at which the option will be exercised shall be negotiated and agreed between the Company and Lisi Co. at the time of exercise. If the parties fail to agree on the exercise price, an independent internationally recognised firm of valuers will be appointed to determine the exercise price. The Covenantors also granted the Company a right of first refusal in the event that Lisi Co. wishes to sell the whole or part of its interest in the Excluded Department Stores or the Excluded Supermarket to any third party. Decisions as to whether or not to exercise the right of first refusal shall be subject to the review and approval of the independent non-executive Directors. If the Company decides not to acquire such interest, an announcement will be issued by the Company setting out the reasons for not exercising such right and Lisi Co. may proceed to sell to the third party, provided that the price may not be lower than the price which was offered to the Company.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Enlarged Group or are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which does not expire or is not determinable by such member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Enlarged Group save for the following:

(i) the lease agreement dated 31 October 2018 made between Ningbo Lisi Electrical Appliances Manufacturing and Ningbo Lisi Household Products Company Limited as disclosed in the Company's announcement dated 31 October 2018;

(ii) the lease agreement dated 22 November 2018 made between Da Mei (Ningbo) New Materials Company Limited and Ningbo Lisi Household Products Company Limited as disclosed in the Company's announcement dated 22 November 2018;

(iii) the export agency agreement dated 22 November 2018 made between Lisi Import and Export Company Limited and Ningbo Lisi Household Products Company Limited as disclosed in the Company's announcement dated 22 November 2018;

(iv) the import agency agreement dated 22 November 2018 made between Lisi Import and Export Company Limited and Ningbo Lisi Household Products Company Limited as disclosed in the Company's announcement dated 22 November 2018;

(v) the mutual supply agreement dated 22 November 2018 made between New JoySun Corp. and Lisi Group Co., Ltd as disclosed in the Company's announcement dated 22 November 2018; and

(vi) the strategic cooperative agreement as disclosed in the Company's circular dated 22 January 2019.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion contained in this circular:

Name	Qualification
Yu Ming	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
KPMG	Certified Public Accountants
RHL Appraisal Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, each of the experts above (i) did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group, since 31 March 2018, the date to which the latest audited financial statements of the Group was made up; and (ii) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the MOU;

(b) the Agreement; and

(c) the trust agreement dated 12 December 2017 and renewed on 11 December 2018 made between 寧波新江廈股份有限公司 (New JoySun Corp.*) ("**New JoySun**"), a wholly-owned subsidiary of the Company, and 國民信託有限公司 (The National Trust Limited*) ("**National Trust**") pursuant to which New JoySun entrusted National Trust to manage a cash fund in the principal amount of RMB300 million for and on behalf of New JoySun. Please refer to the Company's announcement dated 11 December 2018 for details.

* *for identification purpose only*

11. MISCELLANEOUS

(a) The company secretary of the Company is Mr Pun Kam Wai Peter. He is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia.

(b) The registered office of the Company is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

(c) The principal place of business of the Company is Workshop 06 & 07, 36th Floor, King Palace Plaza, No. 52A Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at Workshop 06 & 07, 36th Floor, King Palace Plaza, No. 52A Sha Tsui Road, Tsuen Wan, New Territories, Hong Kong during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day for a period of 14 days from the date of this circular:

(i) the Memorandum of Association and Bye-laws of the Company and each of the companies of the Target Group;

(ii) the annual reports of the Company for the years ended 31 March 2017 and 31 March 2018;

(iii) the accountants' report on the Target Group issued by KPMG, the full text of which is set out in Appendix II to this circular;

(iv) the report on the unaudited pro forma financial information of the Enlarged Group, the full text of which is set out in Appendix IV to this circular;

(v) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 44 of this circular;

(vi) the property valuation report, the text of which is set out in Appendix V to this circular;

(vii) the material contracts referred to in the section headed "Material Contracts" of this Appendix;

(viii) the written consents referred to in the section headed "Experts and Consents" of this Appendix;

(ix) the MOU;

(x) the Agreement;

(xi) this circular; and

(xii) the Company's circular dated 22 January 2019 in relation to continuing connected transaction.

LISI GROUP (HOLDINGS) LIMITED
利時集團（控股）有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 526)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of Lisi Group (Holdings) Limited (the "**Company**") will be held at Unit 4608, 46/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 27 June 2019 at 3:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the Agreement (as defined and described in the circular of the Company dated 28 May 2019 (the "**Circular**"), a copy of which is tabled at the meeting and marked "A" and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the Agreement and the transactions contemplated thereunder;

(c) the allotment and issue of the Consideration Shares (as defined and described in the Circular) in the principal amount of up to HK$500,000,000 at the issue price of HK$1.00 per Consideration Share to Valuable Peace Limited and/or its designated party be and are hereby approved;

(d) subject to the listing committee of The Stock Exchange of Hong Kong Limited having granted the listing of, and permission to deal in the Consideration Shares, the directors of the Company be and are hereby granted the specific mandate (the "**Specific Mandate**") which shall entitle the directors of the Company to exercise all the powers of the Company to allot, issue and credited as fully paid, the Consideration Shares, on and subject to the terms and conditions of the Agreement, providing that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the directors of the Company prior to the passing of this resolution; and

(e) any one director of the Company be and is hereby authorised to, on behalf of the Company, do all such acts and sign, seal, execute and deliver all such documents and take all such actions as he/she may consider necessary or desirable for the purpose of or in connection with or to give effect to the allotment and issue of the Consideration Shares."

By Order of the Board
Lisi Group (Holdings) Limited
Li Lixin
Chairman

Hong Kong, 28 May 2019

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.

4. The transfer books and register of members of the Company will be closed from 21 June 2019 to 27 June 2019, both days inclusive, to determine the entitlement of shareholders of the Company to attend and vote at the SGM, during which period no share transfers can be registered. In order to be eligible to attend and vote at the SGM, all duly completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 20 June 2019.

5. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, the resolution as set out in this notice will be decided by poll at the meeting.

As at the date of this notice, the Board comprises Mr. Li Lixin (Chairman), Mr. Tong Shiping, Mr. Cheng Jianhe and Ms. Jin Yaxue being executive Directors, Ms. Cheng Weihong being non-executive Director, Mr. He Chengying, Mr. Cheung Kiu Cho Vincent, Mr. Shin Yick Fabian and Mr. Kwong Kwan Tong being independent non-executive Directors.