

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Composite Document and/or the accompanying Form of Acceptance or as to the action you should take, 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 MSL Shares, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale and transfer was effected for transmission to the purchaser(s) or the transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

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MR. CUI ZHANHUI

MODERN SERIES LIMITED

(Incorporated in the BVI with limited liability)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE
CONDITIONAL VOLUNTARY SECURITIES EXCHANGE OFFER AND
CASH OFFER FOR ALL THE ISSUED SHARES IN MODERN SERIES LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. CUI ZHANHUI
AND PARTIES ACTING IN CONCERT WITH HIM)**

BY



KINGSTON SECURITIES LTD.

**ON BEHALF OF
MR. CUI ZHANHUI**

Financial Adviser to Mr. Cui Zhanhui



KINGSTON CORPORATE FINANCE LTD.

Independent Financial Adviser to the Independent MSL Shareholders

 **Gram Capital Limited**
嘉林資本有限公司

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

A letter from the MSL Board is set out on pages 9 to 13 of this Composite Document. A letter from Kingston Securities containing, among other things, the details of the terms of the Offer is set out on pages 14 to 24 of this Composite Document. A letter from the Independent Financial Adviser, Gram Capital Limited, containing its advice to the Independent MSL Shareholders in respect of the Offer is set out on pages 25 to 40 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-7 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Transfer Agent by no later than 4:00 p.m. on Tuesday, 8 September 2015 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code.

17 August 2015

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EXPECTED TIMETABLE

Below is an indicative timetable showing the key dates of the relevant events:

Event	Expected date (note 1) (year 2015)
Offer opens for acceptance.....	Monday, 17 August
Latest time and date for acceptance of the Offer on the First Closing Date (note 2).....	By 4:00 p.m. on Tuesday, 8 September
First Closing Date (note 2).....	Tuesday, 8 September
Announcement of the results of the Offer or as to the Offer has been revised, extended, has expired or becomes unconditional to be posted on the Stock Exchange's website (under the Listco's list of announcements) and SFC's website (note 3)	By 7:00 p.m. on Tuesday, 8 September
Latest date for posting of remittances for the amounts and/or dispatching of the Listco's certificates for the Consideration Shares due in respect of valid acceptances received under the Offer on or before the First Closing Date assuming the Offer becomes or is declared unconditional on the First Closing Date (note 4)	Thursday, 17 September
Latest time and date for acceptance of the Offer assuming the Offer is declared unconditional on the First Closing Date.....	By 4:00 p.m. on Tuesday, 22 September
Latest date for posting of remittances for the amounts and/or dispatching of the Listco's certificates for the Consideration Shares due in respect of valid acceptances received under the Offer at or before 4:00 p.m. on 22 September 2015, being the latest time and date which the Offer remains open for acceptance assuming the Offer becomes or is declared unconditional in all respects on the First Closing Date.....	On or before Monday, 5 October
Latest time and date by which the Offer can become or be declared unconditional as to acceptances.....	By 7:00 p.m. on Friday, 16 October
Despatch date of the MSL Share certificates for the MSL Shareholders who do not accept the Offer.....	no later than Thursday, 22 October

Notes:

1. Dates and deadlines stated in this Composite Document and the Form of Acceptance for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

EXPECTED TIMETABLE

2. Pursuant to the Takeovers Code, the Offer must initially open for at least 21 days following the date on which this Composite Document is posted. The Offer will be subject to the Offeror having received valid acceptances in respect of the MSL Shares which, together with the MSL Shares already owned or agreed to be acquired by the Offeror and the party acting in concert with the Offeror before or during the period of the Offer, will result in the Offeror and the party acting in concert with the Offeror holding more than 50% of the issued share capital of MSL. Unless the Offer has previously become or been declared unconditional or extended, the latest time for acceptance of the Offer is 7:00 p.m. on Friday, 16 October 2015. Pursuant to the Takeovers Code, where the Offer is declared unconditional, the Offer will remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days' notice in writing must be given, before the Offer is closed, to those Independent MSL Shareholders who have not accepted the Offer and an announcement must be published. The Offeror will make an announcement as and when the Offer becomes unconditional.
3. In accordance with Rule 15.3 of the Takeovers Code, if the acceptance condition of the Offer is fulfilled, the Offeror may also declare and announce the Offer becomes unconditional as to acceptances, provided that the Offeror fully complies with Rule 15.1 and 15.3 of the Takeovers Code for the Offer to remain open for acceptance for not less than 14 days thereafter, and in no event the period open for acceptance is less than 21 days following the date on which the Composite Document is posted. An announcement will be issued through the Stock Exchange's website (under the Listco's list of announcements) and the SFC's website by 7:00 p.m. on Tuesday, 8 September 2015, being the First Closing Date, stating whether or not the Offer has been revised or extended, has expired or has become or been declared unconditional and (if and to the extent revised or extended) the next closing date or that the Offer will remain open until further notice. If the Offer is revised or extended, the Offeror will comply with the relevant requirements under the Takeovers Code.
4. Acceptance of the Offer shall be irrevocable and shall not be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code or/and in the section headed "Right of Withdrawal" in Appendix I of this Composite Document. Provided that the Offer has become unconditional, remittances in respect of the Listco's share certificate or the cash consideration payable for the MSL Shares tendered under the Offer will be posted to the accepting MSL Shareholder(s) by ordinary mail at his/her/its own risks as soon as possible but in any event within 7 Business Days after the date of receipt by the Transfer Agent of the duly completed Form of Acceptance.
5. In accordance with the Takeovers Code, in the event that the Offer (whether extended or not) does not become or is not declared unconditional as to acceptances by 7:00 p.m. on Friday, 16 October 2015, being the 60th day after posting of this Composite Document, the Offer will lapse except with the Executive's consents.
6. All announcements in respect of MSL will be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper published daily and circulating generally in Hong Kong.
7. If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong:
 - (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due or dispatch date of the certificates for the Consideration Shares due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances or dispatch date of the certificates for the Consideration Shares due will remain at 4:00 p.m. on the same Business Day.
 - (b) at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due or dispatch date of the certificates for the Consideration Shares due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances or dispatch date of the certificates for the Consideration Shares due will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

All time and date references contained in this Composite Document and the Form of Acceptance refer to Hong Kong time and dates.

DEFINITIONS

In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings. Also, where terms are defined and used in only one section of this Composite Document, these defined terms are not included in the table below:

“acting in concert”	having the meaning ascribed to it under the Takeovers Code
“associates”	having the meaning ascribed to it under the Listing Rules
“BC Act”	BVI Business Companies Act, as amended, supplemented or otherwise modified from time to time
“Business Days”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Cash Alternative”	the cash alternative of HK\$0.762 offered by the Offeror for each MSL Share under the Revised Offer, alternative to 0.425 Consideration Shares
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“Circular”	the circular of the Listco dated 30 June 2015 which contains, among other things, details of the Subscription Agreement, the Whitewash Waiver, the Reorganisation and Distribution, the Share Premium Reduction and the respective transactions contemplated thereunder
“Closing Date”	the later of the First Closing Date or the date falling 14 days after the Offer becoming or being declared unconditional, (if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code)
“Composite Document”	this composite offer and response document issued by the Offeror and MSL under the Takeovers Code containing details of the Offer and attaching therewith the Form of Acceptance
“Consideration Shares”	a maximum of 269,650,528 Listco’s Shares held by the Offeror for the settlement of the consideration for the Offer (taking into account of the Irrevocable Undertakings)
“Convertible Notes”	the zero coupon convertible notes in the outstanding principal amount of HK\$30,000,000 issued by the Listco and held by the Offeror as at the date of the Latest Practicable Date

DEFINITIONS

“Distributed Businesses”	the businesses of MSL and its subsidiaries, upon completion of the Reorganisation, of (i) money lending business in Hong Kong; (ii) money lending, provision of pawn loans and financial consultant services in the PRC; (iii) dealing of bullion contracts; and (iv) business of USFD
“Distribution”	the distribution in specie of MSL Shares by the Listco to its shareholders as described in the section headed “Proposed Reorganisation and Distribution” of the Circular
“Effective Date”	the date on which the Share Premium Reduction became effective, being 27 July 2015
“Excluded MSL Shareholders”	the Overseas MSL Shareholders holding MSL Shares upon completion of the Distribution, if any, whose address(es) as shown on the register of members of MSL is/are outside Hong Kong and located in a jurisdiction the laws of which may prohibit the making of the Offer to such MSL Shareholder(s) or otherwise require MSL to comply with additional requirements which are (in the opinion of the Offeror, subject to legal advice and the prior consent of the Executive) unduly onerous or burdensome, having regard to the number of Overseas MSL Shareholders holding the MSL Shares involved in that jurisdiction and their shareholdings in MSL
“Executive”	Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“First Closing Date”	8 September 2015, being the closing date of the Offer which is 21 days after the date on which this Composite Document is posted
“Form(s) of Acceptance”	the form of acceptance and transfer of the MSL Shares in respect of the Offer accompanying the Composite Document
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to advise the Independent MSL Shareholders on the Offer
“Independent MSL Shareholders”	MSL Shareholders other than the Offeror, his associates and parties acting in concert with him

DEFINITIONS

“Irrevocable Undertaking(s)”	the irrevocable deeds of undertaking all dated 20 May 2015 and entered into by each of the Covenantors in favour of the Offeror in respect of their respective undertakings, among other things, to not elect the Cash Alternative and accept the Offer for Consideration Shares, or not to accept the Offer at all
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Kingston CF”	Kingston Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the financial adviser to the Offeror in respect of the Offer
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror and an indirect wholly owned subsidiary of Kingston Financial Group Limited (stock code: 1031)
“Joint Announcement”	the joint announcement issued by the Offeror and the Listco dated 23 March 2015 in relation to, among other things, the Subscription Agreement, the Whitewash Waiver, the Reorganisation and Distribution, the Share Premium Reduction and the Offer
“LAL”	Linewear Assets Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Listco before the Reorganisation
“Last Trading Day”	3 November 2014, being the last full trading day of the Listco’s Shares on the Stock Exchange before the release of the Joint Announcement
“Latest Practicable Date”	14 August 2015, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
“Listco”	Simsen International Corporation Limited (stock code: 993), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Listco Board”	the board of Listco Directors
“Listco Director(s)”	the director(s) of the Listco
“Listco Group”	the Listco and its subsidiaries

DEFINITIONS

“Listco’s Shares” or “Shares”	shares of HK\$0.001 each in the capital of the Listco
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MSL”	Modern Series Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Listco before the Distribution
“MSL Board”	the board of MSL Directors
“MSL Director(s)”	the director(s) of MSL
“MSL Group”	MSL and its subsidiaries upon completion of the Reorganisation
“MSL Shareholder(s)”	holder(s) of the MSL Shares after the Distribution
“MSL Shares”	shares of US\$0.000025 par value each of MSL following the share subdivision effected on 31 July 2015
“Offer” or “Revised Offer”	the voluntary conditional securities exchange offer and cash offer by Kingston Securities on behalf of the Offeror to acquire the MSL Shares, other than those MSL Shares as may be received by the Offeror and parties acting in concert with him
“Offeror”	Mr. Cui Zhanhui, who is (i) a single largest shareholder of the Listco holding approximately 29.83% of the entire issued share capital of the Listco; and (ii) a single largest MSL Shareholder holding approximately 29.83% of the entire issued share capital of MSL as at the Latest Practicable Date
“Overseas MSL Shareholders”	Shareholders with its/his/her address in places other than Hong Kong in the register of members of MSL as at the Record Date
“PRC”	the People’s Republic of China, which for the purpose of this Composite Document, excluding Hong Kong, Taiwan and Macau Special Administrative Region
“Record Date”	3 August 2015, being the record date for ascertaining the entitlement of Listco Shareholders to participate in the Distribution
“Relevant Period”	the period commencing on 23 September 2014, being the date falling six months prior to the date of publication of the Joint Announcement on 23 March 2015 and ending on the Latest Practicable Date

DEFINITIONS

“Remaining Group”	the Listco, LAL and its then subsidiaries upon completion of the Reorganisation, which are principally engaged in business operated under Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) licences issued under the SFO
“Reorganisation”	the reorganisation of the Listco Group, pursuant to which (i) all the subsidiaries of the MSL Group were transferred to and held by MSL; (ii) all the subsidiaries of the Remaining Group have been transferred to and held by LAL, which is a direct wholly-owned subsidiary of the Listco; and (iii) any liabilities between the MSL Group and the Remaining Group have been settled
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
“SGM”	the special general meeting of the Listco held at 3 p.m. on 24 July 2015
“Share Premium Account”	the share premium account of the Listco
“Share Premium Reduction”	the reduction of the entire sum standing to the credit of the Share Premium Account to nil effected on 27 July 2015
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Huarong (HK) International Holdings Limited (華融(香港)國際控股有限公司), a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 30 January 2015 and entered into between the Listco and the Subscriber for the Subscription, as amended by the Supplemental Subscription Agreement
“Subscription Price”	HK\$0.275 per Subscription Share
“Subscription Shares”	1,702,435,038 new shares issued by the Listco upon completion of the Subscription pursuant to the terms and conditions of the Subscription Agreements

DEFINITIONS

“Supplemental Subscription Agreements”	the supplemental subscription agreements dated 20 March 2015 and 20 May 2015 respectively entered into between the Listco and the Subscriber for the purpose of amending certain terms of the Subscription Agreement
“Takeovers Code”	the Code on Takeovers and Mergers as in force in Hong Kong from time to time
“Transfer Agent”	the transfer agent for the MSL Shares in respect of the Offer, being Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Whitewash Waiver”	a waiver from the obligation of the Subscriber to make a mandatory general offer to the shareholders of the Listco in respect of the Shares and securities issued by the Listco not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it as a result of the Subscription in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
“US\$”	US dollars, the lawful currency of the United States of America
“USFD”	United Simsen Forex Dealers Limited, an indirect wholly-owned subsidiary of MSL which is licensed to conduct Type 3 regulated activity (leveraged foreign exchange trading) under the SFO as at the Latest Practicable Date but is in the course of slimming down its existing businesses
“%”	per cent.

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

LETTER FROM THE MSL BOARD

Modern Series Limited

(Incorporated in the BVI with limited liability)

MSL Directors:

Mr. Fu Jiwen

Ms. Zhou Baoying

Registered office:

P.O. Box 957,

Offshore Incorporations Centre,

Road Town, Tortola,

British Virgin Islands

Head office and principal place

of business in Hong Kong:

Room 1908–10, 19/F,

The Center, 99 Queen's Road Central,

Central, Hong Kong

To the Independent MSL Shareholders,

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY SECURITIES EXCHANGE OFFER AND
CASH OFFER FOR ALL THE ISSUED SHARES IN MODERN SERIES LIMITED
(OTHER THAN THOSE ALREADY OWNED BY MR. CUI ZHANHUI AND
PARTIES ACTING IN CONCERT WITH HIM)**

BY

**KINGSTON SECURITIES LIMITED
ON BEHALF OF MR. CUI ZHANHUI**

A. INTRODUCTION

On 24 July 2015, the resolution in respect of, among other things, the Distribution was approved at the SGM. On 4 August 2015, the completion of the Distribution took place.

Accordingly, the pre-conditions of the Offer as set out in the Joint Announcement and the Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcement and the Circular that, after the completion of the Distribution and subject to the satisfaction of the pre-conditions of the Offer, Kingston Securities would, on behalf of the Offeror and pursuant to the Takeovers Code, make the Offer (i.e. a voluntary conditional securities exchange offer and cash offer to acquire all the MSL Shares (other than those already owned by the Offeror and parties acting in concert with him)) on the basis of HK\$0.762 in cash or 0.425 Consideration Share for each MSL Share held.

Furthermore, on 4 June 2015, the Offeror, MSL and the Listco jointly announced the terms of the Revised Offer wherein the Offer will be made on the basis of either HK\$0.762 or 0.425 Consideration Share for each MSL Share held.

LETTER FROM THE MSL BOARD

The purpose of this Composite Document is to provide you with, among other things, information on the Offer, the MSL Group, the letter from Kingston Securities and the letter from Gram Capital containing its advice to the Independent MSL Shareholders in respect of the Offer.

The Offer

Kingston Securities, on behalf of the Offeror and pursuant to the Takeovers Code, is making a conditional voluntary securities exchange offer and cash offer to the Independent MSL Shareholders to acquire all the MSL Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him) on the following basis:

For each MSL Share HK\$0.762 in cash or 0.425 Consideration Share
(electable at the discretion of
the Independent MSL Shareholders)

As at the Latest Practicable Date, there were 1,575,672,880 MSL Shares in issue. The Offeror and parties acting in concert with him were interested in a total of 470,000,050 MSL Shares, representing approximately 29.83% of the issued share capital of MSL as at the Latest Practicable Date. As such, 1,105,672,830 MSL Shares will be offered to be acquired by the Offeror.

The basis of 1 MSL Share for 0.425 Consideration Share (or HK\$0.762 as the Cash Alternative) tendered under the Offer was determined by the Offeror with reference to:

- (i) the net asset value of approximately HK\$0.762 per MSL Share, based on the unaudited pro forma combined net asset value of the MSL Group as at 31 October 2014 of approximately HK\$1,200,910,000 upon completion of the Reorganisation and 1,575,672,880 MSL Shares upon completion of the Distribution;
- (ii) the closing price of the Listco's Shares of HK\$1.71 per Listco's Share on the Last Trading Day; and
- (iii) the historical trend of the closing prices of the Listco's Shares before the Last Trading Day.

The basis of the Offer was determined taking into account of comparability of the realisable value and/or replacement costs (being the costs required to replace the MSL Shareholders' investment in MSL Shares, according to such investment's expected value) of the MSL Shares and the Consideration Shares. When determining the basis of 1 MSL Share for 0.425 Consideration Share, the Offeror considered that the net asset value of approximately HK\$0.762 per MSL Share could reflect (i) the proceeds when the MSL Shareholders realise their investments in the MSL Shares; and/or (ii) the costs that MSL Shareholders are required to provide in order to set up a similar business as the MSL Group, in terms of the business nature and size. As at the Last Trading Day, the closing price of HK\$1.71 per Listco's Share represents (i) the value a shareholder of the Listco can realise in the open market; and/or (ii) the costs that is required for the shareholder of the Listco to replace their investment in the Consideration Shares on the Last Trading Day.

LETTER FROM THE MSL BOARD

MSL Shareholders should note that the above comparison of the realizable value and/or replacement costs is based on the assumption that a rational market and liquid trade of MSL Shares exist. In addition, the closing price of the Listco's Shares of HK\$1.71 per Listco's Share on the Last Trading Day did not take into account of and did not reflect (i) the theoretical downward effect of the Distribution on the Listco's Share price, which cannot be quantified beforehand and is impacted by factors such as the size of the Distributed Group, prospects of the business of the Distributed Group (mainly the money lending business), liquidity of the MSL Shares; and (ii) the unpredictable share price impact of the Subscription, which was not concluded by the time when the terms of the Offer were determined, and involves factors such as the Subscription Price, number of the Subscription Shares, possibility of completion of the Subscription and future development of the Remaining Group upon introducing the Subscriber and China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) as strategic investors. As at the Latest Practicable Date, the closing price of the Listco's Share was HK\$5.70 per Listco's Share which is higher than HK\$1.71 per Listco's Share and has already reflected the response of the market on the price of the Listco's Shares upon completion of the Distribution on 4 August 2015 and in contemplation of the Subscription. The value of 0.425 Consideration Share was approximately HK\$2.42 based on the closing price per Listco's Share as at the Latest Practicable Date.

The Cash Alternative is determined with reference to the net asset value of approximately HK\$0.762 per MSL Share, based on (i) the unaudited pro forma combined net asset value of the MSL Group as at 31 October 2014 of approximately HK\$1,200,910,000 upon completion of the Reorganisation; and (ii) 1,575,672,880 MSL Shares upon completion of the Distribution.

The closing price of the Listco's Share was HK\$5.70 as at the Latest Practicable Date, and the Cash Alternative of HK\$0.762 therefore represents a discount of approximately 68.51% to the value of 0.425 of the Consideration Share (i.e. approximately HK\$2.42).

Save for the 1,575,672,880 MSL Shares in issue, as at the Latest Practicable Date, MSL had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of MSL Shares and MSL had no other relevant securities (as defined in Note 4 to the Rule 22 of the Takeovers Code).

The MSL Shares to be acquired under the Offer shall be fully paid and free from all liens, equities, charges and encumbrances and together with all rights now and thereafter attaching thereto, including the rights to receive and retain all dividends and other distributions declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document.

The Offer is also conditional upon the Offeror having received valid acceptances of the Offer by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) which, together with the MSL Shares already acquired or to be acquired by the Offeror and parties acting in concert with him during the Offer, will result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights of MSL. Under the terms of the Offer, acceptance of the Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code and/or in the section headed "Right of Withdrawal" in Appendix I of this

LETTER FROM THE MSL BOARD

Composite Document. If the circumstances set out in Rule 19.2 of the Takeovers Code happen, the Executive may require that the Independent MSL Shareholders accepting the Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Independent MSL Shareholders are reminded that, subject to the level of valid acceptance being received of the Offer, the Offer may or may not become unconditional.

Further details of the Offer including, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Offer are set out in the “Letter From Kingston Securities” in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON MSL

MSL is a company incorporated in the BVI and was a directly wholly owned subsidiary of the Listco prior to the Distribution. Listco ceased to have any shareholding interests in MSL immediately after the Distribution.

After completion of the Reorganisation and the Distribution on 4 August 2015, the MSL Group is principally engaged in the Distributed Businesses, being (i) money lending business in Hong Kong; (ii) money lending, provision of pawn loans and financial consultant services in the PRC; (iii) dealing of bullion contracts; and (iv) business of USFD.

The financial information of the MSL Group for the three years ended 30 April 2014 and for the ten months ended 28 February 2015 is set out in Appendix II to this Composite Document. The unaudited pro forma financial information of the MSL Group is set out in Appendix III to this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE MSL GROUP

Your attention is drawn to the “Letter from Kingston Securities” in this Composite Document which sets out the intention of the Offeror regarding the future plan of the MSL Group and its employees. The MSL Board is of the view that the Offeror’s future plan in respect of the MSL Group is in the best interests of MSL and the MSL Shareholders as a whole.

RECOMMENDATION

As the MSL Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the MSL Board can be formed to give a recommendation to the Independent MSL Shareholders in connection with the Offer. In these circumstances, Gram Capital has been appointed to advise the Independent MSL Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent MSL Shareholders are concerned and whether the Independent MSL Shareholders should accept the Offer.

LETTER FROM THE MSL BOARD

Your attention is drawn to the letter from Gram Capital to the Independent MSL Shareholders, set out on pages 25 to 40 of this Composite Document, which sets out its recommendation in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

Having considered the advices from Gram Capital, the Directors also consider that the Offer is fair and reasonable and will advise the MSL Shareholders to accept the Offer.

ADDITIONAL INFORMATION

Your attention is also drawn to the section headed “Expected timetable” on page 1 of this Composite Document, the accompanying Form of Acceptance, Appendix I with respect to the procedures for acceptance and settlement, the acceptance period and the share transfer arrangement during and after the close of the Offer, and the additional information set out in the appendices which form part of this Composite Document.

For and on behalf of the Board of
Modern Series Limited
Zhou Baoying
Director

LETTER FROM KINGSTON SECURITIES

The following is the text of a letter of advice from Kingston Securities Limited to the Independent MSL Shareholders, which has been prepared for the purpose of inclusion in this Composite Document.

To: the Independent MSL Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY SECURITIES EXCHANGE OFFER AND
CASH OFFER FOR ALL THE ISSUED SHARES IN MODERN SERIES LIMITED
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY
MR. CUI ZHANHUI
AND PARTIES ACTING IN CONCERT WITH HIM)**

BY



**KINGSTON SECURITIES LTD.
ON BEHALF OF
MR. CUI ZHANHUI**

INTRODUCTION

On 24 July 2015, the resolution in respect of, among other things, the Distribution was approved at the SGM. On 4 August 2015, the completion of the Distribution took place.

Accordingly, the pre-condition of the Offer as set out in the Joint Announcement and the Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcement and the Circular that, after the completion of the Distribution and subject to the satisfaction of the Pre-condition, Kingston Securities would, on behalf of the Offeror and pursuant to the Takeovers Code, make the Offer (i.e. a voluntary conditional securities exchange offer and cash offer to acquire all the MSL Shares (other than those already owned by the Offeror and parties acting in concert with him)) on the basis of HK\$0.762 in cash or 0.425 Consideration Share for each MSL Share held.

This letter sets out, among other things, the terms of the Offer, information on the Offeror and the intentions of the Offeror regarding the MSL Group. Further details of the terms of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance.

LETTER FROM KINGSTON SECURITIES

The Offer

Kingston Securities, on behalf of the Offeror and pursuant to the Takeovers Code, is making a conditional voluntary securities exchange offer and cash offer to the Independent MSL Shareholders to acquire all the MSL Shares (other than those already owned by the Offeror and parties acting in concert with him) on the following basis:

For each MSL Share HK\$0.762 in cash or 0.425 Consideration Share
(electable at the discretion of
the Independent MSL Shareholders)

For the avoidance of doubt, the MSL Shareholders (other than the Offeror and parties acting in concert with him) shall elect to accept the Cash Alternative or the Consideration Shares at their discretion. MSL Shareholders may elect to accept the Offer partly for the Cash Alternative and/or partly for the Consideration Shares and/or keep partly of their MSL Shares. The MSL Shareholders may also elect not to accept the Offer, and therefore remain holding their MSL Shares.

As at the Latest Practicable Date, there were 1,575,672,880 MSL Shares in issue. The Offeror and parties acting in concert with him were interested in a total of 470,000,050 MSL Shares, representing approximately 29.83% of the issued share capital of MSL as at the Latest Practicable Date. As such, 1,105,672,830 MSL Shares will be offered to be acquired by the Offeror.

The basis of 1 MSL Share for 0.425 Consideration Share (or HK\$0.762 as the Cash Alternative) tendered under the Offer was determined by the Offeror with reference to:

- (i) the net asset value of approximately HK\$0.762 per MSL Share, based on the unaudited pro forma combined net asset value of the MSL Group as at 31 October 2014 of approximately HK\$1,200,910,000 upon completion of the Reorganisation and 1,575,672,880 MSL Shares upon completion of the Distribution;
- (ii) the closing price of the Listco's Shares of HK\$1.71 per Listco's Share on the Last Trading Day; and
- (iii) the historical trend of the closing prices of the Listco's Shares before the Last Trading Day.

The basis of the Offer was determined taking into account of comparability of the realisable value and/or replacement costs (being the costs required to replace the MSL Shareholders' investment in MSL Shares, according to such investment's expected value) of the MSL Shares and the Consideration Shares. When determining the basis of 1 MSL Share for 0.425 Consideration Share, the Offeror considered that the net asset value of approximately HK\$0.762 per MSL Share could reflect (i) the proceeds when the MSL Shareholders realise their investments in the MSL Shares; and/or (ii) the costs that MSL Shareholders are required to provide in order to set up a similar business as the MSL Group, in terms of the business nature and size. As at the Last Trading Day, the closing price of HK\$1.71 per Listco's Share

LETTER FROM KINGSTON SECURITIES

represents (i) the value a shareholder of the Listco can realise in the open market; and/or (ii) the costs that is required for the shareholders of the Listco to replace their investment in the Consideration Shares on the Last Trading Day.

MSL Shareholders should note that the above comparison of the realizable value and/or replacement costs is based on the assumption that a rational market and liquid trade of MSL Shares exist. In addition, the closing price of the Listco's Shares of HK\$1.71 per Listco's Share on the Last Trading Day did not take into account of and did not reflect (i) the theoretical downward effect of the Distribution on the Listco's Share price, which cannot be quantified beforehand and is impacted by factors such as the size of the Distributed Group, prospects of the business of the Distributed Group (mainly the money lending business), liquidity of the MSL Shares; and (ii) the unpredictable share price impact of the Subscription, which was not concluded by the time when the terms of the Offer were determined, and involves factors such as the Subscription Price, number of the Subscription Shares, possibility of completion of the Subscription and future development of the Remaining Group upon introducing the Subscriber and China Huarong Asset Management Co., Ltd. (#中國華融資產管理股份有限公司) as strategic investors. As at the Latest Practicable Date, the closing price of the Listco's Share was HK\$5.70 per Listco's Share which is higher than HK\$1.71 per Listco's Share and has already reflected the response of the market on the price of the Listco's Shares upon completion of the Distribution on 4 August 2015 and in contemplation of the Subscription. The value of 0.425 Consideration Share was approximately HK\$2.42 based on the closing price per Listco's Share on the Latest Practicable Date.

The Cash Alternative is determined with reference to the net asset value of approximately HK\$0.762 per MSL Share, based on (i) the unaudited pro forma combined net asset value of the MSL Group as at 31 October 2014 of approximately HK\$1,200,910,000 upon completion of the Reorganisation; and (ii) 1,575,672,880 MSL Shares upon completion of the Distribution.

The closing price of the Listco's Share was HK\$5.70 as at the Latest Practicable Date, and the Cash Alternative of HK\$0.762 therefore represents a discount of approximately 68.51% to the value of 0.425 of the Consideration Share (i.e. approximately HK\$2.42).

Save for the 1,575,672,880 MSL Shares in issue, as at the Latest Practicable Date, MSL had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of MSL Shares and MSL had no other relevant securities (as defined in Note 4 to the Rule 22 of the Takeovers Code).

The MSL Shares are not listed on any stock exchange and there was no dealings in the MSL Shares for value during the Relevant Period and as at the Latest Practicable Date.

The MSL Shares to be acquired under the Offer shall be fully paid and free from all liens, equities, charges and encumbrances and together with all rights now and thereafter attaching thereto, including the rights to receive and retain all dividends and other distributions declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document.

The Offer is conditional upon the Offeror having received valid acceptances of the Offer by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the Takeovers Code, decide) which, together with the MSL Shares already acquired or to be

LETTER FROM KINGSTON SECURITIES

acquired by the Offeror and parties acting in concert with him during the Offer, will result in the Offeror and parties acting in concert with him holding more than 50% of the voting rights of MSL. Under the terms of the Offer, acceptance of the Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code and/or in the section headed “Right of Withdrawal” in Appendix I of this Composite Document. If the circumstances set out in Rule 19.2 of the Takeovers Code happen, the Executive may require that the Independent MSL Shareholders accepting the Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Independent MSL Shareholders are reminded that, subject to the level of valid acceptance being received of the Offer, the Offer may or may not become unconditional.

The Offeror is of the view that the Revised Offer, which provides the MSL Shareholders the Cash Alternative (as an alternative settlement to the Consideration Shares at the choice of the Independent MSL Shareholders) to realise their investment in the MSL Group, is beneficial to MSL Shareholders in the following ways:

- (a) the settlement of consideration for the MSL Shares by cash would simplify the payment procedure should the accepting MSL Shareholders so elect, and cash is more liquid than the Consideration Shares and the settlement of consideration for the MSL Shares by cash would provide more liquidity and hence is also beneficial to the accepting MSL Shareholders;
- (b) in light of the recent fluctuating performance of the Hong Kong stock market (including the share price of the Consideration Shares), market value of the Consideration Shares may fluctuate and MSL Shareholders who elect settlement by Consideration Shares may therefore be exposed to market price risk; on the other hand, although value of the Consideration Shares will increase if the market price of the Listco’s Shares increases (as at the Latest Practicable Date, the closing price of the Listco’s Shares was HK\$5.70 each, and the value of 0.425 Consideration Share was approximately HK\$2.42 which is higher than the Cash Alternative), settlement by cash is not exposed to such market price risk and therefore is a less risky approach, and is beneficial to the accepting MSL Shareholders; and
- (c) the Revised Offer provides a greater flexibility to the MSL Shareholders and is beneficial to them.

Comparison of value

The Cash Alternative is determined with reference to the net asset value of approximately HK\$0.762 per MSL Share, based on (i) the unaudited pro forma combined net asset value of the Distributed Group as at 31 October 2014 of approximately HK\$1,200,910,000 upon completion of the Reorganisation; and (ii) 1,575,672,880 MSL Shares upon completion of the Distribution. The closing price of the Listco’s Share was HK\$5.26 as at 4 June 2015 (on which the Revised Offer with Cash Alternative was announced), and the Cash Alternative of HK\$0.762 therefore represents a discount of approximately 65.98% to the value of 0.425 Consideration Share (i.e. approximately HK\$2.24). As at the Latest Practicable Date, the

LETTER FROM KINGSTON SECURITIES

closing price of the Listco's Share was HK\$5.70, and the Cash Alternative of HK\$0.762 therefore represents a discount of approximately 68.51% to the value of 0.425 Consideration Share (i.e. approximately HK\$2.42).

Irrevocable Undertakings

The Offeror has solicited for irrevocable and unconditional undertakings from Able China Investments Limited (“**Able China**”), Super Century Investments Limited (“**Super Century**”), Mr. Tong Liang and Mr. Liu Yan Hong (the “**Covenantors**”). Pursuant to such undertakings, each of Covenantors has irrevocably and unconditionally undertaken and confirmed to the Offeror that, among other things: (i) it/he will, with regard to the MSL Shares it/he may own upon completion of the Distribution, (a) accept the Revised Offer for a certain number of MSL Shares for Consideration Shares; or (b) not accept the Revised Offer for a certain number of MSL Shares (as the case may be); (ii) upon receiving their respective MSL Shares and becoming the beneficial owner thereof, it/he shall not dispose of any such MSL Shares during the Offer period (as defined in the Takeovers Code); (iii) at all times after the date of its/his undertaking and until the Revised Offer shall become or be declared unconditional in all respects or shall lapse or be withdrawn, it/he shall refrain from taking any action or making any statement which is or may be prejudicial to the success of the Revised Offer; (iv) it/he is not acting in concert with any person for the purposes of the Takeovers Code; and (v) it/he shall not dispose of any Shares beneficially held by it/him until the close of the Revised Offer.

In relation to (i) above, pursuant to the their respective Irrevocable Undertakings, each of the Covenantors gave the undertakings in relation to the acceptance or rejection of the Revised Offer as follow:

	Number of MSL Shares for which the Revised Offer will not be accepted	Number of MSL Shares for which the Revised Offer will be accepted for Consideration Shares	Number of MSL Shares for which the Revised Offer will be accepted for Cash Alternative
Able China	270,000,000 <i>(Note 1)</i>	—	—
Mr. Tong Liang and Super Century	201,201,000 <i>(Note 2)</i>	—	—
Mr. Liu Yanhong	—	200,000,000 <i>(Note 3)</i>	—

Notes:

1. They represent all the MSL Shares received by Able China upon completion of the Distribution.
2. They represent all the MSL Shares received by Mr. Tong Liang, the sole shareholder of Super Century, and by Super Century upon completion of the Distribution (among which, 60,120,000 MSL Shares and 141,081,000 MSL Shares received by Mr. Tong Liang and Super Century respectively).
3. They represent all the MSL Shares received by Mr. Liu Yanhong upon completion of the Distribution.

LETTER FROM KINGSTON SECURITIES

Since each of the Covenantors has irrevocably and unconditionally undertaken that it/he will either accept the Revised Offer for Consideration Shares or not accept the Revised Offer at all, and will not accept the Revised Offer for the Cash Alternative, a total of 671,201,000 MSL Shares to be owned by the Covenantors upon completion of the Distribution will not be offered with the Cash Alternative and therefore an aggregate sum of HK\$511,455,162 from the total Cash Alternative will be excluded from the financial resources of the Offeror under the Revised Offer.

Total consideration of the Offer and confirmation of financial resources

On the basis of HK\$0.762 per MSL Share and 1,575,672,880 MSL Shares upon completion of the Distribution, the entire issued share capital of MSL is valued at approximately HK\$1,200,662,734.56. As at the Latest Practicable Date, the Offeror is directly holding 470,000,000 Listco's Shares and Kingston Securities, being party acting in concert with the Offeror, holds 50 Listco's Shares. Assuming all Independent MSL Shareholders accepted the Revised Offer for the Consideration Shares save for Able China, Mr. Tong Liang and Super Century, a maximum of 634,471,830 MSL Shares are subjected to the Revised Offer and a maximum of 269,650,528 Consideration Shares are required to satisfy the consideration for the full acceptance of the Revised Offer.

In addition, taking into account of the Irrevocable Undertakings provided by the Covenantors and the offer price of HK\$0.762 per MSL Share under the Revised Offer, 434,471,830 MSL Shares are subjected to the Cash Alternative and, approximately HK\$331.07 million is required to finance the maximum consideration for the Cash Alternative. The Offeror intends to finance such consideration by a loan of a maximum amount of HK\$275,000,000 obtained from Kingston Finance Limited (the "Loan") under a loan agreement dated 3 June 2015 and the resources owned by him. As at the Latest Practicable Date, the Offeror has drawn down the Loan and the repayment of the Loan will not depend on the business of MSL.

Kingston CF, the financial adviser to the Offeror, is satisfied that sufficient Consideration Shares and sufficient fund are available for the Offeror to satisfy the consideration and relevant stamp duty (calculated with reference to the latest closing price of HK\$5.70 per Listco's Share on the last trading day immediately prior to the Latest Practicable Date) for full acceptance of the Revised Offer.

Effect of accepting or not accepting the Offer

By accepting the Offer, the Independent MSL Shareholders will sell their MSL Shares and all rights attached thereto to the Offeror free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them from the date of the issue of the MSL Shares, including the right to receive all dividends and distributions declared, made or paid, if any, on or after the date of the Composite Document.

The Offer provides an exit to the Independent MSL Shareholders (at HK\$0.762 or 0.425 Consideration Shares per MSL Share) to realise all or part of their shareholdings in MSL, which have no liquid market as there is no intention to list the MSL Shares on any stock exchange. Moreover, the MSL Shares may be subject to the compulsory acquisition provisions of the BC Act after the close of the Offer.

LETTER FROM KINGSTON SECURITIES

In addition, MSL cannot assure the Independent MSL Shareholders that it will declare any dividends in the future. The historical dividend payments of MSL should not be taken as an indication of any future dividends for MSL and there can be no assurance that MSL will declare dividends in the future. Any dividends proposed by the MSL Directors are discretionary and any future dividends will be subject to the recommendation of the MSL Board. No dividend may be paid, and no distribution may be made, if to do so would render MSL unable to pay its debts as they become due or the value of its assets would thereby become less than its liabilities immediately after the payment or distribution.

After completion of the Distribution, unless a request for a share certificate is made by a MSL Shareholder prior to the First Closing Date, the share certificates of MSL will be posted after the close of the Offer by ordinary post only to the MSL Shareholders who do not accept the Offer at their own risk. A request for a share certificate shall be made by a MSL Shareholder in writing or in person to Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong after completion of the Distribution and up to the Business Day immediately prior to the Closing Date. A share certificate for the MSL Shares will be available without charges for collection or posted by ordinary post at the MSL Shareholder's risk after 10 Business Days of such request being made. Provided that the Offer has been declared to be unconditional, the relevant MSL Shareholders who elect to accept Consideration Shares (but not the Cash Alternative) will receive the certificates of the Consideration Shares instead of their MSL Share certificates entitled under the Distribution within 7 Business Days after their duly completed and valid Forms of Acceptance were received by the Transfer Agent. MSL Shareholders who elect to accept Cash Alternative (but not Consideration Shares) will be receiving cheque representing the cash amount payable under the Offer within 7 Business Days after their duly completed and valid Forms of Acceptance were received by the Transfer Agent.

Compulsory Acquisition

Under the provisions of section 176 of the BC Act, after the close of the Offer, if the Offeror holds not less than 90% of the MSL Shares in issue, the Offeror may, at any time, give notice (the "**Request Notice**") to MSL directing it to redeem the remaining MSL Shares in accordance with section 176 (and subject to section 179) of the BC Act. Upon receipt of the Request Notice, MSL shall send a notice of compulsory redemption and cancellation to the holders of the remaining MSL Shares containing all relevant information in the manner prescribed by the BC Act.

In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires that in order for the Offeror to exercise its rights under BVI law to direct MSL to redeem all the remaining MSL Shares, the Offeror must have received acceptances of the Offer during the period of 4 months after posting of this Composite Document amounting to not less than 90% of the disinterested MSL Shares.

Taking into account of the Irrevocable Undertakings, since the covenantors will not accept the Offer in respect of an aggregate of 471,201,000 MSL Shares, which constitutes approximately 29.9% of all the issued shares of MSL as at the Latest Practicable Date, it is expected that the Offeror will not hold at least 90% of all the issued shares of MSL immediately after the close of the Offer.

LETTER FROM KINGSTON SECURITIES

If the relevant thresholds are not reached for the exercise of the compulsory acquisition rights referred to above, the Independent MSL Shareholders who do not accept the Offer will end up holding MSL Shares which are unlisted. It may be difficult for the holders of MSL Shares to dispose of the MSL Shares as no on-market trading facilities for such shares will be available.

Further announcements will be made about the exercise of such right of compulsory acquisition.

Hong Kong Stamp Duty

Given that MSL is a company incorporated in the BVI where its register of members is located and maintained outside Hong Kong, no Hong Kong stamp duty is payable on any transfer of the MSL Shares.

Buyers' and sellers' ad valorem stamp duty arising in connection with transfer of the Consideration Shares will be payable by the Offeror (and not by the accepting independent MSL Shareholders) at the rate of HK\$1.00 for every HK\$1,000 or part thereof.

Fractional entitlement to the Consideration Shares

Any fractional entitlement to the Consideration Shares will be rounded up to a whole Consideration Share and be transferred to the accepting Independent MSL Shareholders under the Revised Offer. However, MSL Shareholders should note that MSL Shares held by a nominee (including HKSCC Nominees Limited) will be regarded as a single Shareholder according to the register of members of MSL, and the above arrangement will not be extended to such MSL Shareholders but only be applicable to registered MSL Shareholders according to the register of members of MSL.

Background of the Offeror and his intentions regarding MSL and the Convertible Notes

The Offeror is a single largest holder of the Listco's Shares holding 470,000,000 Listco's Shares, representing approximately 29.83% of the entire issued share capital of the Listco as at the Latest Practicable Date. The Offeror is also interested in the Convertible Notes in the principal amount of HK\$30,000,000 which entitled the Offeror to convert into 60,000,000 new Listco's Shares upon exercising the conversion rights attaching thereto. Although there is no restriction under the terms and conditions of the Convertible Notes for the conversion thereof into new Listco's Shares (except where the conversion thereof (i) will cause the Listco fails to maintain the minimum public float of the issued share capital of the Listco as enlarged by the issue of the conversion Listco's Shares in accordance with the relevant provisions of the Listing Rules); (ii) is without obtaining the approval from the SFC as may be required under the SFO, including but without limitation, approval under section 132(1)(a) thereof; and (iii) will trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and parties acting in concert with him) prior to the Record Date, the Offeror undertakes that he will not exercise the conversion right attaching to the Convertible Notes on or before the close of Offer. Subsequent to the close of the Offer, the Offeror intends to exercise his conversion right attaching to the Convertible Notes in whole or in part subject to the relevant rules, regulations and terms of the Convertible Notes.

LETTER FROM KINGSTON SECURITIES

It is the intention of the Offeror that the Distributed Group will not make changes to its principal businesses nor conduct any business other than (i) the money lending business in Hong Kong, (ii) money lending, provision of pawn loans and financial consultant services in the PRC, (iii) dealing of bullion contracts and (iv) business of USFD (subject to any restriction which may be imposed on by the regulators for the change in ownership of USFD as a licensed corporation or the continuance of such licence). It is also the intention of the Offeror that the MSL Group will not be injected with any major assets, nor dispose of any major assets, after the close of the Offer, unless prior approval by the MSL Shareholders who are entitled to vote in relation thereto has been obtained.

The Offeror has no intention to terminate any employee(s) of the Distributed Group or make significant changes to any employment (except for the proposed changes to the board of MSL as detailed in the paragraph headed “Proposed change of the board of MSL” below).

Interests of the MSL Shareholders will be safeguarded by the articles of association of MSL adopted on 31 July 2015, which contain comparable provisions required under the Listing Rules in respect of a listed issuer. A summary of the constitution of MSL and BVI Company Law is set out in Appendix IV to this Composite Document. As at the Latest Practicable Date, the directors of MSL are Mr. Fu Jiwen and Ms. Zhou Baoying.

Proposed change of the board of MSL

As at the Latest Practicable Date, the directors of MSL are Mr. Fu Jiwen and Ms. Zhou Baoying. The Offeror intends to join the board of directors of MSL and such appointment will not take effect earlier than the date of posting of the Composite Document or such other date as permitted under the Takeovers Code. It is also intended that Mr. Fu Jiwen and Ms. Zhou Baoying will resign from the board of directors of MSL with effect from the earliest date as permitted under the Takeovers Code or other applicable laws (whichever is later).

Directors of MSL may appoint any person to be a director either to fill a casual vacancy on its board, or as an addition to its existing board. It is proposed that a board meeting of MSL will be convened as soon as practicable after the date of posting of the Composite Document or such other date as permitted under the Takeovers Code for the appointment of the Offeror or any new director(s) to be nominated by the Offeror. Such new director(s) shall hold office until the relevant general meeting in accordance with the articles of association of MSL and be subject to re-election thereupon.

Based on the information provided by the Offeror, he is a merchant and investor aged 35 who mainly invests in the PRC and Hong Kong for over 5 years. Despite the Offeror does not have much experience in the direct operation of the money lending business, he will utilize his social network to identify appropriate candidates to strengthen the management team of the Distributed Group.

As at the Latest Practicable Date, save for holding 470,000,000 MSL Shares, the Offeror does not have or is not deemed to have any interests or short positions in the MSL Shares or underlying MSL Shares or its associated corporations pursuant to Part XV of the SFO.

LETTER FROM KINGSTON SECURITIES

Acceptance and settlement

Appendix I to this Composite Document and the Form of Acceptance contain further details regarding the procedures for acceptance and settlement of the Offer and further terms of the Offer.

Taxation

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Offer. It is emphasised that the Offeror or any persons involved in the Offer do not accept responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offer.

Overseas Shareholders

The making of the Offer in, or to the Independent MSL Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent MSL Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Independent MSL Shareholder not resident in Hong Kong who wishes to accept the Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

Independent advice

Gram Capital has been appointed as the independent financial adviser to advise the Independent MSL Shareholders (i) as to whether the terms of the Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the Offer. Your attention is drawn to their letter of advice to the Independent MSL Shareholders set out on pages 25 to 40 of this Composite Document.

LETTER FROM KINGSTON SECURITIES

Additional information

Your attention is drawn to the section headed “Expected Timetable” on page 1 of this Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
For and on behalf of
Kingston Securities Limited
Chan Yin Tong Cynthia
Director

LETTER FROM GRAM CAPITAL

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



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

17 August 2015

To: The Independent MSL Shareholders of Modern Series Limited

Dear Sirs,

**CONDITIONAL VOLUNTARY SECURITIES EXCHANGE OFFER AND
CASH OFFER FOR ALL THE ISSUED SHARES IN MSL
(OTHER THAN THOSE ALREADY OWNED
BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH HIM)
BY KINGSTON SECURITIES LIMITED ON BEHALF OF THE OFFEROR**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent MSL Shareholders in respect of the Offer, details of which are set out in the Composite Document dated 17 August 2015 issued by the Offeror and MSL to the MSL Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

On 24 July 2015, the resolution in respect of, among other things, the Distribution was approved at the SGM. On 4 August 2015, the completion of the Distribution took place. Accordingly, the pre-condition of the Offer as set out in the Joint Announcement and the Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcement and the Circular that, after the completion of the Distribution and subject to the satisfaction of the pre-condition of the Offer, Kingston Securities would, on behalf of the Offeror and pursuant to the Takeovers Code, make the Offer.

As the MSL Board does not have any non-executive director or any independent non-executive director, no independent committee of the MSL Board can be formed to give a recommendation to the Independent MSL Shareholders in connection with the Offer. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent MSL Shareholders in respect of the Offer. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent MSL Shareholders as to whether the terms of the Offer are fair and reasonable so far as the Independent MSL Shareholders are concerned and whether the Independent MSL Shareholders should accept the Offer.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

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

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

The Offeror accept full responsibility for the accuracy of the information contained in the Composite Document relating to himself, his associates and parties acting in concert with him and the Offer and (other than information relating to MSL and its subsidiaries, their respective associates and parties acting in concert with them) confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by MSL, its subsidiaries, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the MSL, the Offeror, or their respective subsidiaries or associates, nor have we considered the taxation implication on the MSL Group or the MSL Shareholders as a result of the Offer.

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Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

(1) Background and terms of the Offer

On 24 July 2015, the resolution in respect of, among other things, the Distribution was approved at the SGM. On 4 August 2015, the completion of the Distribution took place. Accordingly, the pre-condition of the Offer as set out in the Joint Announcement and the Circular had been fulfilled as at the Latest Practicable Date. It was announced in the Joint Announcement and the Circular that, after the completion of the Distribution and subject to the satisfaction of the pre-condition of the Offer, Kingston Securities would, on behalf of the Offeror and pursuant to the Takeovers Code, make the Offer.

Kingston Securities, on behalf of the Offeror and pursuant to the Takeovers Code, is making a conditional voluntary securities exchange offer (the “**Securities Exchange Offer**”) with Cash Alternative to the Independent MSL Shareholders to acquire all the MSL Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with him) on the following basis:

For each MSL Share HK\$0.762 or 0.425 Consideration Share
(electable at the discretion of
the Independent MSL Shareholders)

As at the Latest Practicable Date, there were 1,575,672,880 MSL Shares in issue. The Offeror and parties acting in concert with it were interested in a total of 470,000,050 MSL Shares, representing approximately 29.83% of the issued share capital of MSL as at the Latest Practicable Date. As such, 1,105,672,830 MSL Shares will be offered to be acquired by the Offeror.

Principal terms of the Offer are summarised in the “Letter from Kingston Securities” of and Appendix I to the Composite Document.

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(2) Information on the MSL Group

With reference to the “Letter from the MSL Board” of the Composite Document (the “**Board Letter**”), MSL is a company incorporated in the BVI and was a directly wholly owned subsidiary of the Listco prior to the Distribution and the Listco ceased to have any shareholding interests immediately after the Distribution.

After completion of the Reorganisation and the Distribution on 4 August 2015, the MSL Group is principally engaged in the Distributed Businesses, being (i) money lending business in Hong Kong; (ii) money lending, provision of pawn loans and financial consultant services in the PRC; (iii) dealing of bullion contracts; and (iv) business of USFD.

Set out below is a summary of the audited combined financial information on the MSL Group for the 10 months ended 28 February 2015 and the two years ended 30 April 2014 as extracted from the Appendix II to the Composite Document:

	For the ten months ended 28 February 2015 HK\$'000	For the year ended 30 April 2014 ("FY2014") HK'000	For the year ended 30 April 2013 ("FY2013") HK'000	Change from FY2013 to FY2014 %
Revenue	178,367	126,935	57,500	120.76
— Bullion	1,569	4,179	1,503	178.04
— Forex	2,860	3,760	2,206	70.44
— Money lending	136,570	79,695	42,740	86.46
— Pawn loan	25,118	25,076	10,461	139.71
— Finance lease	11,126	8,250	136	5,966.18
— Corporate and other	1,124	5,975	454	1,216.08
Profit/(Loss) for the year/period	66,988	81,415	(111,491)	N/A
	As at 28 February 2015 HK\$'000	As at 30 April 2014 HK\$'000	As at 30 April 2013 HK\$'000	Change from FY2013 to FY2014 %
Net liabilities	(527,134)	(582,877)	(654,015)	(10.88)

As illustrated above, MSL Group has made a turnaround in its loss making position and recorded profit of approximately HK\$81.4 million for FY2014. As advised by the MSL Directors, the aforesaid improvement was mainly attributable to the performance of

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the MSL Group's segments of money lending, pawn loan and finance lease segment. The net liabilities of the MSL Group are the results of loss-making businesses and impairment made in certain companies of the MSL Group since their dates of incorporation.

According to the Circular and as confirmed by the MSL Directors, the Listco Group is of the view that competitive rivalry is getting more intense in the money lending industry where a considerable amount of new competitors has entered into the market. In particular, the Listco Group has noticed that (i) increasing competition among the money lenders has significantly lowered the MSL Group's bargaining power and therefore pressed down the interest rate that the MSL Group is able to charge its clients with; (ii) the MSL Group has encountered more difficulties to obtain external facility or credits at a reasonable cost; and (iii) in light of the changes of the business environment, the money lending business now requires more professional supports, including better credit assessment and overdue payment management which lead to cost concern. Although the money lending industry in Hong Kong and the PRC remains in a developing trend as a whole, with reference to the factors above individual operators may not be able to generate satisfactory return to compensate their risk exposure. Money lenders in Hong Kong and the PRC are required to improve their operation efficiency including identifying low cost financing, optimizing marketing and administration expenses and enhancing capital efficiency etc.

Given the market situation mentioned above, although MSL Group has made a turnaround in its loss making position and recorded profit of approximately HK\$81.4 million for FY2014, we are of the view that the outlook of MSL Group is uncertain.

(3) Information on the Remaining Group

The Remaining Group is principally engaged in business operated under Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) licences issued under the SFO.

Set out below is a summary of the unaudited pro forma financial information of the Remaining Group as extracted from Appendix IV to the Circular.

The unaudited pro forma consolidated statement of profit or loss of the Remaining Group was prepared based on the audited consolidated statement of profit or loss of the Listco Group for the year ended 30 April 2014 as extracted from the annual report of the Listco after making pro forma adjustments relating to the Reorganisation and Distribution, as if the Reorganisation and Distribution had been completed on 1 May 2013.

The unaudited pro forma consolidated statement of financial position of the Remaining Group was prepared based on the unaudited consolidated statement of financial position of the Listco Group as at 31 October 2014 as set out in the Listco's published interim report for the six months ended 31 October 2014, after making pro forma adjustments relating to the Reorganisation and Distribution, as if the Reorganisation and Distribution had been completed on 31 October 2014.

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**Pro forma
adjusted total
(for the year
ended 30 April
2014)
HK'000**

Revenue	39,357
Loss for the year attributable to owners of the parent	(36,253)

**Pro forma
adjusted total
(as at
31 October
2014)
HK\$'000**

Net assets	223,480
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With reference to the Circular, following the completion of the Subscription, the Subscriber intends to continue the existing business of the Remaining Group and has no intention to introduce any major changes to the business (including redeployment of fixed assets of the Remaining Group). In addition, the Subscriber has unconditionally and irrevocably undertaken to the Listco that it shall, within 180 days from the completion of the Subscription, provide or procure a third party to provide a loan in the principal amount of US\$1,000,000,000 to the Listco (the “**Listco Loan**”). With reference to the announcement of the Listco dated 4 June 2015, the Listco Board has made a requisition for the arrangement of a loan (the “**Loan**”) which will be the first tranche of the Listco Loan prior to the completion of the Subscription. Since the Listco Board noted that it is regulatory feasible for the Loan to be provided prior to the completion of the Subscription, the Listco will propose the Loan to the Subscriber for its assessment and approval as soon as practicable. Subject to further negotiation, there might be subsequent tranches of the Listco Loan.

As extracted from the HKEx Fact Book — 2014, in 2014, the Stock Exchange markets continued to show signs of growth in multiple dimensions amid buoyant primary market activities. The total market capitalisation of the securities market (including the Main Board and the Growth Enterprise Market of the Stock Exchange) at the end of 2014 was approximately HK\$25,071.8 billion, approximately 4% higher than at year-end 2013. The year’s highest single-day turnover in the securities market was approximately HK\$148.3 billion on 5 December 2014 while the lowest level was approximately HK\$39.7 billion on 26 May 2014 (compared to the high of approximately HK\$128.4 billion and low of approximately HK\$38.6 billion in the previous year).

We also noted from HKEx Securities and Derivatives Markets Quarterly Report that aggregate total equity turnover was approximately HK\$10,366 billion during the first half of 2015, representing an increase of approximately 75% as compared to the same in the corresponding period of 2014. In addition, during the first half of 2015, there were

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approximately 97.8 million contracts of futures and options traded in derivatives market, representing an increase of approximately 54% as compared to the same in the corresponding period of 2014. Such operating environment is positive to the Remaining Group's business operated under Type 1 (dealing in securities), Type 2 (dealing in future contracts) and Type 4 (advising on securities) licences issued under the SFO.

Based on "Mergers & Acquisitions Review — Financial Advisors" for first half of 2015 issued by Thomson Reuters, during the first half year of 2015, there were 170 completed mergers and acquisitions transactions with total value of approximately US\$94.5 billion, representing increases of approximately 16% and 368% respectively as compared to the same in the corresponding period in 2014. Such operating environment is positive to the Remaining Group's business operated under Type 6 (advising on corporate finance).

According to the monthly report regarding the PRC securities market issued by China Securities Regulatory Commission ("CSRC") on 16 July 2015, as at the end of June 2015, the total market capitalisation of the securities market (including the A share company and B share company) was approximately RMB62,747 billion, representing an increase of approximately 157% as compared to the corresponding period in 2014. During 2014, the average daily turnover in the securities market was approximately RMB303.6 billion, representing an increase of approximately 54% as compared to 2013.

In accordance with 《國務院關於進一步促進資本市場健康發展的若干意見》(Several Opinions of the State Council of the PRC On Further Promoting the Healthy Development of the Capital Market*) issued by the State Council of the PRC on 8 May 2014, it is expected that the PRC will establish a multi-tiered capital markets system with a sound structure and comprehensive functions by 2020.

Furthermore, on 22 May 2015, the SFC and the CSRC jointly announced the signing of the Memorandum of Regulatory Cooperation on Mainland–Hong Kong Mutual Recognition of Funds (the "MRF"). The scheme allows eligible PRC and Hong Kong funds to be distributed in each other's market through a streamlined vetting process which took effect on 1 July 2015. The initial investment quota for the MRF will be RMB300 billion for in and out fund flows each way.

As extracted from the said announcement, the MRF is considered to be an important element in the opening up of the PRC's capital market. It is also an important milestone in the mutual opening of the PRC and Hong Kong markets. The MRF will enhance the mutual capital market access between the PRC and Hong Kong. It is significant in various ways, including:

- (a) The MRF will deepen the exchange and cooperation of the PRC and Hong Kong asset management industries, broaden cross-border investment channels, and enhance the competitiveness of the PRC and Hong Kong fund markets.
- (b) The MRF will lay the foundation of the CSRC and the SFC to jointly develop a fund regulatory standard, promote the integration and development of the Asian asset management industry, and encourage the transformation of Asian savings into cross-border investments.

* For identification purposes only

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- (c) The MRF will provide more diverse fund investment products to the PRC and Hong Kong investors, and expand the business opportunities and enhance the international competitiveness of the PRC and Hong Kong management firms.

On the basis that it is expected that the MRF will deepen the exchange and cooperation of the PRC and Hong Kong asset management industries and enhance competitiveness of the PRC and Hong Kong fund markets, and will provide more diverse fund investment products to the PRC and Hong Kong investors, and expand the business opportunities and enhance the international competitiveness of the PRC and Hong Kong management firms, the operating environment of the Remaining Group's business operated under Type 9 (asset management) is also positive.

In light of the above, the operating environment of the Remaining Group is generally positive.

(4) Information on the Offeror

The Offeror is a single largest holder of the Listco's Shares holding 470,000,000 Listco's Shares, representing approximately 29.83% of the entire issued share capital of the Listco as at the Latest Practicable Date. The Offeror is also interested in the Convertible Notes in the principal amount of HK\$30,000,000 which entitled the Offeror to convert into 60,000,000 new Listco's Shares upon exercising the conversion rights attaching thereto. Although there is no restriction under the terms and conditions of the Convertible Notes for the conversion thereof into new Listco's Shares (except where the conversion thereof (i) will cause the Listco fails to maintain the minimum public float of the issued share capital of the Listco as enlarged by the issue of the conversion Shares in accordance with the relevant provisions of the Listing Rules; (ii) is without obtaining the approval from the SFC as may be required under the SFO, including but without limitation, approval under section 132(1)(a) thereof; and (iii) will trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the holder thereof and parties acting in concert with him), the Offeror undertakes that he will not exercise the conversion right attaching to the Convertible Notes on or before the close of Offer. Subsequent to the close of the Offer, the Offeror intends to exercise his conversion right attaching to the Convertible Notes in whole or in part subject to the relevant rules, regulations and terms of the Convertible Notes.

(5) Intention of the Offeror in relation to the MSL Group

Business

It is the intention of the Offeror that the MSL Group will not make changes to its principal businesses nor conduct any business other than (i) the money lending business in Hong Kong, (ii) money lending, provision of pawn loans and financial consultant services in the PRC, (iii) dealing of bullion contracts and (iv) business of USFD (subject to any restriction which may be imposed on by the regulators for the change in ownership of USFD as a licensed corporation or the continuance of such licence). It is also the intention of the Offeror that the MSL Group will not be injected with any major assets nor dispose of any major assets, after the close of the Offer, unless prior approval by the MSL Shareholders who are entitled to vote in relation thereto has been obtained.

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The Offeror has no intention to terminate any employee(s) of the MSL Group or make significant changes to any employment (except for the proposed changes to the MSL Board).

Proposed change of the MSL Board

As at the Latest Practicable Date, the MSL Directors are Mr. Fu Jiwen and Ms. Zhou Baoying. The Offeror intends to join the MSL Board and such appointment will not take effect earlier than the date of posting of the Composite Document or such other date as permitted under the Takeovers Code. It is also intended that Mr. Fu Jiwen and Ms. Zhou Baoying will resign from the MSL Board with effect from the earliest date as permitted under the Takeovers Code or other applicable laws (whichever is later).

MSL Directors may appoint any person to be a director either to fill a casual vacancy on MSL Board, or as an addition to the existing MSL Board. It is proposed that a board meeting of MSL will be convened as soon as practicable after the date of posting of the Composite Document or such other date as permitted under the Takeovers Code for the appointment of the Offeror or any new director(s) to be nominated by the Offeror. Such new director(s) shall hold office until the relevant general meeting in accordance with the articles of association of MSL and be subject to re-election thereupon.

Detailed biography of the Offeror is set out under the sub-section headed “Proposed change of the Board of MSL” of the “Letter from the Kingston Securities” in the Composite Document.

(6) Effect of accepting or not accepting the Offer

By accepting the Offer, the Independent MSL Shareholders will sell their MSL Shares and all rights attached thereto to the Offeror free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them from the date of the issue of the MSL Shares, including the right to receive all dividends and distributions declared, made or paid on or after the date of the Composite Document.

The Offer provides an exit to the Independent MSL Shareholders (at HK\$0.762 or 0.425 Consideration Shares per MSL Share) to realise all or part of their shareholdings in MSL, which have no liquid market as there is no intention to list the MSL Shares on any stock exchange.

Moreover, the MSL Shares may be subject to the compulsory acquisition provisions of the BC Act after the close of the Offer. If the Offeror holds not less than 90% of the MSL Shares in issue, the Offeror may, at any time, give the Request Notice to MSL directing it to redeem the remaining MSL Shares in accordance with section 176 (and subject to section 179) of the BC Act. Nevertheless, taking into account of the Irrevocable Undertakings, since the covenantors under the Irrevocable Undertakings will not accept the Offer in respect of an aggregate of 471,201,000 MSL Shares, which represent approximately 29.9% of the entire issued share capital of MSL as at the Latest Practicable Date, it is expected that the Offeror will not hold at least 90% of the issued shares of MSL immediately after the close of the Offer (details of the Compulsory Acquisition is set out under the section headed “Compulsory

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Acquisition” of the “Letter from Kingston Securities” in the Composite Document). In addition, MSL cannot assure the Independent MSL Shareholders that it will declare any dividends in the future.

(7) The Offer

Kingston Securities, on behalf of the Offeror and pursuant to the Takeovers Code, is making the Securities Exchange Offer with Cash Alternative to the Independent MSL Shareholders to acquire all the MSL Shares (other than those already owned by the Offeror and parties acting in concert with it) on the following basis:

For each MSL ShareHK\$0.762 or 0.425 Consideration Share
(electable at the discretion of
the Independent MSL Shareholders)

As at the Latest Practicable Date, there were 1,575,672,880 MSL Shares in issue. The Offeror and parties acting in concert with it were interested in a total of 470,000,050 MSL Shares, representing approximately 29.83% of the issued share capital of MSL as at the Latest Practicable Date. As such, 1,105,672,830 MSL Shares will be offered to be acquired by the Offeror.

Trading multiples analysis

For the purpose of assessing the fairness and reasonableness of the offer price of HK\$0.762 per MSL Share (the “**Offer Price**”), we have performed a trading multiples analysis which includes the price to earnings ratio (“**PER**”) and the price to book ratio (“**PBR**”). We have searched for companies listed in Hong Kong which are engaged in similar line of business as the MSL Group’s key revenue generators, being the provision of financing/money lending services in Hong Kong and/or the PRC (for details, please refer to the below table), and derive a majority (over 80%) of their turnover/revenue from such business based on their respective latest published financial information (the “**Market Comparables**”) for comparison. To the best of our knowledge and endeavour, we found eight Hong Kong listed companies which meet the said criteria and they are exhaustive.

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Set out below are the PERs and PBRs of the Market Comparables based on their respective closing prices as at the Latest Practicable Date and their latest published financial information:

Company name (Stock code)	Principal business	Year end date	PER (times) (Note 1)	PBR (times) (Note 1)
Goldbond Group Holdings Limited (172)	Provision of financing services and loan guarantee services, provision of factoring services and provision of financial leasing services.	31 March 2015	9.5	0.5
Sino Credit Holdings Limited (628)	Pawn business, commercial factoring, financial leasing, financial consultation services and properties leasing in the PRC and money lending service in Hong Kong.	31 March 2015	N/A (Note 2)	2.0
Hong Kong Finance Group Limited (1273)	Money lending business of providing property mortgage loans in Hong Kong.	31 March 2015	8.0	1.0
China Huirong Financial Holdings Ltd. (1290)	Provision of short-term secured financing service in the PRC.	31 December 2014	6.9	0.8
Oi Wah Pawnshop Credit Holdings Limited (1319)	Provision of short-term secured financing, including pawn loans and mortgage loans.	28 February 2015	17.5	3.1

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Company name (Stock code)	Principal business	Year end date	PER (times) (Note 1)	PBR (times) (Note 1)
Easy Repay Finance & Investment Limited (8079)	Money lending business, financial instruments and quoted shares investment, groceries store business and property investment in Hong Kong.	31 March 2015	3.8	0.4
Credit China Holdings Limited (8207)	Offering traditional financing services such as entrusted loan service, real estate-backed loan service, micro loan service, pawn loan service, other loan service; and internet financing service.	31 December 2014	72.7	3.2
First Credit Finance Group Limited (8215)	Money lending business.	31 December 2014	5.6	0.3
Maximum			72.7	3.2
Minimum			3.8	0.3
Median			8.0	0.9
Average			17.7	1.4
The Offer Price			14.7 (Note 3)	1.0 (Note 4)

Notes:

1. The PERs and PBRs of the Market Comparables were calculated based on their respective latest published annual results or interim results (as the case may be).
2. The selected companies were loss making during the relevant latest financial year.
3. The implied PER of the Offer Price was calculated based on the Offer Price per MSL Share, the number of MSL Shares in issue (i.e. 1,575,672,880 MSL Shares) and the profit of the MSL Group for the year ended 30 April 2014 of HK\$81,415,000 according to the accountant's report of the MSL Group for the three years ended 30 April 2014 and the ten months ended 28 February 2015 as set out in the Appendix II to the Composite Document.

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4. The implied PBR of the Offer Price was calculated based on the Offer Price per MSL Share, the number of MSL Shares in issue (i.e. 1,575,672,880 MSL Shares) and the unaudited pro forma combined net asset value of the MSL Group as at 28 February 2015 of HK\$1,199,060,000 assuming completion of the Reorganisation and the Distribution as set out in the Appendix III to the Composite Document.

We noticed from the above table that the PERs of the Market Comparables ranged from approximately 3.8 times to 72.7 times, with a median and average of approximately 8.0 times and 17.7 times respectively. Given that the implied PER of the Offer Price is approximately 14.7 times, the implied PER of the Offer Price is within the said PER range of the Market Comparables. Among the Market Comparables, we noted that the PER of Credit China Holdings Limited (stock code: 8207) (“**Credit China**”) was exceptionally high as compared with those of the other Market Comparables. We are therefore of the view that the PER of Credit China is rather an outlier. As the PERs of the Market Comparables (excluding Credit China) ranged from approximately 3.8 times to 17.5 times, with a median and average of approximately 7.5 times and 8.5 times respectively, the implied PER of the Offer Price is still within the said PER range of the Market Comparables in that case.

As for the PBRs of the Market Comparables, we noticed that they ranged from approximately 0.3 times to 3.2 times, with a median and average of approximately 0.9 times and 1.4 times respectively. Given that the implied PBR of the Offer Price is approximately 1.0 times, the implied PBR of the Offer Price is within the said PBR range of the Market Comparables.

In light of (i) the Offer Price of HK\$0.762 is equivalent to the unaudited pro forma combined net asset value of approximately HK\$0.762 per MSL Share as at 31 October 2014; and (ii) the Market Comparables analysis above, we are of the view that the Offer Price is fair and reasonable so far as the Independent MSL Shareholders are concerned.

(8) Analysis on Securities Exchange Offer and Cash Alternative

The daily closing prices of the Listco’s Shares ranged from HK\$2.37 per Share to HK\$7.58 per Listco’s Share during the period commencing from 24 March 2015, being the first trading day after the date of the Joint Announcement, up to and including the Latest Practicable Date. Based on the closing price of the Listco’s Shares of HK\$5.70 as at the Latest Practicable Date, the market value of the 0.425 Consideration Shares under the Securities Exchange Offer would be amounted to approximately HK\$2.42, which is higher than the Cash Alternative of HK\$0.762. However, the implied values of the Securities Exchange Offer will change continually in accordance with the market price movements of the Listco’s Shares.

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The table below illustrates the implied values of the Securities Exchange Offer at various price levels of the Listco's Shares:

Listco's Share price <i>HK\$</i>	Implied value of the Securities Exchange Offer <i>HK\$</i>	Value of the Cash Alternative <i>HK\$</i>	Premium/ (Discount) of implied value of the Securities Exchange Offer over/(to) the value of the Cash Alternative %
1.79	0.761	0.762	(0.13)
1.80	0.765	0.762	0.39
2.00	0.850	0.762	11.55
3.00	1.275	0.762	67.32
4.00	1.700	0.762	123.10
5.00	2.125	0.762	178.87
6.00	2.550	0.762	234.65
7.00	2.975	0.762	290.42

As illustrated in table above, the value of Cash Alternative will worth more than the implied value of Securities Exchange Offer when the Listco's Share price is or below HK\$1.79 and their difference increases when the Listco's Share price decreases. On the other hand, when the Listco's Share price rises, the implied values of the Securities Exchange Offer increases, and when the Listco's Share price is or above HK\$1.80, the implied value of the Securities Exchange Offer will worth more than the value of the Cash Alternative. Accordingly, we are of the view that the Securities Exchange Offer is fair and reasonable so far as the Independent MSL Shareholders are concerned.

RECOMMENDATION

Having considered the above factors and reasons above, including:

- (i) the outlook of the MSL Group and the operating environment of the Remaining Group;
- (ii) that the Offer Price of HK\$0.762 is equivalent to the unaudited pro forma combined net asset value of approximately HK\$0.762 per MSL Share as at 31 October 2014;
- (iii) the Market Comparables analysis as set out in the section headed "Trading multiples analysis" in this letter, under which (a) the implied PER of the Offer Price would be within the PER range of the Market Comparables (excluding Credit China); and (b) the implied PBR of the Offer Price is within the PBR range of the Market Comparables; and

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- (iv) that the market value of the 0.425 Consideration Shares under the Securities Exchange Offer would be higher than the Cash Alternative of HK\$0.762 based on the closing price of the Listco's Shares as at the Latest Practicable Date,

we are of the view that the Offer represents a good opportunity for the Independent MSL Shareholders to realise their investments in MSL and the Offer Price, the Securities Exchange Offer and the Cash Alternative are fair and reasonable so far as the Independent MSL Shareholders are concerned. We therefore recommend the Independent MSL Shareholders to accept the Offer.

In respect of those Independent MSL Shareholders who:

- (i) have no immediate requirements for cash;
- (ii) are confident of the business of the Remaining Group and would accept investment exposure to its businesses;
- (iii) have a positive view on the future prospects of the Remaining Group;
- (iv) have no better investment alternative for the cash;
- (v) understand and accept that the value that can be realised from the sale of the Listco's Shares in the future may be higher or lower than the Cash Alternative; and
- (vi) are aware that they may or may not be able to dispose of their Listco's Shares in the open market at the current price level of the Listco's Share and the market price of the Listco's Shares may or may not encounter a downward pressure when they dispose the Listco's Shares,

we would recommend them to consider selecting the Securities Exchange Offer.

In respect of those Independent MSL Shareholders who:

- (i) are seeking immediate cash return;
- (ii) would not accept the investment exposure to the business of the Remaining Group;
- (iii) have better investment alternative for the cash; and
- (iv) understand and accept that the monetary value that can be realised from the Cash Alternative may be significantly lower than the Securities Exchange Offer in light of the current Listco's Shares price level,

we would recommend them to consider selecting the Cash Alternative.

Given that the implied values of the Securities Exchange Offer will continually change in accordance with the market price movements of the Listco's Shares and there is still a considerable lead time from the date of this letter to the closing date of the Offer, Independent MSL Shareholders should be mindful of, inter alia, any changes in the Hong Kong and

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international stock markets, financial, economic, market and other conditions, and the latest developments in the operating environment, industry and prospect of the Remaining Group before making a decision on which of the Securities Exchange Offer or the Cash Alternative, or a combination of both, to elect. Independent MSL Shareholders should consider the relative implied value of the Securities Exchange Offer before making their selection.

Independent MSL Shareholders should read carefully the procedures for accepting the Offer as detailed in Appendix I to the Composite Document and are strongly advised that the decision to realise or hold their investment in the MSL Shares is subject to individual circumstances as well as their own investment objectives.

Furthermore, in considering whether to elect the Securities Exchange Offer or the Cash Alternative, or a combination of both, Independent MSL Shareholders should also take into account the market risks and transaction costs associated with disposing of the Listco's Shares. Independent MSL Shareholders should carefully consider their own circumstances.

Those Independent MSL Shareholders who decide to retain part or all of their investments in MSL should carefully monitor the intention of the Offeror in relation to MSL in the future and the potential difficulties they may encounter in realising their investments after the close of the Offer. Further terms and conditions of the Offer are set out in the "Letter from Kinston Securities" of and Appendix I to the Composite Document.

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

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

PROCEDURES FOR ACCEPTANCE

Your registered holding of the MSL Shares is set out in Box B in the accompanying Form of Acceptance. To accept the Offer, you should duly complete the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

The completed and signed Form of Acceptance should then be forwarded by post or by hand to and reach the Transfer Agent (namely Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong), with "Modern Series Limited — The Offer" be marked on the envelope, by no later than 4:00 p.m. on Tuesday, 8 September 2015 (the First Closing Date). If you have made a written request for a share certificate in respect of the MSL Shares held by you to the Transfer Agent prior to the Closing Date, then in order to accept the Offer, the share certificate(s) in respect of your MSL Shares must be submitted to the Transfer Agent together with your completed and signed Form of Acceptance.

If your MSL Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your MSL Shares are held through your Investor Participant Account maintained with CCASS, you must authorise your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited. No acknowledgement of receipt of any Form of Acceptance will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Form of Acceptance.

The completed Form of Acceptance and remittances sent by or to the Independent MSL Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of MSL (or in the case of joint Independent MSL Shareholders, to the Independent MSL Shareholder whose name stands first in the register of members of MSL).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, MSL, Kingston Securities, Kingston CF, any of their respective directors, agents, advisers nor any persons involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

SETTLEMENT

Provided that a valid Form of Acceptance is complete and in good order in all respects and has been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date, (i) certificate(s) for the Consideration Shares and/or (ii) a cheque for the amount representing the Cash Alternative due to you in respect of the MSL Shares tendered by you for acceptance under the Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 7 Business Days after the date of receipt by the Transfer Agent of the duly completed Form of Acceptance.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheque(s) will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment.

Settlement of the consideration to which any Independent MSL Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent MSL Shareholder.

NOMINEE REGISTRATION

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

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the Offer has previously been extended or revised, assuming the Offer has been declared unconditional on Tuesday, 8 September 2015, the Offer will close on Tuesday, 22 September 2015 (being the Closing Date). The latest time for acceptance of the Offer will be at 4:00 p.m. on the Closing Date.

If the Offer is extended or revised, an announcement of such extension or revision will be published by the Offeror on the Stock Exchange's website (under the Listco's list of announcements) and the SFC's website by 7:00 p.m. on the Closing Date and on one English language and one Chinese language newspaper published daily and circulated in Hong Kong, which will state either the next closing date or that the Offer will remain open until further notice. In the latter case, the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Independent MSL Shareholders who have not accepted the Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The latest time for acceptance of the Offer will be at 4:00 p.m. on the Closing Date. The benefit of any revision of the Offer will also be available to all Independent MSL Shareholders who have previously

accepted the Offer. The execution of any Form of Acceptance by or on behalf of any Independent MSL Shareholders who have previously accepted the Offer shall be deemed to constitute acceptance of any revised Offer.

If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

ANNOUNCEMENT

As required by Rule 19 of the Takeovers Code, by 6:00 p.m. on the Closing Date (or such later time as the Executive may in exceptional circumstances permit), the Offeror shall inform the Executive and the Stock Exchange of its intention in relation to the extension, expiry or revision of the Offer. The Offeror shall publish an announcement on the Stock Exchange's website under the Stock Exchange's website (under the Listco's list of announcements) and the SFC's website by 7:00 p.m. on the Closing Date stating whether the Offer has been revised or extended or has expired. Such announcement shall state the total number of MSL Shares and rights over MSL Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror and parties acting in concert with him before 23 March 2015 (being the commencement date of the offer period as defined in the Takeovers Code for the Offer); and
- (iii) acquired or agreed to be acquired during the offer period (as defined in Note 4 to Rule 22 of the Takeovers Code) for the Offer by the Offeror and parties acting in concert with him.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in MSL which the Offeror or parties acting in concert with him has borrowed or lent, save for any borrowed MSL Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of MSL, and the percentages of voting rights, represented by the above number of MSL Shares.

In computing the number of MSL Shares in accordance with the Takeovers Code represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the Closing Date shall be included.

As required under the Takeovers Code and because that MSL is an unlisted company, all announcements in relation to the Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of MSL will be delivered to the Executive in electronic form for publication on the SFC's website.

The announcement of the results of the Offer will be published in a Chinese and English newspaper in Hong Kong, on the website of the Stock Exchange (under the Listco's list of announcements), and on the website of the SFC on the Business Day after the Closing Date.

RIGHT OF WITHDRAWAL

Acceptance of the Offer tendered by the Independent MSL Shareholders shall be irrevocable and cannot be withdrawn except in the circumstances in accordance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Offer shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date (and only if the Offer has not by then declared to become unconditional as to acceptance; and/or unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code relating to the announcement of results of offer as described in the paragraph headed "Announcement" above have not been complied with.

This entitlement to withdraw shall be exercisable after 21 days from the First Closing Date until such time as the Offer becomes or is declared unconditional as to acceptance. An acceptor of the Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence or whose appointment is produced together with the notice) to the Transfer Agent and/or the board of MSL Directors as appropriate.

OVERSEAS MSL SHAREHOLDERS

The Offer will be in respect of securities of a company incorporated in BVI and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Offer or the acceptance thereof by persons not being a resident in Hong Kong or citizens or nationals of a jurisdiction outside Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Independent MSL Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions and where necessary seek independent professional advice.

It is the responsibility of any such persons who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by the accepting Independent MSL Shareholders in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with and paid any issue, transfer or other taxes or other required payments due from him in connection with such acceptance in any territory and that such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Independent MSL Shareholders should consult their professional adviser if in doubt. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.

WITHDRAWAL FROM CCASS

The MSL Shares will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the MSL Shares will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. The MSL Shares received by any persons through Distribution holding their MSL Shares through CCASS will initially be held in the name of HKSCC Nominees Limited. HKSCC will not however provide any transfer services in respect of any MSL Shares. Any person holding any MSL Shares through HKSCC Nominees Limited wishing to transfer MSL Shares must first arrange for withdrawal of such MSL Shares from CCASS and the registration of the MSL Shares in his/her/its own name.

A fee will be charged by HKSCC on CCASS Participants upon withdrawal as described in the CCASS Operational Procedures.

PROCEDURES FOR TRANSFER OF THE MSL SHARES AFTER THE CLOSE OF THE OFFER

The register of members of MSL is maintained in the Macau and the Transfer Agent is appointed as the transfer agent to handle the splitting and registration of transfer of the MSL Shares.

A transfer of the MSL Shares shall be effected by completing and signing an instrument of transfer (in such form as endorsed on the back of MSL share certificates or as approved by MSL from time to time or in the form of standard form of transfer as recommended by the Stock Exchange from time to time) and, if applicable, bought and sold notes and/or any other documents of title (together with any satisfactory indemnities and/or such other documents as may be required) by both the transferor and transferee under their hand, or their respective officers duly authorised in writing or otherwise by persons duly authorised by them respectively (in such case, duly executed power of attorney and such other documents may be required). The instrument of transfer and, if applicable, bought and sold notes can be obtained at the office of the Transfer Agent at Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, and the signed instruments of transfer must be delivered at the aforesaid office of the Transfer Agent from 9:00 a.m. to 4:30 p.m. on any Business Day for arrangement of registration in the register of members of MSL in the Macau.

The MSL Board may decline to recognise any instrument of transfer and, if applicable, bought and sold notes unless:

- (i) a fee of HK\$2.50 per share certificate or such lesser sum as the MSL Directors may from time to time determine is paid to the Transfer Agent in respect thereof;
- (ii) the instrument of transfer and, if applicable, bought and sold notes are accompanied by the share certificate of the MSL Shares to which it relates, and such other evidence as the MSL Board may reasonably require to show the right of the transferor to make the transfer;
- (iii) any other agreements or documents, if required, by statutory laws and regulations; and

- (iv) any additional information as might be reasonably requested by the MSL Board or the Transfer Agent.

Each new share certificate to be issued upon a transfer of the MSL Shares will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon production of such identification papers as may be reasonably requested by MSL or the Transfer Agent.

Where some but not all of the MSL Shares in respect of which a share certificate is issued are to be transferred, a new share certificate in respect of the balance of the MSL Shares not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of the documents specified above by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by MSL or the Transfer Agent.

Any MSL Shareholder wishing to split his holding of MSL Shares into two or more share certificates must lodge his request with the Transfer Agent. A fee will be charged by the Transfer Agent for the splitting of the MSL Share certificate, currently being HK\$2.50 per certificate cancelled or issued, whichever is higher, using the 10 Business Days' service. New share certificate(s) issued in respect of the splitting of the MSL Share certificate will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth business day onwards following receipt of such request together with the original share certificate by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by MSL or the Transfer Agent.

For the avoidance of doubt, the MSL Share certificates under the Distribution will only be despatched after close of the Offer (which is currently expected to be by no later than 22 October 2015) by ordinary post to MSL Shareholders who had not accepted the Offer, at their own risk.

GENERAL

- (i) All communications, notices, Forms of Acceptance and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent MSL Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and none of the Offeror, MSL, Kingston Securities, Kingston CF, the Transfer Agent, any of their respective directors, agents, advisers nor other parties involved in the Offer accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

- (iii) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a MSL Shareholder will constitute such shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.
- (v) References to the Offer in this Composite Document and in the Form of Acceptance shall include any revision or extension thereof.
- (vi) Acceptance of the Offer by any person will be deemed to constitute a warranty by such person to the Offeror, MSL, Kingston Securities and Kingston CF that the MSL Shares sold under the Offer are sold by such person free from all options, liens, charges, claims, agreements, equities, security interest and encumbrances, rights of preemption and any other third-party rights of any nature and together with all rights attaching to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of posting of this Composite Document. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.
- (vii) Due execution of the Form of Acceptance will constitute an irrevocable authority to the Offeror or any director of Kingston Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person(s) as it may direct, all rights of the accepting Independent MSL Shareholders in respect of the MSL Shares which are the subject of such acceptance.
- (viii) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of the MSL Shares in respect of which it is indicated in the Form of Acceptance with respect of which the Offer is accepted is the MSL Shares held by such nominee for such beneficial owners who are accepting the Offer and for which authorisation has been received by such nominee. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties.
- (ix) The English text of this Composite Document and the Form of Acceptance shall prevail over their Chinese text for the purpose of interpretation.

1. FINANCIAL SUMMARY OF THE MSL GROUP

Set out below is a financial summary of the MSL Group for the three years ended 30 April 2014 and the ten months ended 28 February 2015 as extracted from the accountants' report contained in Appendix IIIA to the Circular:

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(Unaudited)	
REVENUE	76,604	57,500	126,935	110,585	178,367
Other income and gains or losses, net	7,558	(48,399)	12,386	11,839	7,246
Brokerage and commission expenses	(18,365)	(7,936)	(1,673)	(1,354)	(564)
Administrative and other operating expenses	(42,711)	(46,524)	(79,029)	(64,518)	(76,736)
Fair value (loss)/gain on convertible notes designated as at fair value through profit or loss	(6,821)	(24,233)	45,975	45,975	—
Gain on bargain purchase of a subsidiary	—	—	2,861	2,861	—
(Provision for)/reversal of impairment of finance leases receivable, and loans and accounts receivable, net	(18,372)	(13,198)	8,298	8,327	(10,505)
Finance costs	<u>(30,552)</u>	<u>(27,036)</u>	<u>(23,018)</u>	<u>(19,023)</u>	<u>(10,043)</u>
(LOSS)/PROFIT BEFORE TAX	(32,659)	(109,826)	92,735	94,692	87,765
Income tax expense	<u>(685)</u>	<u>(1,665)</u>	<u>(11,320)</u>	<u>(9,299)</u>	<u>(20,777)</u>
(LOSS)/PROFIT FOR THE YEAR/PERIOD	<u>(33,344)</u>	<u>(111,491)</u>	<u>81,415</u>	<u>85,393</u>	<u>66,988</u>
Attributable to:					
Equity holders of MSL	(33,299)	(111,535)	81,415	85,393	66,988
Non-controlling interests	<u>(45)</u>	<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(33,344)</u>	<u>(111,491)</u>	<u>81,415</u>	<u>85,393</u>	<u>66,988</u>

There was no qualification contained in the accountants' report on the MSL Group for the three years ended 30 April 2014 and the ten months ended 28 February 2015.

2. LATEST AUDITED FINANCIAL STATEMENTS

The accountant's report of the MSL Group contained in Appendix IIIA to the Circular is reproduced below.



ZENITH CPA LIMITED
誠豐會計師事務所有限公司
10/F, China Hong Kong Tower
8-12 Hennessy Road
Wanchai, Hong Kong
香港灣仔軒尼詩道8-12號
中港大廈10樓

The Board of Directors
Simsen International Corporation Limited
Rooms 1908–1910, 19/F
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information (“Financial Information”) regarding Modern Series Limited (“MSL”) and its subsidiaries upon completion of the Reorganisation prior to the Distribution, (hereinafter collectively referred to as the “Distributed Group”) for each of the three years ended 30 April 2014 and the ten months ended 28 February 2015 (the “Relevant Periods”) for the inclusion in the circular of Simsen International Corporation Limited (the “Company”) dated 30 June 2015 (the “Circular”) issued in connection with the proposed group reorganisation and distribution in specie of shares of MSL. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

MSL was incorporated in the British Virgin Islands (“BVI”) on 18 September 1996 and acted as investment holding company. The registered office of MSL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI.

Particulars of the MSL's subsidiaries upon completion of the Reorganisation prior to the Distribution are as follows:

Name of subsidiary	Place and date of incorporation/establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Distributed Group				At date of the Report	Principal activities
			As at 30 April 2012	As at 30 April 2013	As at 30 April 2014	28 February 2015		
Firstmount International Limited ("Firstmount")	British Virgin Islands	US\$1	100%	100%	100%	100%	100%	Investment holding
Key Gains Investments Limited ("Key Gains")	British Virgin Islands	US\$100	100%	100%	100%	100%	100%	Investment holding
Simsen Asset Management (Asia) Limited 天行資產管理(亞洲)有限公司	Hong Kong	HK\$15,000,000	100%	100%	100%	100%	100%	Investment holding
Simsen Capital Finance Limited 天行財務融資有限公司	Hong Kong	HK\$1,000	100%	100%	100%	100%	100%	Money lending
Simsen International Financial Group Limited 天行國際金融集團有限公司	Hong Kong	HK\$10,000	100%	100%	100%	100%	100%	Management and secretarial services
Simsen Financial Services Limited 天行金融服務有限公司	Hong Kong	HK\$5,000,000	100%	100%	100%	100%	100%	Insurance broking and consultancy services
United Simsen Bullion Limited 天行聯合金業有限公司	Hong Kong	HK\$1,000,000	100%	100%	100%	100%	100%	Metal broking and trading
United Simsen Forex Dealers Limited 天行聯合滙業有限公司	Hong Kong	HK\$105,000,000	100%	100%	100%	100%	100%	Forex contracts broking and trading
AST 3G Limited	Hong Kong	HK\$10,000	51%	100%	100%	100%	100%	Investment holding
Can Gold Limited 可金有限公司	Hong Kong	HK\$1	—	100%	100%	100%	100%	Investment holding
Yoho Shine Limited 友晨有限公司	Hong Kong	HK\$1	—	100%	100%	100%	100%	Investment holding
Cheung's Financial Brokers Limited 張氏金融集團有限公司	Hong Kong	HK\$10,000	100%	100%	100%	100%	100%	Dormant
Lee Fung Hong Bullion Limited 利豐行金融有限公司	Hong Kong	HK\$30,000,000	100%	—	—	—	—	Dormant
Mint Capital Assets Management Limited 天行資產管理有限公司	Hong Kong	HK\$10,000,000	100%	100%	—	—	—	Dormant
Simsen Development Company Limited 天行企業發展有限公司	Hong Kong	HK\$1	100%	100%	100%	100%	100%	Investment holding
Success Path Corporation Limited 進環有限公司	Hong Kong	HK\$1	—	—	100%	100%	100%	Dormant
Sunwin Investment Holding Limited 晟元投資控股有限公司	Hong Kong	HK\$1	—	100%	100%	100%	100%	Investment holding
United Simsen Global Markets Limited 天行聯合環球市場有限公司	Hong Kong	HK\$1	100%	100%	100%	100%	100%	Dormant
Concord Capital Investment Limited	British Virgin Islands	US\$100	—	100%	100%	100%	100%	Investment holding
Eastergate Associates Limited	British Virgin Islands	US\$1	100%	—	—	—	—	Dormant
Manvin Services Limited	British Virgin Islands	US\$3	100%	100%	100%	100%	100%	Investment holding
Moray Field Enterprises Limited	British Virgin Islands	US\$2	100%	100%	100%	100%	100%	Investment holding
New Wise Enterprises Limited	British Virgin Islands	US\$1	100%	100%	100%	100%	100%	Investment holding
Pacific Eagle Century Investment Group Limited	British Virgin Islands	US\$1	—	100%	100%	100%	100%	Investment holding

APPENDIX II
FINANCIAL INFORMATION OF THE MSL GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Equity interest attributable to the Distributed Group				At date of the Report	Principal activities
			As at 30 April 2012	As at 30 April 2013	As at 30 April 2014	As at 28 February 2015		
Profit Keen Holdings Limited ("Profit Keen")	British Virgin Islands	US\$1	100%	100%	100%	100%	100%	Investment holding
Proline International Group Limited	British Virgin Islands	US\$1	—	100%	100%	100%	100%	Investment holding
Proud Step Limited	British Virgin Islands	US\$1	—	—	100%	100%	100%	Investment holding
Simsen Metals Holdings (BVI) Limited	British Virgin Islands	US\$50,000	100%	100%	100%	100%	100%	Investment holding
Sky State Holdings Limited	British Virgin Islands	US\$1	100%	100%	100%	100%	100%	Investment holding
Tuxedo Enterprises Limited	British Virgin Islands	US\$2	100%	100%	100%	100%	100%	Investment holding
United Simsen Financial Group Limited	British Virgin Islands	US\$4	100%	100%	100%	100%	100%	Investment holding
Wit Sky Limited	British Virgin Islands	US\$100	100%	100%	100%	100%	100%	Investment holding
Simsen Era (Beijing) Financial Consulting Co., Ltd* 天行紀元(北京)財務顧問有限公司	The People's Republic of China	HK\$15,000,000	—	100%	100%	100%	100%	Provision of medium and short term financing services and financial consultation services
Beijing Dong Fang Hui Investment Consulting Company Limited* 北京東方滙投資諮詢有限公司	The People's Republic of China	RMB250,000,000	—	—	100%	100%	100%	Provision of medium and short term financing services and financial consultation services
Tianjin Dong Fang Hui Financial Consulting Company Limited* 天津東方滙財務諮詢有限公司	The People's Republic of China	RMB5,000,000	—	—	—	100%	100%	Provision of medium and short term financing services and financial consultation services
Beijing Jinshengtai Financial Consulting Company Limited* 北京金盛泰投資諮詢有限公司	The People's Republic of China	RMB50,000,000	—	—	100%	100%	100%	Provision of medium and short term financing services and financial consultation services
Beijing Yuedetong Financial Consulting Company Limited* 北京沃德通財務顧問有限公司	The People's Republic of China	RMB15,000,000	—	100%	100%	100%	100%	Provision of medium and short term financing services and financial consultation services
Beijing Rong Cheng United Financial Consulting Company Limited* 北京融晟聯合財務顧問有限公司	The People's Republic of China	US\$1,000,000	—	100%	100%	100%	100%	Provision of pawn loan services
Beijing Wanrong Pawning Company Limited* 北京萬融典當有限責任公司	The People's Republic of China	RMB40,000,000	—	100%	100%	100%	100%	Provision of pawn loan services
Shanghai Xingrong Pawning Company Limited* 上海興融典當有限公司	The People's Republic of China	RMB10,000,000	—	100%	100%	100%	100%	Provision of pawn loan services
Solomon International Leasing (Tianjin) Co., Ltd* 索羅門國際租賃(天津)有限公司	The People's Republic of China	US\$14,000,000	51%	100%	100%	100%	100%	Provision of finance lease services

* The unofficial English translations or transliterations of Chinese names are for identification purpose only.

The statutory financial statements of the following subsidiaries incorporated/established in Hong Kong/The People's Republic of China (the "PRC") for each of the three years ended 30 April 2014/31 December 2014, or since their respective dates of incorporation/establishment, where this is a shorter period, were prepared in accordance with Hong Kong Financial Reporting Standards/relevant accounting principles and financial regulations applicable to the PRC and were audited by certified public accountants registered in Hong Kong/the PRC referred to as below.

Name of subsidiary	Financial period	Auditors
Subsidiaries established in Hong Kong		
Excel Vision Development Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
Simsen Asset Management (Asia) Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
Simsen Capital Finance Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng Zenith CPA Limited
Simsen International Financial Group Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
United Simsen Securities Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
Simsen Financial Services Limited	Years ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
United Simsen Bullion Limited	Year ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
United Simsen Forex Dealers Limited	Year ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
AST 3G Limited	12 January 2011 (date of incorporation) to 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng Zenith CPA Limited

Name of subsidiary	Financial period	Auditors
Can Gold Limited	5 May 2011 (date of incorporation) to 30 April 2013 Year ended 30 April 2014	Zenith CPA Limited
Yoho Shine Limited	6 May 2011 (date of incorporation) to 30 April 2013 Year ended 30 April 2014	Zenith CPA Limited
Cheung's Financial Brokers Limited	Year ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
Simsen Development Company Limited	Year ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng Zenith CPA Limited
Success Path Corporation Limited	19 July 2013 (date of incorporation) to 30 April 2014	Zenith CPA Limited
Sunwin Investment Holding Limited	5 January 2012 (date of incorporation) to 30 April 2013 Year ended 30 April 2014	Zenith CPA Limited
United Simsen Global Markets Limited	Year ended 30 April 2012 Two years ended 30 April 2014	HLB Hodgson Impey Cheng HLB Hodgson Impey Cheng Limited
Subsidiaries established in the PRC		
Simsen Era (Beijing) Financial Consulting Co., Ltd	12 September 2012 (date of establishment) to 31 December 2012 and two years ended 31 December 2014	北京中永昭陽稅務師事務所有限公司
Beijing Dong Fang Hui Investment Consulting Company Limited	23 November 2012 (date of establishment) to 31 December 2013 and year ended 31 December 2014	北京中永昭陽會計師事務所有限公司
Beijing Jinshengtai Financial Consulting Company Limited	22 July 2013 (date of establishment) to 31 December 2013 and year ended 31 December 2014	北京中永昭陽稅務師事務所有限公司

Name of subsidiary	Financial period	Auditors
Beijing Yuedetong Financial Consulting Company Limited	20 October 2012 (date of establishment) to 31 December 2013 and year ended 31 December 2014	北京中永昭陽稅務師事務所有限公司
Beijing Rong Cheng United Financial Consulting Company Limited	17 April 2012 (date of establishment) to 31 December 2012 and two years ended 31 December 2014	北京中永昭陽會計師事務所有限公司
Beijing Wanrong Pawning Company Limited	Three years ended 31 December 2014	北京中澤永誠會計師事務所有限公司
Shanghai Xingrong Pawning Company Limited	11 November 2011 (date of establishment) to 31 December 2012 and two years ended 31 December 2014	上海華瑞會計師事務所有限公司
Solomon International Leasing (Tianjin) Co, Ltd	14 October 2011 (date of establishment) to 31 December 2012	天津廣信有限責任稅務師事務所
	Year ended 31 December 2013	天津市翔瑞有限責任稅務師事務所
	Year ended 31 December 2014	北京中永昭陽稅務師事務所有限公司
Tianjin Dong Fang Hui Financial Consulting Company Limited	1 August 2014 (date of establishment) to 31 December 2014	北京中永昭陽稅務師事務所有限公司

No statutory financial statements are prepared for Lee Fung Hong Bullion Limited and Mint Capital Assets Management Limited since they were in progress of deregistration during the year ended 30 April 2012 and they were deregistered on 29 June 2012 and 3 May 2013 respectively.

No audited financial statements have been prepared for Firstmount International Limited, Key Gains Investments Limited, Concord Capital Investment Limited, Manvin Services Limited, Moray Field Enterprises Limited, New Wise Enterprises Limited, Pacific Eagle Century Investment Group Limited, Profit Keen Holdings Limited, Proline International Group Limited, Proud Step Limited, Simsen Metals Holdings (BVI) Limited, Sky State Holdings Limited, Tuxedo Enterprises Limited, United Simsen Financial Group Limited and Wit Sky Limited, which are incorporated in a country where there is no statutory audit requirement.

For the purpose of this report, the directors of the Company have prepared the combined management accounts of the Distributed Group for the Relevant Periods (“Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”). We have carried out an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

For the purpose of this report, we have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

The Financial Information of the Distributed Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments are considered necessary to the Underlying Financial Statements in the preparation of this report for inclusion in the Circular.

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

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Distributed Group as at 30 April 2012, 2013, 2014 and 28 February 2015, and of the combined results and cash flows of the Distributed Group for the Relevant Periods.

The comparative combined statement of profit or loss, combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Distributed Group for the ten months ended 28 February 2014 together with the notes thereon (the “February 2014 Financial Information”) have been prepared by the directors of the Company solely for the purpose of this report. We have reviewed the February 2014 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the February 2014 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the February 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the February 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the February 2014 Financial Information which conform with HKFRSs.

Emphasis of Matter

We draw attention to note 2 to the Financial Information which states the Distributed Group's net current liabilities of HK\$632,127,000 and net liabilities of HK\$527,134,000 as at 28 February 2015. These conditions, along with other matters as described in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the Distributed Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

COMBINED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 30 April			Ten months ended 28 February	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
REVENUE	6	76,604	57,500	126,935	110,585	178,367
Other income and gains or losses, net	6	7,558	(48,399)	12,386	11,839	7,246
Brokerage and commission expenses		(18,365)	(7,936)	(1,673)	(1,354)	(564)
Administrative and other operating expenses		(42,711)	(46,524)	(79,029)	(64,518)	(76,736)
Fair value (loss)/gain on convertible notes designated as at fair value through profit or loss		(6,821)	(24,233)	45,975	45,975	—
Gain on bargain purchase of a subsidiary		—	—	2,861	2,861	—
(Provision for)/reversal of impairment of finance leases receivable, and loans and accounts receivable, net		(18,372)	(13,198)	8,298	8,327	(10,505)
Finance costs	7	<u>(30,552)</u>	<u>(27,036)</u>	<u>(23,018)</u>	<u>(19,023)</u>	<u>(10,043)</u>
(LOSS)/PROFIT BEFORE TAX	8	(32,659)	(109,826)	92,735	94,692	87,765
Income tax expense	9	<u>(685)</u>	<u>(1,665)</u>	<u>(11,320)</u>	<u>(9,299)</u>	<u>(20,777)</u>
(LOSS)/PROFIT FOR THE YEAR/PERIOD		<u>(33,344)</u>	<u>(111,491)</u>	<u>81,415</u>	<u>85,393</u>	<u>66,988</u>
Attributable to:						
Equity holders of MSL		(33,299)	(111,535)	81,415	85,393	66,988
Non-controlling interests		<u>(45)</u>	<u>44</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>(33,344)</u>	<u>(111,491)</u>	<u>81,415</u>	<u>85,393</u>	<u>66,988</u>

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
(LOSS)/PROFIT FOR THE YEAR/PERIOD	<u>(33,344)</u>	<u>(111,491)</u>	<u>81,415</u>	<u>85,393</u>	<u>66,988</u>
OTHER COMPREHENSIVE (LOSS)/INCOME					
Exchange differences on translation of foreign operations	<u>(13)</u>	<u>4,238</u>	<u>(10,277)</u>	<u>2,720</u>	<u>(11,245)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX OF NIL	<u>(13)</u>	<u>4,238</u>	<u>(10,277)</u>	<u>2,720</u>	<u>(11,245)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD	<u>(33,357)</u>	<u>(107,253)</u>	<u>71,138</u>	<u>88,113</u>	<u>55,743</u>
Attributable to:					
Equity holders of MSL	(33,312)	(107,291)	71,138	88,113	55,743
Non-controlling interests	<u>(45)</u>	<u>38</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(33,357)</u>	<u>(107,253)</u>	<u>71,138</u>	<u>88,113</u>	<u>55,743</u>

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 30 April			As at
		2012	2013	2014	28 February
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	3,615	2,601	4,506	5,260
Goodwill	15	1,498	20,342	22,279	22,279
Convertible notes designated as at fair value through profit or loss	16	127,463	93,230	—	—
Investments in senior notes	17	—	—	80,000	—
Finance leases receivable	18	—	576	60,916	92,648
Loans and accounts receivable	19	—	—	—	449
Deposit for acquisition of a subsidiary		900	—	—	—
Total non-current assets		<u>133,476</u>	<u>116,749</u>	<u>167,701</u>	<u>120,636</u>
CURRENT ASSETS					
Finance leases receivable	18	—	1,882	18,540	81,717
Loans and accounts receivable	19	483,150	264,611	696,068	1,021,958
Prepayments, deposits and other receivables	20	472	4,751	16,360	13,657
Due from fellow subsidiaries	28	12,671	31,437	—	2,055
Tax recoverable		—	—	192	16
Available-for-sale investments	21	—	—	—	1,472
Equity investments at fair value through profit or loss		92	371	434	—
Bank trust account balances	22	29,546	22,556	17,225	13,786
Cash and cash equivalents	23	<u>60,852</u>	<u>173,013</u>	<u>169,534</u>	<u>120,277</u>
Total current assets		<u>586,783</u>	<u>498,621</u>	<u>918,353</u>	<u>1,254,938</u>
CURRENT LIABILITIES					
Accounts payable	24	40,245	28,147	27,125	17,509
Other payables and accruals	25	15,963	18,976	21,124	33,584
Finance leases payable	26	43	11	9	—
Interest-bearing bank and other borrowings	27	—	—	—	70,670
Tax payable		685	685	2,674	14,954
Provision for reinstatement		24	6	300	48
Due to the ultimate holding company	28	1,201,020	1,220,958	1,615,930	1,750,300
Due to fellow subsidiaries	28	—	—	1,479	—
Due to a non-controlling shareholder of a subsidiary	29	<u>5,850</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total current liabilities		<u>1,263,830</u>	<u>1,268,783</u>	<u>1,668,641</u>	<u>1,887,065</u>
NET CURRENT LIABILITIES		<u>(677,047)</u>	<u>(770,162)</u>	<u>(750,288)</u>	<u>(632,127)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(543,571)</u>	<u>(653,413)</u>	<u>(582,587)</u>	<u>(511,491)</u>

	Notes	As at 30 April			As at
		2012	2013	2014	28 February
		HK\$'000	HK\$'000	HK\$'000	2015
					HK\$'000
NON-CURRENT LIABILITIES					
Finance leases payable	26	21	9	—	—
Interest-bearing bank and other borrowings	27	—	—	—	15,335
Deferred tax liabilities	30	80	80	—	—
Provision for long service payments	31	833	131	110	68
Provision for reinstatement		306	382	180	240
		<u>1,240</u>	<u>602</u>	<u>290</u>	<u>15,643</u>
Total non-current liabilities					
		<u>(544,811)</u>	<u>(654,015)</u>	<u>(582,877)</u>	<u>(527,134)</u>
DEFICIENCY IN ASSETS					
Equity attributable to equity holders of MSL					
Issued capital	32	—	1	1	1
Reserves		<u>(544,766)</u>	<u>(654,016)</u>	<u>(582,878)</u>	<u>(527,135)</u>
		<u>(544,766)</u>	<u>(654,015)</u>	<u>(582,877)</u>	<u>(527,134)</u>
Non-controlling interests		<u>(45)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deficiency		<u>(544,811)</u>	<u>(654,015)</u>	<u>(582,877)</u>	<u>(527,134)</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of MSL				Total	Non-controlling interests	Total equity
	Issued capital	Other reserve*	Currency translation reserve*	Accumulated losses*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 May 2011	—	15,749	—	(527,203)	(511,454)	—	(511,454)
Loss for the year	—	—	—	(33,299)	(33,299)	(45)	(33,344)
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(13)	—	(13)	—	(13)
Total comprehensive loss for the year	—	—	(13)	(33,299)	(33,312)	(45)	(33,357)
At 30 April 2012	—	15,749	(13)	(560,502)	(544,766)	(45)	(544,811)
Loss for the year	—	—	—	(111,535)	(111,535)	44	(111,491)
Other comprehensive income/(loss) for the year:							
Exchange differences on translation of foreign operations	—	—	4,244	—	4,244	(6)	4,238
Total comprehensive income/(loss) for the year	—	—	4,244	(111,535)	(107,291)	38	(107,253)
Issue of shares	1	—	—	—	1	—	1
Acquisition of a subsidiary to be transferred to Remaining Group (note 33)	—	(1,250)	—	—	(1,250)	—	(1,250)
Acquisition of non-controlling interests	—	—	—	(709)	(709)	7	(702)
At 30 April 2013	1	14,499	4,231	(672,746)	(654,015)	—	(654,015)
Profit for the year	—	—	—	81,415	81,415	—	81,415
Other comprehensive loss for the year:							
Exchange differences on translation of foreign operations	—	—	(10,277)	—	(10,277)	—	(10,277)
Total comprehensive (loss)/income for the year	—	—	(10,277)	81,415	71,138	—	71,138
At 30 April 2014	1	14,499	(6,046)	(591,331)	(582,877)	—	(582,877)
Profit for the period	—	—	—	66,988	66,988	—	66,988
Other comprehensive loss for the period:							
Exchange differences on translation of foreign operations	—	—	(11,245)	—	(11,245)	—	(11,245)
Total comprehensive (loss)/income for the period	—	—	(11,245)	66,988	55,743	—	55,743
At 28 February 2015	1	14,499	(17,291)	(524,343)	(527,134)	—	(527,134)

	Attributable to owners of MSL				Total	Non-controlling interests	Total equity
	Issued capital	Other reserve*	Currency translation reserve*	Accumulated losses*			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 April 2013	1	14,499	4,231	(672,746)	(654,015)	—	(654,015)
Profit for the period	—	—	—	85,393	85,393	—	85,393
Other comprehensive income for the period:							
Exchange differences on translation of foreign operations	—	—	2,720	—	2,720	—	2,720
Total comprehensive income for the period	—	—	2,720	85,393	88,113	—	88,113
At 28 February 2014 (unaudited)	<u>1</u>	<u>14,499</u>	<u>6,951</u>	<u>(587,353)</u>	<u>(565,902)</u>	<u>—</u>	<u>(565,902)</u>

* These reserve accounts comprise the combined negative reserves of approximately HK\$544,766,000, HK\$654,016,000, HK\$582,878,000 and HK\$527,135,000 as at 30 April 2012, 2013, 2014 and 28 February 2015, respectively, in the combined statements of financial position.

Note: Other reserve represents the excess of net assets of the subsidiaries acquired by Firstmount International Limited over the nominal value of the shares issued by Firstmount International Limited upon a reorganisation in 1997.

The amount is offset against the investment costs in Linewear Assets Limited, United Simsen Securities Limited, Excel Vision Development Limited and Simsen Asset Management (HK) Limited (the “Excluded Subsidiaries”) for an aggregate amount of approximately HK\$1,000, HK\$1,251,000, HK\$1,251,000 and HK\$1,251,000 as at 30 April 2012, 2013, 2014 and 28 February 2015, respectively for which the equity interest are held by the Distributed Group. The entire equity interests in the Excluded Subsidiaries will be transferred to the Company as one of the conditions precedent of the Reorganisation as described in the section headed “E. Proposed Reorganisation and Distribution” in the Letter of the Board included in this Circular. The Group immediately after the completion of the Reorganisation and the Distribution is referred to as the “Remaining Group”.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 30 April			Ten months ended	
		2012	2013	2014	28 February	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
(Loss)/profit before tax		(32,659)	(109,826)	92,735	94,692	87,765
Adjustments for:						
Finance costs	7	30,552	27,036	23,018	19,023	10,043
Interest income		(14)	(83)	(7,182)	(5,801)	(1,929)
Fair value loss/(gain) on convertible notes designated as at fair value through profit or loss		6,821	24,233	(45,975)	(45,975)	—
Gain on bargain purchase of a subsidiary		—	—	(2,861)	(2,861)	—
Depreciation	8	2,057	1,983	1,769	1,470	2,366
(Gain)/loss on disposal of items of property, plant and equipment	8	(5,400)	604	305	183	112
Write-back of provision for long service payments, net	8	(170)	(535)	(21)	(478)	(42)
Provision for/(reversal of) impairment of finance leases receivable, and loans and accounts receivable, net		18,372	13,198	(8,298)	(8,327)	10,505
Impairment of goodwill	8	—	—	1,498	—	—
		19,559	(43,390)	54,988	51,926	108,820
Increase in finance leases receivable		—	(2,458)	(78,573)	(78,732)	(97,567)
(Increase)/decrease in loans and accounts receivable		(495,190)	233,354	(194,211)	(151,593)	(353,376)
Decrease/(increase) in prepayments, deposits and other receivables		484	(3,908)	50,738	(1,783)	2,658
Decrease/(increase) in equity investments at fair value through profit or loss		109	(279)	(63)	(124)	434
Decrease in bank trust account balances		1,860	6,990	5,331	4,658	3,439
Increase/(decrease) in accounts payable		6,243	(12,098)	(1,021)	(1,599)	(9,616)
Increase in other payables and accruals		12,206	2,751	1,690	1,850	12,047
Increase/(decrease) in provision for reinstatement		187	58	92	73	(192)
(Decrease)/increase in provision for long service payments		—	(167)	—	456	—
Cash generated (used in)/from operations		<u>(454,542)</u>	<u>180,853</u>	<u>(161,029)</u>	<u>(174,868)</u>	<u>(333,353)</u>
Cash generated (used in)/from operations		<u>(454,542)</u>	<u>180,853</u>	<u>(161,029)</u>	<u>(174,868)</u>	<u>(333,353)</u>

	Year ended 30 April			Ten months ended	
	2012	2013	2014	2014	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Interest received	14	83	212	168	242
Tax paid	—	(2,149)	(9,599)	(6,934)	(8,310)
Net cash flows (used in)/from operating activities	<u>(454,528)</u>	<u>178,787</u>	<u>(170,416)</u>	<u>(181,634)</u>	<u>(341,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from redemption of convertible notes	<i>16</i>	—	10,000	139,205	—
Proceeds from redemption of investments in senior notes		—	—	—	88,658
Proceeds from disposal of items of property, plant and equipment		8,000	—	—	100
Decrease in pledged time deposits		502	—	—	—
Acquisition of subsidiaries	<i>33</i>	—	(45,400)	(234,190)	—
Purchase of convertible notes		(134,285)	—	—	—
Purchase of investments in senior notes		—	(80,000)	(80,000)	—
Purchases of items of property, plant and equipment		(2,419)	(3,995)	(2,602)	(3,422)
Purchase of available-for-sale investments		—	—	—	(1,472)
Deposit paid for acquisition of a subsidiary		(900)	—	—	—
Net cash flows (used in)/from investing activities	<u>(129,102)</u>	<u>(36,928)</u>	<u>(237,297)</u>	<u>(177,587)</u>	<u>83,864</u>

APPENDIX II
FINANCIAL INFORMATION OF THE MSL GROUP

	Year ended 30 April			Ten months ended 28 February	
	2012	2013	2014	2014	2015
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from/(to)					
— the ultimate holding company	586,460	19,588	389,229	310,309	134,370
— fellow subsidiaries	11,004	(18,766)	32,916	(15,626)	(3,534)
New bank and other borrowings raised	—	—	—	—	164,650
Advance from a non-controlling shareholder of a subsidiary	5,850	—	—	—	—
Proceeds from issue of shares	—	1	—	—	—
Repayment of bank and other borrowings	—	—	—	—	(78,024)
Interest paid	(30,552)	(27,036)	(17,275)	(14,350)	(9,412)
Acquisition of non-controlling interests	—	(6,552)	—	—	—
Capital element of finance lease rental payments	(66)	(44)	(11)	(9)	(1)
	<u>572,696</u>	<u>(32,809)</u>	<u>404,859</u>	<u>280,324</u>	<u>208,049</u>
Net cash flows from/(used in) financing activities					
	<u>572,696</u>	<u>(32,809)</u>	<u>404,859</u>	<u>280,324</u>	<u>208,049</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
	(10,934)	109,050	(2,854)	(78,897)	(49,508)
Cash and cash equivalents at beginning of year/period	71,799	60,852	173,013	173,013	169,534
Effect of foreign exchange rate changes, net	(13)	3,111	(625)	1,225	251
	<u>(13)</u>	<u>3,111</u>	<u>(625)</u>	<u>1,225</u>	<u>251</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					
	<u>60,852</u>	<u>173,013</u>	<u>169,534</u>	<u>95,341</u>	<u>120,277</u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND GROUP REORGANISATION

(a) General Information

MSL is a limited liability company incorporated in the BVI on 18 September 1996 and is wholly-owned by Simsen International Corporation Limited (the “Company”, together with its subsidiaries, the “Group”). The registered office of MSL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the BVI and the address of its principal office in Hong Kong is Rooms 1908-1910, 19th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

MSL and its subsidiaries are collectively referred to as the “Distributed Group”. MSL’s principal activity is investment holding. The principal activities of the companies which now comprise the Distributed Group are bullion and forex contracts broking and trading, provision of finance lease, pawn loan, medium and short term financing services and financial consultation services.

(b) Group Reorganisation

Pursuant to the Reorganisation as described in the section headed “E. Proposed Reorganisation and Distribution” in the Letter from the Board included in this Circular, MSL will become the holding company of the companies now comprising the Distributed Group after the completion of the Reorganisation. Other than the acquired company as mentioned in note 33, the companies now comprising the Distributed Group have been under the common control of the Company throughout the Relevant Periods or since their respective dates of incorporation or establishment up to 28 February 2015. The Distributed Group comprising MSL and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Financial Information has been prepared on the basis as if MSL has always been the holding company of the companies comprising the Distributed Group throughout the Relevant Periods using the principles of merger accounting as set out in note 3.

Upon the completion of the Reorganisation and the Distribution, the Distributed Group will cease to be subsidiaries of the Company, and Excel Vision Development Limited, Linewear Assets Limited, Simsen Asset Management (HK) Limited and United Simsen Securities Limited will continue to be subsidiaries of the Company.

2. BASIS OF PRESENTATION

The Financial Information have been prepared under the going concern concept, notwithstanding that the Distributed Group had net current liabilities of HK\$632,127,000 and net liabilities of HK\$527,134,000 as at 28 February 2015. These conditions indicated the existence of a material uncertainty which may cast significant doubt on the Distributed Group’s ability to continue as a going concern. The directors have reviewed the Distributed Group’s cash flow projections, which cover a period of twelve months from the date of this Circular. They are of the opinion that, taking into account the following, the Distributed Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 28 February 2015:

- (i) As part of the Reorganisation, the net payable balance due by the Distributed Group to the Group of HK\$1,748,245,000 as at 28 February 2015 will be capitalised for HK\$1,725,889,000. The Group has confirmed not to demand repayment of this balance from the Distributed Group before the completion of the capitalisation pursuant to the Reorganisation; and
- (ii) The Company has agreed to provide financial support to the Distributed Group so as to enable the Distributed Group to meet its liabilities as and when they fall due from the date of this Circular up to the effective date of the Distribution.

In the opinion of the directors, in light of the above, the Distributed Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from the date of this Circular. Accordingly, the directors are satisfied that it is appropriate to prepare the Underlying Financial Statements on a going concern basis.

3.1 BASIS OF PREPARATION

The Financial Information of the Distributed Group has been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA for inclusion in this Circular of the Company in connection with the proposed Reorganisation and Distribution. Under the principles of merger accounting, the Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholders.

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

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

Intra-group balances and transactions have been eliminated in full on combination.

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong. The Financial Information also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, and solely for the purpose of inclusion in this Circular to be issued by the Company. The Financial Information have been prepared under the historical cost convention, except for certain financial instruments and equity investments, which have been measured at fair value. The Financial Information are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand except when otherwise indicated.

3.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Distributed Group has consistently adopted HKASs, HKFRSs, amendments and interpretations, which are effective for annual periods beginning on 1 May 2014.

The Distributed Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 19	Employee Benefits — Defined Benefit Plans: Employee Contributions ⁵
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ⁴

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the Financial Information of the Distributed Group.

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Distributed Group. Control is achieved when the Distributed Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Distributed Group the current ability to direct the relevant activities of the investee).

When the Distributed Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Distributed Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Distributed Group's voting rights and potential voting rights.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Distributed Group, liabilities assumed by the Distributed Group to the former owners of the acquiree and the equity interests issued by the Distributed Group in exchange for control of the acquiree. For each business combination, the Distributed Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Distributed Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Distributed Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Distributed Group performs its annual impairment test of goodwill as at 30 April. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Distributed Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Distributed Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Distributed Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for

the asset or liability. The principal or the most advantageous market must be accessible by the Distributed Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Distributed Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Distributed Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Distributed Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Distributed Group;
 - (ii) has significant influence over the Distributed Group; or
 - (iii) is a member of the key management personnel of the Distributed Group or of a parent of the Distributed Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Distributed Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Distributed Group 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 Distributed Group or an entity related to the Distributed Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (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).

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Distributed Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	4% or over the lease terms, whichever is shorter
Leasehold improvements	25% or over the lease terms, whichever is shorter
Furniture, equipment and motor vehicles	25% to 33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Distributed Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Distributed Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivable, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Distributed Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in administrative and other operating expenses in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the statement of profit or loss as other income and gains or losses, net in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Distributed Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Distributed Group is unable to trade these financial assets due to inactive markets, the Distributed Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Distributed Group's combined statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Distributed Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Distributed Group has transferred substantially all the risks and rewards of the asset, or (b) the Distributed Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Distributed Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Distributed Group continues to recognise the transferred asset to the extent of the Distributed Group's continuing involvement. In that case, the Distributed Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Distributed Group has retained.

Impairment of financial assets

The Distributed Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Distributed Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Distributed Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Distributed Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings. The Distributed Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Distributed Group's financial liabilities include accounts payable, other payables and accruals, finance leases payable, interest-bearing bank borrowings and due to the ultimate holding company, fellow subsidiaries and a non-controlling shareholder of a subsidiary.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Distributed Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting year/period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Distributed Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

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

- (a) from the trading of bullion, forex, securities, futures and options contracts, on the following bases:
 - (i) floating gains and losses on bullion, forex, futures and options contracts on all open contracts existing at the end of each reporting period are recognised by translating the contract amounts at the prices ruling at the end of each reporting period and unrealised gains and losses on securities with reference to the prices ruling at the end of each reporting period;
 - (ii) profits and losses on trading in bullion, forex, securities, futures and options contracts are recognised on the trade date basis;
- (b) premium income and expense on dealing in bullion and forex contracts are recognised on the trade date basis;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (d) dividend income, when the shareholders' right to receive payment has been established; and
- (e) other services income, when the services are rendered.

Employee benefit

The Distributed Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss in employee benefit expense as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Distributed Group in an independently administered fund. The Distributed Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Distributed Group's employer voluntary contributions, which are refunded to the Distributed Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Distributed Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Distributed Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompany disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Distributed Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Distributed Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Impairment of financial assets

The Distributed Group has to exercise judgement in determining whether an asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rate or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

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

Impairment of goodwill

The Distributed Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Distributed Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are set out in note 15 below.

Impairment of loans and accounts receivable

The Distributed Group reviews its loans and accounts receivable portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Distributed Group makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and accounts receivable before the decrease can be identified with an individual account receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Distributed Group. Management uses estimates based on historical loss

experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. SEGMENT INFORMATION

For management purposes, the Distributed Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) the bullion segment represents the broking and dealing of bullion contracts;
- (b) the forex segment represents the broking and dealing of forex contracts;
- (c) the money lending segment represents provision of loan financing;
- (d) the pawn loan segment represents provision of pawn loan services;
- (e) the finance lease segment represents provision of finance lease services; and
- (f) the corporate and other segment includes the provision of insurance consultancy services and results of proprietary trading of securities, corporate revenue and expenses and results of unallocated operations.

The management monitors the results of the Distributed Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Distributed Group's profit/(loss) before tax except that fair value gain/(loss) on convertible notes designated as at fair value through profit or loss, gain on bargain purchase of a subsidiary and finance costs are excluded from such measurement.

Segment assets exclude convertible notes designated as at fair value through profit or loss, amounts due from fellow subsidiaries and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and amounts due to the ultimate holding company and fellow subsidiaries as these liabilities managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment information about these reportable operating segments is presented below.

(a) Operating segments

Year ended 30 April 2012

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Revenue from external customers	9,184	4,820	60,156	—	—	2,444	76,604
Other income and gains or losses, net	(12)	4	—	—	—	7,566	7,558
	<u>9,172</u>	<u>4,824</u>	<u>60,156</u>	<u>—</u>	<u>—</u>	<u>10,010</u>	<u>84,162</u>
Segment (loss)/profit	<u>(28,045)</u>	<u>(11,679)</u>	<u>35,983</u>	<u>—</u>	<u>—</u>	<u>8,455</u>	4,714
Fair value loss on convertible notes designated as at fair value through profit or loss							(6,821)
Finance costs							<u>(30,552)</u>
Loss before tax							(32,659)
Income tax expense							<u>(685)</u>
Loss for the year							<u>(33,344)</u>

Year ended 30 April 2013

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Revenue from external customers	1,503	2,206	42,740	10,461	136	454	57,500
Other income and gains or losses, net	77	(48)	104	751	(927)	(48,356)	(48,399)
	<u>1,580</u>	<u>2,158</u>	<u>42,844</u>	<u>11,212</u>	<u>(791)</u>	<u>(47,902)</u>	<u>9,101</u>
Segment (loss)/profit	<u>(18,086)</u>	<u>(9,415)</u>	<u>24,385</u>	<u>5,841</u>	<u>(958)</u>	<u>(60,324)</u>	(58,557)
Fair value loss on convertible notes designated as at fair value through profit or loss							(24,233)
Finance costs							<u>(27,036)</u>
Loss before tax							(109,826)
Income tax expense							<u>(1,665)</u>
Loss for the year							<u>(111,491)</u>

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Year ended 30 April 2014

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Revenue from external customers	4,179	3,760	79,695	25,076	8,250	5,975	126,935
Other income and gains or losses, net	<u>(105)</u>	<u>(55)</u>	<u>64</u>	<u>1,585</u>	<u>(1,326)</u>	<u>12,223</u>	<u>12,386</u>
	<u>4,074</u>	<u>3,705</u>	<u>79,759</u>	<u>26,661</u>	<u>6,924</u>	<u>18,198</u>	<u>139,321</u>
Segment (loss)/profit	<u>(2,666)</u>	<u>(5,958)</u>	<u>55,956</u>	<u>10,003</u>	<u>4,699</u>	<u>4,883</u>	<u>66,917</u>
Fair value gain on convertible notes designated as at fair value through profit or loss							45,975
Gain on bargain purchase of a subsidiary							2,861
Finance costs							<u>(23,018)</u>
Profit before tax							92,735
Income tax expense							<u>(11,320)</u>
Profit for the year							<u>81,415</u>

Ten months ended 28 February 2014 (unaudited)

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:							
Revenue from external customers	3,704	3,568	68,136	21,839	7,534	5,804	110,585
Other income and gains or losses, net	<u>(100)</u>	<u>(36)</u>	<u>50</u>	<u>1,468</u>	<u>(1,446)</u>	<u>11,903</u>	<u>11,839</u>
	<u>3,604</u>	<u>3,532</u>	<u>68,186</u>	<u>23,307</u>	<u>6,088</u>	<u>17,707</u>	<u>122,424</u>
Segment (loss)/profit	<u>(1,614)</u>	<u>(3,315)</u>	<u>49,668</u>	<u>9,882</u>	<u>4,940</u>	<u>5,318</u>	<u>64,879</u>
Fair value gain on convertible notes designated as at fair value through profit or loss							45,975
Gain on bargain purchase of a subsidiary							2,861
Finance costs							<u>(19,023)</u>
Profit before tax							94,692
Income tax expense							<u>(9,299)</u>
Profit for the period							<u>85,393</u>

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Ten months ended 28 February 2015

	Bullion HK\$'000	Forex HK\$'000	Money lending HK\$'000	Pawn loan HK\$'000	Finance lease HK\$'000	Corporate and other HK\$'000	Total HK\$'000
Segment revenue:							
Revenue from external customers	1,569	2,860	136,570	25,118	11,126	1,124	178,367
Other income and gains or losses, net	<u>(157)</u>	<u>(26)</u>	<u>58</u>	<u>411</u>	<u>849</u>	<u>6,111</u>	<u>7,246</u>
	<u>1,412</u>	<u>2,834</u>	<u>136,628</u>	<u>25,529</u>	<u>11,975</u>	<u>7,235</u>	<u>185,613</u>
Segment (loss)/profit	<u>(6,562)</u>	<u>(2,889)</u>	<u>92,307</u>	<u>10,711</u>	<u>4,264</u>	<u>(23)</u>	97,808
Finance costs							<u>(10,043)</u>
Profit before tax							87,765
Income tax expense							<u>(20,777)</u>
Profit for the period							<u>66,988</u>

As at 30 April 2012

	Bullion HK\$'000	Forex HK\$'000	Money lending HK\$'000	Pawn loan HK\$'000	Finance lease HK\$'000	Corporate and other HK\$'000	Total HK\$'000
Segment assets	10,441	66,237	485,287	—	11,579	6,581	580,125
Convertible notes designated as at fair value through profit or loss							127,463
Due from fellow subsidiaries							<u>12,671</u>
Total assets							<u>720,259</u>
Segment liabilities	17,051	29,650	9,990	—	—	6,594	63,285
Tax payable							685
Deferred tax liabilities							80
Due to the ultimate holding company							<u>1,201,020</u>
Total liabilities							<u>1,265,070</u>
Other segment information:							
Depreciation	410	631	—	—	—	1,016	2,057
Provision for impairment of finance leases receivable, and loans and accounts receivable, net	4,571	—	13,801	—	—	—	18,372
Loss/(gain) on disposal of items of property, plant and equipment	1	36	—	—	—	(5,437)	(5,400)
Capital expenditure*	<u>309</u>	<u>316</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,794</u>	<u>2,419</u>

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As at 30 April 2013

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	19,275	47,879	236,665	96,789	78,714	11,381	490,703
Convertible notes designated as at fair value through profit or loss							93,230
Due from fellow subsidiaries							<u>31,437</u>
Total assets							<u><u>615,370</u></u>
Segment liabilities	6,704	22,921	16,601	762	8	666	47,662
Tax payable							685
Deferred tax liabilities							80
Due to the ultimate holding company							<u>1,220,958</u>
Total liabilities							<u><u>1,269,385</u></u>
Other segment information:							
Depreciation	203	486	—	43	14	1,237	1,983
(Reversal of)/provision for impairment of finance leases receivable, and loans and accounts receivable, net	(12)	—	13,000	—	—	210	13,198
Loss on disposal of items of property, plant and equipment	286	318	—	—	—	—	604
Capital expenditure*	<u>1</u>	<u>3</u>	<u>9</u>	<u>471</u>	<u>52</u>	<u>1,030</u>	<u>1,566</u>

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As at 30 April 2014

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	25,199	44,877	691,574	101,458	120,915	101,839	1,085,862
Tax recoverable							<u>192</u>
Total assets							<u><u>1,086,054</u></u>
Segment liabilities	11,236	17,637	8,607	1,484	9,274	610	48,848
Tax payable							2,674
Due to the ultimate holding company							1,615,930
Due to fellow subsidiaries							<u>1,479</u>
Total liabilities							<u><u>1,668,931</u></u>
Other segment information:							
Depreciation	76	322	45	473	24	829	1,769
Reversal of impairment of finance leases receivable, and loans and accounts receivable, net	(2,498)	—	(5,800)	—	—	—	(8,298)
Loss on disposal of items of property, plant and equipment	—	—	—	128	—	177	305
Impairment of goodwill	—	1,498	—	—	—	—	1,498
Capital expenditure*	<u>18</u>	<u>22</u>	<u>396</u>	<u>2,796</u>	<u>70</u>	<u>1,242</u>	<u><u>4,544</u></u>

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As at 28 February 2015

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	24,086	41,235	948,277	122,642	208,082	29,181	1,373,503
Due from fellow subsidiaries							2,055
Tax recoverable							<u>16</u>
Total assets							<u><u>1,375,574</u></u>
Segment liabilities	4,157	14,283	7,440	1,802	68,535	41,237	137,454
Tax payable							14,954
Due to the ultimate holding company							<u>1,750,300</u>
Total liabilities							<u><u>1,902,708</u></u>
Other segment information:							
Depreciation	31	99	416	892	335	593	2,366
Provision for impairment of finance leases receivable, and loans and accounts receivable, net	2,103	—	5,439	2,963	—	—	10,505
(Gain)/loss on disposal of items of property, plant and equipment	—	(5)	9	—	—	108	112
Capital expenditure*	<u>57</u>	<u>57</u>	<u>1,368</u>	<u>496</u>	<u>930</u>	<u>514</u>	<u>3,422</u>

Ten months ended 28 February 2014 (unaudited)

	Bullion <i>HK\$'000</i>	Forex <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Pawn loan <i>HK\$'000</i>	Finance lease <i>HK\$'000</i>	Corporate and other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information:							
Depreciation	68	277	26	392	19	688	1,470
Reversal of impairment of finance leases receivable, and loans and accounts receivable, net	(2,527)	—	(5,800)	—	—	—	(8,327)
Loss on disposal of items of property, plant and equipment	—	—	—	6	—	177	183
Capital expenditure*	<u>18</u>	<u>22</u>	<u>365</u>	<u>1,473</u>	<u>38</u>	<u>1,235</u>	<u>3,151</u>

* Capital expenditure consists of additions to property, plant and equipment including assets from acquisition of subsidiaries, and certain prepayments, deposits and other receivables.

(b) Geographical information**(i) Revenue from external customers**

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Hong Kong	76,604	46,904	35,057	34,324	88,440
Mainland China	—	10,596	91,878	76,261	89,927
	<u>76,604</u>	<u>57,500</u>	<u>126,935</u>	<u>110,585</u>	<u>178,367</u>

The revenue information above is based on the locations of the customers.

(ii) Non-current assets

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Hong Kong	6,013	3,435	1,368	3,046	769
Mainland China	—	19,508	25,417	20,883	26,770
	<u>6,013</u>	<u>22,943</u>	<u>26,785</u>	<u>23,929</u>	<u>27,539</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

(c) Information about major customers

During the years ended 30 April 2012, 2013 and 2014 and the ten months ended 28 February 2014 and 2015, the Distributed Group has transactions with 4, 2, nil, 1 and 2 customers respectively, which individually contributed over 10% of the Distributed Group's revenue. The total revenue earned from these customers amounted to approximately HK\$42,140,000, HK\$30,920,000, HK\$Nil, HK\$11,081,000 and HK\$60,860,000 for the years ended 30 April 2012, 2013 and 2014 and the ten months ended 28 February 2014 and 2015 respectively.

6. REVENUE, OTHER INCOME AND GAINS OR LOSSES, NET

Revenue, which is also the Distributed Group's turnover, represents (i) fees, commission and premium income from bullion and forex contracts broking; (ii) gain or loss on trading of securities, bullion, forex and futures contracts; (iii) interest income and handling fee income from loan and margin financing activities and finance lease income; and (iv) service fee income from advisory and consultancy services provided during the Relevant Periods.

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

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(Unaudited)	
Revenue					
Fees, commission and premium income, net, from bullion and forex contracts broking	9,513	7,214	5,071	4,288	2,966
Trading gain/(loss) on bullion and forex contracts, net	3,717	(5,526)	2,451	2,730	912
Interest income from loan financing activities	60,832	55,604	94,462	82,212	150,605
Handling fee income	22	10	6	6	404
Other service income	2,520	198	24,945	21,349	23,480
	<u>76,604</u>	<u>57,500</u>	<u>126,935</u>	<u>110,585</u>	<u>178,367</u>
Other income and gains or losses, net					
Bank interest income	14	83	212	168	242
Other interest income	2	2	6,811	5,474	1,505
Foreign exchange differences, net	(45)	(1,098)	(1,693)	(1,790)	657
Management fee income from fellow subsidiaries	7,560	7,560	5,280	6,300	4,400
Waiver of amount due from the ultimate holding company	—	(55,810)	—	—	—
Others	27	864	1,776	1,687	442
	<u>7,558</u>	<u>(48,399)</u>	<u>12,386</u>	<u>11,839</u>	<u>7,246</u>

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(Unaudited)	
Interest on bank loans and overdraft	1	—	—	—	2,340
Interest on other loans	—	—	—	—	729
Interest on finance leases	41	22	5	5	—
Interest on amount due to the ultimate holding company	30,510	27,014	23,013	19,018	6,974
	<u>30,552</u>	<u>27,036</u>	<u>23,018</u>	<u>19,023</u>	<u>10,043</u>

8. (LOSS)/PROFIT BEFORE TAX

The Distributed Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 30 April			Ten months ended 28 February	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
Depreciation	14	2,057	1,983	1,769	1,470	2,366
Impairment of goodwill [#]	15	—	—	1,498	—	—
(Gain)/loss on disposal of items of property, plant and equipment [#]		(5,400)	604	305	183	112
Minimum lease payments under operating leases:						
office premises		6,436	6,536	8,458	6,176	9,015
office equipment		11	36	39	32	73
		<u>6,447</u>	<u>6,572</u>	<u>8,497</u>	<u>6,208</u>	<u>9,088</u>
Auditor's remuneration		474	444	475	395	421
Staff costs:						
Directors' and chief executive's remuneration		—	—	—	—	—
Salaries and other benefits*		22,922	22,356	34,145	29,440	37,869
Pension scheme contributions (defined contribution scheme)		994	781	589	500	396
Write-back of provision for long service payments, net	31	(170)	(535)	(21)	(478)	(42)
Provision/(write-back of provision) for annual leaves		241	28	(142)	(226)	(12)
		<u>23,987</u>	<u>22,630</u>	<u>34,571</u>	<u>29,236</u>	<u>38,211</u>

* Approximately HK\$Nil, HK\$27,000, HK\$4,000, HK\$4,000 and HK\$Nil was included in "Brokerage and commission expenses" in the combined statements of profit or loss for the years ended 30 April 2012, 2013 and 2014 and the ten months ended 28 February 2014 and 2015 respectively.

[#] Included in "Administrative and other operating expenses" disclosed in the combined statements of profit or loss.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the Relevant Periods. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods. Subsidiaries established in the PRC are subject to the PRC Corporate Income Tax at the standard rate of 25%.

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(Unaudited)	
Current charge for the year/period					
— Hong Kong	685	—	1,402	3,073	12,616
— the PRC	—	1,665	9,998	6,226	8,161
Deferred (<i>note 30</i>)	—	—	(80)	—	—
Total tax expense for the year/period	<u>685</u>	<u>1,665</u>	<u>11,320</u>	<u>9,299</u>	<u>20,777</u>

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

	Year ended 30 April			Ten months ended 28 February	
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
				(Unaudited)	
(Loss)/profit before tax	<u>(32,659)</u>	<u>(109,826)</u>	<u>92,735</u>	<u>94,692</u>	<u>87,765</u>
Tax at the statutory tax rate of 16.5%	(5,389)	(18,121)	15,301	15,624	14,481
Difference in tax rates of subsidiaries operating in other jurisdiction	—	80	3,776	1,552	2,126
Income not subject to tax	(1,135)	(325)	(8,565)	(8,067)	(215)
Expenses not deductible for tax	1,598	13,667	574	64	2,071
Tax losses utilised from previous periods	(1,786)	(854)	(2,259)	(2,501)	(500)
Tax losses not recognised	7,397	7,218	2,435	2,075	3,479
Others	—	—	58	552	(665)
Tax expense	<u>685</u>	<u>1,665</u>	<u>11,320</u>	<u>9,299</u>	<u>20,777</u>

10. DIRECTOR'S AND CHIEF EXECUTIVE'S EMOLUMENTS

During the Relevant Periods, the sole director of MSL is Mr. Fu Jiwen, who did not receive any remuneration from the Distributed Group.

During the Relevant Periods, no emoluments were paid by the Distributed Group to the sole director and chief executive as an inducement to join or upon joining the Distributed Group or as compensation for loss of office.

Apart from the sole director, MSL has not classified any other person as a chief executive during the Relevant Periods. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

11. EMPLOYEES' EMOLUMENTS

No emolument information for the five highest paid employees is presented as its inclusion, for the purpose of this report, is not considered meaningful.

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Relevant Periods on a combined basis as disclosed in note 1.

13. DIVIDENDS

No dividends were paid or declared by the Distributed Group during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 May 2011	3,365	1,912	6,851	12,128
Additions	—	1,506	913	2,419
Disposals/write-off	(3,365)	(471)	(1,324)	(5,160)
At 30 April 2012	—	2,947	6,440	9,387
Additions	—	268	1,260	1,528
Acquisition of subsidiaries (<i>note 33</i>)	—	—	38	38
Disposals/write-off	—	(725)	(431)	(1,156)
Exchange realignment	—	2	5	7
At 30 April 2013	—	2,492	7,312	9,804
Additions	—	2,692	1,303	3,995
Acquisition of subsidiaries (<i>note 33</i>)	—	—	33	33
Disposals/write-off	—	(1,278)	(233)	(1,511)
Exchange realignment	—	(15)	(34)	(49)
At 30 April 2014	—	3,891	8,381	12,272
Additions	—	2,348	1,074	3,422
Disposals/write-off	—	(62)	(652)	(714)
Exchange realignment	—	(55)	(27)	(82)
At 28 February 2015	—	6,122	8,776	14,898

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, equipment and motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Accumulated depreciation and impairment:				
At 1 May 2011	707	1,167	4,401	6,275
Depreciation provided during the year	112	893	1,052	2,057
Disposals/write-off	(819)	(466)	(1,275)	(2,560)
At 30 April 2012	—	1,594	4,178	5,772
Depreciation provided during the year	—	962	1,021	1,983
Disposals/write-off	—	(403)	(149)	(552)
At 30 April 2013	—	2,153	5,050	7,203
Depreciation provided during the year	—	553	1,216	1,769
Disposals/write-off	—	(1,060)	(146)	(1,206)
At 30 April 2014	—	1,646	6,120	7,766
Depreciation provided during the period	—	1,293	1,073	2,366
Disposals/write-off	—	(21)	(473)	(494)
At 28 February 2015	—	2,918	6,720	9,638
Net carrying amount:				
At 30 April 2012	—	1,353	2,262	3,615
At 30 April 2013	—	339	2,262	2,601
At 30 April 2014	—	2,245	2,261	4,506
At 28 February 2015	—	3,204	2,056	5,260

The net carrying amounts of furniture, equipment and motor vehicles of the Distributed Group included in the total amount were approximately HK\$24,000, HK\$13,000, HK\$5,000 and HK\$Nil as at 30 April 2012, 2013, 2014 and 28 February 2015 respectively in respect of assets held under finance leases.

15. GOODWILL

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Cost	1,498	20,342	23,777	23,777
Accumulated impairment	—	—	(1,498)	(1,498)
Net carrying amount	<u>1,498</u>	<u>20,342</u>	<u>22,279</u>	<u>22,279</u>
Cost at beginning of year/period, net of accumulated impairment	1,498	1,498	20,342	22,279
Impairment during the year/period	—	—	(1,498)	—
Acquisition of subsidiaries (<i>note 33</i>)	—	18,844	3,435	—
Cost and net carrying amount at end of year/period	<u>1,498</u>	<u>20,342</u>	<u>22,279</u>	<u>22,279</u>

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units for impairment testing.

- forex cash-generating unit;
- pawn loan cash-generating unit; and
- loan financing cash-generating unit

Forex cash-generating unit

The recoverable amount of the forex cash-generating unit has been determined based on value in use calculation using cash flow projections. In the opinion of the directors, the carrying amount of goodwill for the Distributed Group's cash generating unit of the forex business is in excess of its recoverable amount as a result of the continuing non-performance, accordingly, a full impairment of approximately HK\$1,498,000 against this goodwill was charged to the combined statement of profit or loss during the year ended 30 April 2014.

Pawn loan cash-generating unit

The recoverable amount of the pawn loan cash-generating unit has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections is 18% and cash flows beyond the five-year period are ignored.

Loan financing cash-generating unit

The recoverable amount of the loan financing cash-generating unit has been determined based on value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections is 18% and cash flows beyond the five-year period are ignored. No growth rate has been taken into account in the cash flow projections as the Distributed Group considers that the growth rate cannot be reliably measured.

The carrying amount of goodwill allocated to the each of the cash-generating units is as follows:

	As at 30 April		As at 28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Carrying amount of goodwill				
— forex	1,498	1,498	—	—
— pawn loan	—	16,653	16,653	16,653
— loan financing	—	2,191	5,626	5,626
	<u>1,498</u>	<u>20,342</u>	<u>22,279</u>	<u>22,279</u>

Discount rates used are before tax and reflect specific risks relating to the relevant units.

16. CONVERTIBLE NOTES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 April		As at 28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible notes	<u>127,463</u>	<u>93,230</u>	<u>—</u>	<u>—</u>

On 21 March 2012, the Distributed Group acquired zero coupon redeemable convertible notes with an aggregate principal amount of HK\$149,205,000 issued by King Stone Energy Group Limited (“King Stone”) on 21 December 2009, at a cash consideration of approximately HK\$134,285,000. The ordinary shares of King Stone are listed on The Stock Exchange of Hong Kong Limited. These convertible notes have a maturity term of five years, however, King Stone has the right at any time after three years of the issuance date to redeem in whole or in part the convertible notes at par. These convertible notes can be converted into ordinary shares of King Stone at any time after 12 months of the issuance date at the conversion price of HK\$1.25 per share. The conversion price is subject to usual anti-dilution adjustments.

As at 30 April 2012 and 2013, the convertible notes held by the Distributed Group were with maturity of over one year and were therefore classified as non-current assets on the combined statements of financial position.

These convertible notes were designated as financial assets as at fair value through profit or loss with gains or losses on changes in fair value recognised in the combined statements of profit or loss during the Relevant Periods in which they arise. The methods and assumptions applied for the valuation of these convertible notes were as follows:

(a) Valuation of debt component

The fair value of debt component of approximately HK\$133,440,000 and HK\$104,057,000 as at 30 April 2012 and 2013 was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the estimated credit rating of the convertible notes issuer and remaining time to maturity. The effective interest rates of the debt component of the convertible notes at 30 April 2012 and 2013 were 4.31% and 19.36%, respectively.

(b) Valuation of conversion option element

The fair value of the conversion option of approximately HK\$18,059,000 and HK\$3,136,000 as at 30 April 2012 and 2013 embedded in the convertible notes at the end of the reporting period is determined by the directors with reference to a valuation performed by an independent qualified professional valuer, using Black-Scholes Option Pricing model. The inputs into the model were as follows:

	21 March 2012	30 April 2012	30 April 2013
Stock price	HK\$0.74	HK\$0.60	HK\$0.365
Conversion price	HK\$1.25	HK\$1.25	HK\$1.25
Volatility	72.7%	72.2%	74.64%
Option life	2.75 years	2.64 years	1.64 years
Risk-free rate	<u>0.52%</u>	<u>0.33%</u>	<u>0.17%</u>

The difference between the fair value at initial recognition (i.e. the transaction price) and the value that would have been derived had valuation techniques used for subsequent measurement been applied at initial recognition, less subsequent releases during the year/period, is as follows:

	As at 30 April		As at 28 February	
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount of deferred gain at initial recognition/at beginning of year/period	25,034	24,036	13,963	—
Amortisation	<u>(998)</u>	<u>(10,073)</u>	<u>(13,963)</u>	<u>—</u>
Carrying amount of deferred gain at end of year/period (which is yet to be recognised in the combined statements of profit or loss)	<u>24,036</u>	<u>13,963</u>	<u>—</u>	<u>—</u>

A total principal amount of HK\$Nil, HK\$10,000,000, HK\$139,205,000, HK\$139,205,000 and HK\$Nil of the convertible notes held by the Distributed Group was redeemed by King Stone for the years ended 30 April 2012, 2013, 2014 and the ten months ended 28 February 2014 and 2015. A change in fair value of convertible notes designated as at fair value through profit or loss amounting to a loss of approximately HK\$6,821,000, a loss of HK\$24,233,000, a gain of HK\$45,975,000, a gain of HK\$45,975,000 and HK\$Nil, including amortisation of deferred gain of approximately HK\$998,000, HK\$10,073,000, HK\$13,963,000, HK\$13,963,000 and HK\$Nil was recognised by the Distributed Group in the combined statements of profit or loss for the years ended 30 April 2012, 2013 and 2014 and the ten months ended 28 February 2014 and 2015 respectively.

17. INVESTMENTS IN SENIOR NOTES

	As at 30 April		As at 28 February	
	2012	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Senior notes	<u>—</u>	<u>—</u>	<u>80,000</u>	<u>—</u>

On 1 May 2013, the Distributed Group has subscribed for senior notes issued by Million Wealth Capital Investment Limited (“Million Wealth”) in the principal amounts of HK\$80 million at the subscription price of HK\$80 million. These senior notes are interest-bearing at 10% per annum and have a maturity term of five years. Million Wealth has the right at any time after the issuance date to redeem the senior notes in whole or in part.

As at 30 April 2014, the senior notes held by the Distributed Group are with maturity of over one year and are therefore classified as non-current assets on the combined statement of financial position.

In July 2014, the senior notes issued by Million Wealth Capital Investment Limited at the subscription price of HK\$80 million were early redeemed by the Distributed Group.

18. FINANCE LEASES RECEIVABLE

	Minimum lease payments receivable			As at
	As at 30 April		28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance leases receivable:				
Within one year	—	2,184	24,241	97,313
In the second to fifth years	—	680	69,113	100,067
Total minimum lease payments receivable	—	2,864	93,354	197,380
Less: Unearned finance lease income	—	(406)	(13,898)	(23,015)
Total finance leases receivable	—	2,458	79,456	174,365
Portion classified as current assets	—	(1,882)	(18,540)	(81,717)
Non-current portion	—	576	60,916	92,648
	Present value of minimum lease payments receivable			As at
	As at 30 April		28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Finance leases receivable:				
Within one year	—	1,882	18,540	81,717
In the second to fifth years	—	576	60,916	92,648
Total minimum lease payments receivable	—	2,458	79,456	174,365

The leased assets under the finance lease arrangements mainly comprise production equipment, vessel, motor vehicles and optical fiber with lease terms ranging from 9 months to 3 years, 3 to 5 years and 2 to 5 years as at 30 April 2013, 2014 and 28 February 2015 respectively.

As at 28 February 2015, the Distributed Group's finance leases receivable with a carrying amount of HK\$77,493,000 were pledged as security for the Distributed Group's bank loan, as further detailed in note 27.

19. LOANS AND ACCOUNTS RECEIVABLE

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Loans and accounts receivable:				
— from bullion and forex dealing services	19,045	23,061	29,251	31,072
— from money lending operations	483,678	235,730	649,565	938,525
— from pawn loan services	—	37,325	41,490	85,021
— from trading operations	160	160	160	160
— from corporate and other operations	210	1,476	235	2,767
	<u>503,093</u>	<u>297,752</u>	<u>720,701</u>	<u>1,057,545</u>
Provision for impairment:				
— from bullion and forex dealing services	(5,407)	(5,383)	(2,886)	(4,988)
— from money lending operations	(14,376)	(27,376)	(21,575)	(27,014)
— from pawn loan services	—	—	—	(2,964)
— from trading operations	(160)	(160)	(160)	(160)
— from corporate and other operations	—	(222)	(12)	(12)
	<u>(19,943)</u>	<u>(33,141)</u>	<u>(24,633)</u>	<u>(35,138)</u>
	<u>483,150</u>	<u>264,611</u>	<u>696,068</u>	<u>1,022,407</u>
Analysed as:				
Current portion	483,150	264,611	696,068	1,021,958
Non-current portion	—	—	—	449
	<u>483,150</u>	<u>264,611</u>	<u>696,068</u>	<u>1,022,407</u>

Bullion and forex dealing services

The Distributed Group allows a credit period of up to the settlement dates of the respective bullion and forex transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Distributed Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and that the Distributed Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk.

Money lending operations

The Distributed Group seeks to maintain strict control over its outstanding loans receivable so as to minimise credit risk. The granting of loans is subject to approval by the directors, whilst overdue balances are reviewed regularly by senior management. Certain loans receivable are secured by listed securities and real estate provided by the customers. Loans receivable are interest-bearing at rates mutually agreed with the contracting parties, ranging from 10% to 36% per annum.

Pawn loan services

The pawn loans to customers arising from pawn loan business had average loan period of 30 days. The loans provided to customers charged fee and bore interest at certain percentages and were repayable according to the loan agreements. Included in the balances are loans of approximately HK\$Nil, HK\$23,029,000, HK\$34,969,000 and HK\$70,208,000 as at 30 April 2012, 2013, 2014 and 28 February 2015 respectively secured by real estate in Mainland China respectively and approximately HK\$Nil, HK\$14,280,000, HK\$6,329,000 and HK\$11,837,000 as at 30 April 2012, 2013, 2014 and 28 February 2015 respectively secured by personal properties held by individuals.

An aged analysis of the Distributed Group's loans and accounts receivable at the end of each reporting period, based on the settlement due date and net of provision for impairment, is as follows:

	As at 30 April			As at
	2012	2013	2014	28 February 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 1 month	257,995	120,713	444,391	425,536
1 to 3 months	—	1,354	99,802	267,201
3 months to 1 year	225,155	129,027	43,120	192,094
Over 1 year	—	13,517	108,755	137,576
	<u>483,150</u>	<u>264,611</u>	<u>696,068</u>	<u>1,022,407</u>

The movements in provision for impairment of loans and accounts receivable are as follows:

	As at 30 April			As at
	2012	2013	2014	28 February 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year/period	1,571	19,943	33,141	24,633
Impairment losses recognised	18,372	21,214	36	10,505
Impairment losses reversed	—	(8,016)	(8,334)	—
Provision for/(reversal of) impairment losses, net	18,372	13,198	(8,298)	10,505
Amount written off as uncollectible	—	—	(210)	—
At end of year/period	<u>19,943</u>	<u>33,141</u>	<u>24,633</u>	<u>35,138</u>

Included in the above provision for impairment of loans and accounts receivable is provision for individually impaired loans and accounts receivable of approximately HK\$19,943,000, HK\$33,141,000, HK\$24,633,000 and HK\$35,138,000 as at 30 April, 2012, 2013, and 2014 and 28 February 2015 respectively with carrying amounts before provision of approximately HK\$24,495,000, HK\$46,658,000, HK\$28,696,000 and HK\$39,061,000 as at 30 April, 2012, 2013, and 2014 and 28 February 2015 respectively. These individually impaired loans and accounts receivable relate to customers that do not have sufficient amount of collateral at the end of each reporting period and are not expected to be fully recoverable.

The aged analysis of the loans and accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Neither past due nor impaired	313,461	117,597	424,210	320,875
Less than 1 month past due	—	3,116	20,180	104,628
1 to 3 months past due	58,077	1,354	99,802	266,280
3 months to 1 year past due	107,060	129,027	43,120	191,601
Over 1 year past due	—	—	104,693	135,100
	<u>478,598</u>	<u>251,094</u>	<u>692,005</u>	<u>1,018,484</u>

The directors are of the opinion that no provision for impairment is necessary in respect of those receivables that were past due but not impaired as there has not been a significant change in credit quality or listed securities of clients are held as collateral against certain receivables and thus the balances are still considered fully recoverable.

The carrying amounts of the Distributed Group's loans and accounts receivable are denominated in the following currencies:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Hong Kong Dollar	475,869	218,840	266,820	545,928
United States Dollar ("USD")	7,281	7,180	23,350	17,007
Renminbi ("RMB")	—	38,591	405,898	459,472
	<u>483,150</u>	<u>264,611</u>	<u>696,068</u>	<u>1,022,407</u>

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000
Prepayments	346	1,392	499	4,446
Deposits	99	541	2,144	1,566
Other receivables	27	2,818	13,717	7,645
	<u>472</u>	<u>4,751</u>	<u>16,360</u>	<u>13,657</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

21. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
Unlisted fund trust investments	—	—	—	1,472

22. BANK TRUST ACCOUNT BALANCES

The Distributed Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its normal course of business licensed by the Securities and Futures Commission (the "SFC"). The Distributed Group has classified these clients' monies as bank trust account balances under the current assets section of the combined statements of financial position and recognised the corresponding amounts payable to the respective clients on the ground that it is liable for any loss or misappropriation of these client's monies. The Distributed Group is not permitted to use the clients' monies to settle its own obligations.

23. CASH AND CASH EQUIVALENTS

The cash and bank balances of the Distributed Group denominated in RMB amounted to approximately HK\$298,000, HK\$56,225,000, HK\$103,299,000 and HK\$81,035,000 as at 30 April 2012, 2013, and 2014 and 28 February 2015 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Distributed Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Distributed Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. ACCOUNTS PAYABLE

An aged analysis of the Distributed Group's accounts payable at the end of each reporting period, based on the settlement due date, is as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
Current to 1 month	40,245	28,147	27,125	17,509

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

As at 30 April 2012, 2013, 2014 and 28 February 2015, included in accounts payable is an amount of approximately HK\$15,935,000, HK\$Nil, HK\$Nil and HK\$Nil bearing interest at bank deposit saving rates respectively.

25. OTHER PAYABLES AND ACCRUALS

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Other payables	10,350	17,603	17,980	26,034
Accruals	<u>5,613</u>	<u>1,373</u>	<u>3,144</u>	<u>7,550</u>
	<u>15,963</u>	<u>18,976</u>	<u>21,124</u>	<u>33,584</u>

Other payables are non-interest bearing and have an average term of three months.

26. FINANCE LEASES PAYABLE

The Distributed Group leases certain of its property, plant and equipment for its business operations. These leases are classified as finance leases and have a remaining lease term of 2 to 32 months, 18 to 20 months and 6 to 8 months as at 30 April 2012, 2013 and 2014 respectively.

At the end of each reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments			As at
	As at 30 April			28 February
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	65	16	10	—
In the second year	17	10	—	—
In the third to fifth years, inclusive	<u>10</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total minimum finance lease payments	92	26	10	—
Future finance charges	<u>(28)</u>	<u>(6)</u>	<u>(1)</u>	<u>—</u>
Total net finance leases payable	64	20	9	—
Portion classified as current liabilities	<u>(43)</u>	<u>(11)</u>	<u>(9)</u>	<u>—</u>
Non-current portion	<u>21</u>	<u>9</u>	<u>—</u>	<u>—</u>
	Present value of minimum lease payments			As at
	As at 30 April			28 February
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	43	11	9	—
In the second year	12	9	—	—
In the third to fifth years, inclusive	<u>9</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total minimum finance lease payments	<u>64</u>	<u>20</u>	<u>9</u>	<u>—</u>

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 April			As at 28
	2012	2013	2014	February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Current portion:				
Secured bank loan	—	—	—	30,670
Unsecured other loans	—	—	—	40,000
	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,670</u>
Non-current portion:				
Secured bank loan	—	—	—	15,335
	<u>—</u>	<u>—</u>	<u>—</u>	<u>86,005</u>

Notes:

- (a) The bank loan bears interest at variable rate of approximately 7% and is repayable in quarterly installments over a period of 2 years. The proceed is used to finance the operation of finance lease business.
- (b) The bank loan is denominated in Renminbi and is secured by the pledge of certain financial leases receivable amounting to approximately HK\$77,493,000 as at 28 February 2015.
- (c) The other loans are denominated in Hong Kong dollar and bear interest at a fixed rate of 10% and are repayable within one year.

28. AMOUNTS DUE FROM/TO THE ULTIMATE HOLDING COMPANY AND FELLOW SUBSIDIARIES

The amounts due to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the loan balance due to the ultimate holding company of HK\$429,230,000, HK\$199,330,000, HK\$231,521,000 and HK\$Nil as at 30 April 2012, 2013, 2014 and 28 February 2015, respectively, which bear interest at the rate on the Hong Kong dollar prime rate plus 3% for the Relevant Periods.

29. DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

As at 30 April 2012, the amount due to a non-controlling shareholder of a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

30. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year/period are as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
At beginning of the year/period	80	80	80	—
Deferred tax credited to the combined statements of profit or loss (<i>note 9</i>)	—	—	(80)	—
At end of year/period	<u>80</u>	<u>80</u>	<u>—</u>	<u>—</u>

The Distributed Group has tax losses arising in Hong Kong of approximately HK\$185,135,000, HK\$209,918,000, HK\$218,610,000 and HK\$228,662,000 as at 30 April 2012, 2013, 2014 and 28 February 2015 respectively that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Distributed Group also has tax losses arising in the Mainland China of HK\$Nil, HK\$5,842,000, HK\$1,393,000 and HK\$5,959,000 as at 30 April 2012, 2013, 2014 and 28 February 2015 respectively that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by MSL to its shareholders.

31. PROVISION FOR LONG SERVICE PAYMENTS

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
At beginning of the year/period	1,003	833	131	110
Write-back of provision, net	(170)	(535)	(21)	(42)
Amounts utilised during the year/period	—	(167)	—	—
At end of year/period	<u>833</u>	<u>131</u>	<u>110</u>	<u>68</u>

The Distributed Group provides for the probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Distributed Group to the end of the reporting period.

32. COMBINED SHARE CAPITAL

- Share capital in the combined statements of financial position as at 30 April 2012 represented the aggregate paid-up capital of Firstmount International Limited and Profit Keen.
- Key Gains was incorporated on 28 March 2013 and issued 100 ordinary shares at par value of USD1 each totalling USD100 (equivalent to approximately HK\$1,000) to the ultimate holding company.
- Share capital in the combined statements of financial position as at 30 April 2013, 2014 and 28 February 2015 represented the aggregate paid-up capital of Firstmount International Limited, Profit Keen and Key Gains.

33. ACQUISITION OF SUBSIDIARIES

On 17 May 2012, the Distributed Group acquired the entire equity interest of Simsen Asset Management (HK) Limited (“Simsen Asset Management (HK)”) (formerly known as “Broadwood Asset Management Limited”) at a total consideration of HK\$1,250,000. Simsen Asset Management (HK) Limited is engaged in the provision of asset management services to professional investors. Simsen Asset Management (HK) will be transferred to the Remaining Group and the consideration is charged to other reserve in the combined statement of changes in equity.

On 25 September 2012, the Distributed Group acquired the entire equity interest of Concord Capital Investment Limited (“Concord”), at a total consideration of HK\$82,207,000, which is principally engaged in the provision of pawn loan services in the PRC.

On 10 April 2013, the Distributed Group acquired the entire share capital of Beijing Yuedetong Financial Consulting Company Limited (“Beijing Yuedetong”) at a consideration of HK\$20,956,000, which is principally engaged in the provision of medium and short term financing services, including personal loans, entrusted loans and financial consultation services in the PRC.

The fair value of the identifiable assets and liabilities of Concord and Beijing Yuedetong for the year ended 30 April 2013 were as follows:

	Concord <i>HK\$'000</i>	Beijing Yuedetong <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net assets acquired of:			
Property, plant and equipment (<i>note 14</i>)	29	9	38
Loans and accounts receivable	25,787	1,289	27,076
Prepayments, deposits and other receivables	109	52	161
Cash and cash equivalents	40,305	17,458	57,763
Other payables and accruals	(214)	(42)	(256)
Tax payable	(462)	(1)	(463)
	<u>65,554</u>	<u>18,765</u>	<u>84,319</u>
Goodwill arising on acquisition (<i>note 15</i>)	<u>16,653</u>	<u>2,191</u>	<u>18,844</u>
Satisfied by cash	<u>82,207</u>	<u>20,956</u>	<u>103,163</u>

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

	<i>HK\$'000</i>
Consideration paid in cash	(103,163)
Less: Cash and cash equivalent balances acquired	<u>57,763</u>
Net outflow included in cash flows from investing activities	<u>(45,400)</u>

Since the acquisition, Concord and Beijing Yuedetong contributed approximately HK\$10,617,000 to the Distributed Group’s turnover respectively and profits of approximately HK\$4,223,000 to the combined results for the year ended 30 April 2013.

On 20 June 2013, the Distributed Group acquired the entire equity interest of Beijing Dong Fang Hui Investment Consulting Co., Ltd (“Beijing Dong Fang Hui”), at a total consideration of HK\$314,362,500, which is principally engaged in the provision of medium and short term financing services, including personal loans, entrusted loans and financial consultation services in the PRC. The purchase consideration for the acquisition was in the form of cash, with HK\$314,362,500 paid in May 2013.

On 3 April 2014, the Distributed Group acquired the entire share capital of Beijing Jinshengtai Financial Consulting Company Limited (“Beijing Jinshengtai”) at a consideration of HK\$66,608,320, which is principally engaged in the provision of medium and short term financing services, including personal loans, entrusted loans and financial consultation services in the PRC. The purchase consideration for the acquisition was in the form of cash, with HK\$66,608,320 paid in March 2014.

The fair value of the identifiable assets and liabilities of Beijing Dong Fang Hui and Beijing Jinshengtai for the year ended 30 April 2014 were as follows:

	Beijing Dong Fang Hui	Beijing Jinshengtai	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired of:			
Property, plant and equipment (<i>note 14</i>)	33	—	33
Loans and accounts receivable	236,755	158	236,913
Prepayments, deposits and other receivables	837	54,918	55,755
Cash and cash equivalents	80,173	8,291	88,464
Other payables and accruals	<u>(574)</u>	<u>(194)</u>	<u>(768)</u>
	317,224	63,173	380,397
Gain on bargain purchase	(2,861)	—	(2,861)
Goodwill arising on acquisition (<i>note 15</i>)	<u>—</u>	<u>3,435</u>	<u>3,435</u>
Satisfied by cash	<u><u>314,363</u></u>	<u><u>66,608</u></u>	<u><u>380,971</u></u>

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

	<i>HK\$'000</i>
Consideration paid in cash	(380,971)
Less: Cash and cash equivalent balances acquired	<u>88,464</u>
Net outflow included in cash flows from investing activities	<u><u>(292,507)</u></u>

Since the acquisition, Beijing Dong Fong Fang Hui and Beijing Jinshengtai contributed approximately HK\$45,633,000 to the Distributed Group's turnover respectively and profits of approximately HK\$20,075,000 to the combined results for the year ended 30 April 2014.

34. OPERATING LEASE ARRANGEMENTS

The Distributed Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3, 1 to 4 and 1 to 5 years as at 30 April 2013, 2014 and 28 February 2015, and those for office equipment are for terms of 5 years, 5 years, 5 years and 5 years as at 30 April 2012, 2013, 2014 and 28 February 2015.

At the end of each reporting period, the Distributed Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Within one year	45	2,588	7,687	9,206
In the second to fifth years, inclusive	<u>158</u>	<u>3,215</u>	<u>8,074</u>	<u>6,978</u>
At end of year/period	<u>203</u>	<u>5,803</u>	<u>15,761</u>	<u>16,184</u>

35. COMMITMENTS

- (a) In addition to the operating lease commitments detailed in note 34 above, the Distributed Group had at the end of each reporting period commitments of net open position of bullion and forex contracts undertaken in the ordinary course of the Distributed Group's business are as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Net open position of bullion contracts	<u>32,164</u>	<u>20,675</u>	<u>2,868</u>	<u>15,165</u>
Net open position of forex contracts	<u>122,084</u>	<u>1,270</u>	<u>876</u>	<u>668</u>

(b) Capital commitments

Capital expenditures contracted, but not provided for at the end of each reporting period are as follows:

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Property, plant and equipment	<u>—</u>	<u>444</u>	<u>435</u>	<u>—</u>

Same as disclosed above, at the end of each reporting period, the Distributed Group did not have any significant commitments.

36. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Distributed Group entered into the following material transactions with related parties during the Relevant Periods:

Name of transaction	Relationship	Year ended 30 April			Ten months ended 28 February	
		2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (Unaudited)	2015 HK\$'000
Interest expense (<i>note i</i>)	Ultimate holding company	30,510	27,014	23,013	19,018	6,974
Management fee (<i>note ii</i>)	Ultimate holding company	3,617	3,600	3,617	3,000	3,000
Management fee income (<i>note iii</i>)	Fellow subsidiary	7,560	7,560	5,280	6,300	4,400
Service fee (<i>note iv</i>)	Fellow subsidiary	2,816	—	—	—	—
Rental charges (<i>note v</i>)	Fellow subsidiaries	5,884	5,386	3,473	2,946	1,767

Notes:

- (i) Interest expense was charged by the ultimate holding company on loans advanced for the Distributed Group loan financing business at the rate on the Hong Kong dollar prime rate plus 3%.
- (ii) The Distributed Group paid management fees to the ultimate holding company for the provision of advisory services on company secretarial and regulatory compliances as well as business management and development, with the amounts mutually agreed.
- (iii) The Distributed Group received management fee income from a fellow subsidiary for the provision of office equipment and consultancy service, with the amounts mutually agreed.
- (iv) The Distributed Group paid service fee to a fellow subsidiary for the provision of service on loan arrangement and related support service. The fee was based on 0.5% of the principal amounts granted to borrowers of the Distributed Group.
- (v) The Distributed Group paid rental charges to fellow subsidiaries, based on actual cost incurred.
- (b) In the opinion of the directors, the directors of MSL represented the key management personnel of the Distributed Group. During the Relevant Periods, no compensation was paid to key management personnel.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 April 2012

Financial assets

	Financial assets designated as at fair value through profit or loss HK\$'000	Held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Convertible notes designated as at fair value through profit or loss	127,463	—	—	—	127,463
Loans and accounts receivable	—	—	483,150	—	483,150
Financial assets included in prepayments, deposits and other receivables	—	—	78	—	78
Due from fellow subsidiaries	—	—	12,671	—	12,671
Equity investments at fair value through profit or loss	—	92	—	—	92
Bank trust account balances	—	—	29,546	—	29,546
Cash and cash equivalents	—	—	60,852	—	60,852
	<u>127,463</u>	<u>92</u>	<u>586,297</u>	<u>—</u>	<u>713,852</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Accounts payable	40,245
Financial liabilities included in other payables and accruals	15,370
Finance leases payable	64
Due to the ultimate holding company	1,201,020
Due to a non-controlling shareholder of a subsidiary	<u>5,850</u>
	<u>1,262,549</u>

30 April 2013

Financial assets

	Financial assets designated as at fair value through profit or loss <i>HK\$'000</i>	Held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Convertible notes designated as at fair value through profit or loss	93,230	—	—	—	93,230
Loans and accounts receivable	—	—	264,611	—	264,611
Finance leases receivable	—	—	2,458	—	2,458
Financial assets included in prepayments, deposits and other receivables	—	—	1,631	—	1,631
Due from fellow subsidiaries	—	—	31,437	—	31,437
Equity investments at fair value through profit or loss	—	371	—	—	371
Bank trust account balances	—	—	22,556	—	22,556
Cash and cash equivalents	—	—	173,013	—	173,013
	<u>93,230</u>	<u>371</u>	<u>495,706</u>	<u>—</u>	<u>589,307</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Accounts payable	28,147
Financial liabilities included in other payables and accruals	18,661
Finance leases payable	20
Due to the ultimate holding company	<u>1,220,958</u>
	<u>1,267,786</u>

30 April 2014

Financial assets

	Financial assets designated as at fair value through profit or loss HK\$'000	Held for trading HK\$'000	Loans and receivables HK\$'000	Available- for-sale financial assets HK\$'000	Total HK\$'000
Investment in senior notes	—	—	80,000	—	80,000
Loans and accounts receivable	—	—	696,068	—	696,068
Finance leases receivable	—	—	79,456	—	79,456
Financial assets included in prepayments, deposits and other receivables	—	—	8,471	—	8,471
Equity investments at fair value through profit or loss	—	434	—	—	434
Bank trust account balances	—	—	17,225	—	17,225
Cash and cash equivalents	—	—	169,534	—	169,534
	<u>—</u>	<u>434</u>	<u>1,050,754</u>	<u>—</u>	<u>1,051,188</u>

Financial liabilities

	Financial liabilities at amortised cost HK\$'000
Accounts payable	27,125
Financial liabilities included in other payables and accruals	21,030
Finance leases payable	9
Due to the ultimate holding company	1,615,930
Due to fellow subsidiaries	<u>1,479</u>
	<u>1,665,573</u>

28 February 2015

Financial assets

	Financial assets designated as at fair value through profit or loss <i>HK\$'000</i>	Held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loans and accounts receivable	—	—	1,022,407	—	1,022,407
Finance leases receivable	—	—	174,365	—	174,365
Financial assets included in prepayments, deposits and other receivables	—	—	1,117	—	1,117
Due from fellow subsidiaries	—	—	2,055	—	2,055
Available-for-sale investments	—	—	—	1,472	1,472
Bank trust account balances	—	—	13,786	—	13,786
Cash and cash equivalents	—	—	120,277	—	120,277
	<u>—</u>	<u>—</u>	<u>1,334,007</u>	<u>1,472</u>	<u>1,335,479</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Accounts payable	17,509
Financial liabilities included in other payables and accruals	33,551
Interest-bearing bank and other borrowings	86,005
Due to the ultimate holding company	<u>1,750,300</u>
	<u>1,887,365</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities of the Distributed Group which are due to be received or settled within one year are reasonable approximation of their respective fair values. For the non-current financial assets and liabilities of the Distributed Group, in the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Distributed Group's financial instruments:

Assets measured at fair value:

30 April 2012

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Convertible notes designated as at fair value through profit or loss	—	—	127,463	127,463
Equity investments at fair value through profit or loss	92	—	—	92
	<u>92</u>	<u>—</u>	<u>127,463</u>	<u>127,555</u>

30 April 2013

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Convertible notes designated as at fair value through profit or loss	—	—	93,230	93,230
Equity investments at fair value through profit or loss	371	—	—	371
	<u>371</u>	<u>—</u>	<u>93,230</u>	<u>93,601</u>

30 April 2014

	Fair value measurement using			Total HK\$'000
	Quoted price in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Equity investments at fair value through profit or loss	434	—	—	434

The Distributed Group did not have any financial assets measured at fair value as at 28 February 2015.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2.

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

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Convertible notes designated as at fair value through profit or loss:				
At the beginning of the year/period	134,284	127,463	93,230	—
Gain/(loss) for the year/period recognised in the combined statements of profit or loss	(6,821)	(24,233)	45,975	—
Redeemed during the year/period	—	(10,000)	(139,205)	—
	<u>127,463</u>	<u>93,230</u>	<u>—</u>	<u>—</u>

Liabilities measured at fair value:

The Distributed Group did not have any financial liabilities measured at fair value as at 30 April 2012, 2013, 2014 and 28 February 2015.

Assets for which fair values are disclosed:

The Distributed Group did not have any financial assets for which fair values are disclosed as at 30 April 2012.

30 April 2013

	Fair value measurement using			Total
	Quoted price	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Finance leases receivable	<u>—</u>	<u>2,458</u>	<u>—</u>	<u>2,458</u>

30 April 2014

	Fair value measurement using			Total
	Quoted price	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Finance leases receivable	<u>—</u>	<u>80,039</u>	<u>—</u>	<u>80,039</u>

28 February 2015

	Quoted price in active markets (Level 1) <i>HK\$'000</i>	Fair value measurement using		Total <i>HK\$'000</i>
		Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
Finance leases receivable	—	179,164	—	179,164

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Distributed Group's principal financial instruments comprise convertible notes designated as at fair value through profit or loss, investment in senior notes, available-for-sale investments, finance leases receivable, equity investments at fair value through profit or loss, loans and accounts receivable, cash and cash equivalents, accounts payable and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

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

Foreign currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Distributed Group's foreign currency risk primarily arises (i) from sales or purchases by operating units in currencies other than the units' functional currency, (ii) from its leveraged foreign exchange business and (iii) from investing in equity shares of foreign companies.

Foreign currency risk associated with the leverage foreign exchange business are managed and monitored by the relevant department and reported on a daily basis.

Details of financial assets and financial liabilities denominated in foreign currencies, other than the functional currency of each operating unit at the end of each reporting period were as follows:

		As at 30 April		As at 28 February	
		2012 <i>\$'000</i>	2013 <i>\$'000</i>	2014 <i>\$'000</i>	2015 <i>\$'000</i>
Loans and accounts receivable	<i>USD</i>	924	923	2,958	2,180
Prepayments, deposits and other receivables	<i>USD</i>	—	200	—	—
Cash and cash equivalents	<i>USD</i>	1,549	11,053	6,629	2,673
	<i>HK\$</i>		4,128	—	1,917
	<i>RMB</i>	4	4	—	—
Bank trust account balance	<i>USD</i>	1,565	1,565	—	—
Accounts payable	<i>USD</i>	—	—	(712)	(78)
Due to a non-controlling shareholder of a subsidiary	<i>USD</i>	(750)	—	—	—

As USD is pegged to HK\$, the Distributed Group does not expect any significant movement in the USD/HK\$ exchange rate. The sensitivity at the end of each reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Distributed Group's profit or loss before tax and the Distributed Group's equity is considered insignificant.

Equity price risk

Equity price risk is the risk that the fair value of equity securities decreases as a result of changes in the levels of equity indices and the value of individual securities. The Distributed Group is exposed to equity price risk arising from convertible notes designated as at fair value through profit or loss and the equity investments at fair value through profit or loss.

The convertible notes held by the Distributed Group are required to be recognised at fair value at the end of each reporting period. Changes in fair value are recognised in profit or loss as long as the convertible notes are outstanding. The fair value change will be affected either positively or negatively, amongst others, by the changes in share price and share price volatility of the convertible notes issuer.

The Distributed Group's listed investments are listed on The Stock Exchange of Hong Kong Limited and are valued at quoted market prices at the end of each reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments and 5% change of share price of the convertible notes issuer for the convertible notes, with all other variables held constant and before any impact on tax, base on their carrying amounts at the end of each reporting period.

	As at 30 April			As at
	2012	2013	2014	28 February
	HK\$'000	HK\$'000	HK\$'000	2015
				HK\$'000
Investments listed in Hong Kong				
— Held-for-trading	92	371	434	—
Increase/(decrease) in profit before tax or decrease/(increase) in loss before tax	5	19	22	—
Increase/decrease in equity	<u>5</u>	<u>19</u>	<u>22</u>	<u>—</u>
Convertible notes designated as at fair value through profit or loss	127,463	93,230	—	—
Increase/(decrease) in profit before tax or decrease/(increase) in loss before tax	1,743	416/419	—	—
Increase/decrease in equity	<u>1,743</u>	<u>416/419</u>	<u>—</u>	<u>—</u>

Interest rate risk

The Distributed Group's exposure to (i) the risk of changes in market interest rates relates primarily to the Distributed Group's interest-bearing financial assets and liabilities and (ii) fair value interest rate risk relates primarily to convertible notes designated as at fair value through profit or loss. Interest-bearing financial assets are mainly loans receivable and deposit with banks whereas the interest-bearing financial liabilities are mainly accounts payable. Interests on deposits with banks and loans receivable are principally based on deposits rates offered by banks in Hong Kong and fixed rates, respectively.

For short term floating rate bank loans, the principal risk lies with the interest rate difference between the interbank rate and the best lending rate. The Distributed Group mitigates the risk by monitoring the interest rate gap between the short term bank loans and margin financing facilities and revises the margin financing rate if necessary. Substantially most of the Distributed Group's loans receivable are fixed interest rates and short in duration with maturities in range of 1 to 6 months. The Distributed Group prices these loans receivable strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for (i) non-derivatives instruments and (ii) convertible notes designated as at fair value through profit or loss. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	As at 30 April		As at 28 February	
	2012	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest-bearing financial assets/(liabilities)				
Increase/(decrease) in profit before tax or decrease/(increase) in loss before tax	(1,731)	23	(373)	640
Increase/(decrease) in equity	<u>(1,731)</u>	<u>23</u>	<u>(373)</u>	<u>640</u>
Convertible notes designated as at fair value through profit or loss				
Increase/(decrease) in profit before tax or decrease/(increase) in loss before tax	637	466	—	—
Increase/(decrease) in equity	<u>637</u>	<u>466</u>	<u>—</u>	<u>—</u>

The most significant interest-bearing assets are loans to customers, which bear fixed interest rate to generate cash flows independent from market interest rates.

Interest rates on interest-bearing financial assets, primarily loans to customers, are not primarily affected by the changes in the benchmark rate in the market. Instead, they are much more influenced by demand and supply as well as bilateral negotiation, which makes a quantitative sensitivity analysis based on the benchmark rate unrepresentative.

Credit risk

The Distributed Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the combined statement of financial position. In order to minimise the credit risk, the directors has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Distributed Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment provision for losses are made for irrecoverable amounts. In this regard, the directors considers that the Distributed Group's credit risk is significantly reduced.

The Distributed Group has concentration of credit risk arising from its holding of the senior notes issued by Million Wealth of HK\$Nil, HK\$Nil, HK\$80,000,000 and HK\$Nil as at 30 April 2012, 2013, 2014 and 28 February 2015, respectively. The Distributed Group also has concentration of credit risk arising from its holding of the convertible notes issued by King Stone with principal amount of HK\$149,205,000, HK\$139,205,000, HK\$Nil and HK\$Nil as at 30 April 2012, 2013, 2014 and 28 February 2015, respectively. Other than that, the Distributed Group had certain concentrations of credit risk as 48%, 65%, 29% and 33% of the Distributed Group's loans and accounts receivable were due from three customers, within the money lending segment.

Further quantitative data in respect of the Distributed Group's exposure to credit risk arising from finance leases receivables, loans and accounts receivable are disclosed in note 18 and 19 to the financial information respectively.

Liquidity risk

Internally generated cash flows and bank borrowings are the general sources of funds to finance the operations of the Distributed Group. Majority of the Distributed Group's banking facilities are subject to floating rates and are renewable annually. The Distributed Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements applying to various licensed activities. The Distributed Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Distributed Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

The maturity profile of the Distributed Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	As at 30 April 2012					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts payable	40,245	—	—	—	—	40,245
Other payables and accruals	—	15,370	—	—	—	15,370
Finance leases payable	—	20	45	27	—	92
Due to the ultimate holding company	1,201,020	—	—	—	—	1,201,020
Due to a non-controlling shareholder of a subsidiary	5,850	—	—	—	—	5,850
	<u>1,247,115</u>	<u>15,390</u>	<u>45</u>	<u>27</u>	<u>—</u>	<u>1,262,577</u>
	As at 30 April 2013					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts payable	28,147	—	—	—	—	28,147
Other payables and accruals	—	18,661	—	—	—	18,661
Finance leases payable	—	4	13	9	—	26
Due to the ultimate holding company	1,220,958	—	—	—	—	1,220,958
	<u>1,249,105</u>	<u>18,665</u>	<u>13</u>	<u>9</u>	<u>—</u>	<u>1,267,792</u>
	As at 30 April 2014					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts payable	27,125	—	—	—	—	27,125
Other payables and accruals	—	21,030	—	—	—	21,030
Finance leases payable	—	4	6	—	—	10
Due to the ultimate holding company	1,615,930	—	—	—	—	1,615,930
Due to fellow subsidiaries	1,479	—	—	—	—	1,479
	<u>1,644,534</u>	<u>21,034</u>	<u>6</u>	<u>—</u>	<u>—</u>	<u>1,665,574</u>

	As at 28 February 2015					Total HK\$'000
	On demand HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Accounts payable	17,509	—	—	—	—	17,509
Other payables and accruals	—	32,920	631	—	—	33,551
Interest-bearing bank and other borrowings	—	8,481	67,998	15,742	—	92,221
Due to the ultimate holding company	<u>1,750,300</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,750,300</u>
	<u>1,767,809</u>	<u>41,401</u>	<u>68,629</u>	<u>15,742</u>	<u>—</u>	<u>1,893,581</u>

Capital management

The primary objective of the Distributed Group's capital management is to safeguard the Distributed Group's ability to continue as a going concern. The Distributed Group does not have specific policies for managing capital but it will continue to utilise funding from its ultimate holding company to maintain a healthy capital ratio.

40. EVENT AFTER END OF REPORTING PERIOD

On 31 May 2015, MSL issued 1 share to the Company by capitalising an amount due by MSL to the Company of approximately HK\$1,725,889,000.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by MSL or any companies of the Distributed Group subsequent to 28 February 2015.

Yours faithfully,

Zenith CPA Limited

Certified Public Accountants

Cheng Po Yuen

Practising Certificate Number: P04887

Hong Kong

30 June 2015

3. INDEBTEDNESS STATEMENT

MSL Group

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the MSL Group had secured bank borrowings of approximately HK\$31,045,000 and other borrowings of approximately HK\$40,000,000 which are unsecured and unguaranteed.

Contingent liability

As at 30 April 2015, Simsen Capital Finance Limited (“**SCFL**”), a directly wholly owned subsidiary of MSL, has been joined as the 8th defendant to the High Court action HCA 64/2012 commenced by Mayer Holdings Limited (“**Mayer**”) as plaintiff (the “**Action**”) and has been served with the Re-amended Writ of Summons and Re-amended Statement of Claim for the Action. Mayer is claiming against SCFL for injunctive relief and declaration in relation to certain convertible notes and promissory notes. SCFL has sought legal advice on the alleged claims against it but based on their understanding of the factual background concerning the alleged claims against SCFL, the MSL Directors consider that SCFL has a defence of merit and will therefore defend the alleged claims strenuously. The parties to the Action are in the course of providing relevant information to the High Court and there is no substantial progress as at 30 June 2015.

Disclaimer

Save as disclosed above, and apart from normal trade payable (unsecured and unguaranteed) and intragroup liabilities, the MSL Group did not, as at the close of business on 30 June 2015, have any outstanding mortgages, charges or debentures, loan capital issued, or bank overdrafts and loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits or any hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities.

Remaining Group

As at the close of business on 30 June 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Remaining Group had other borrowings of approximately HK\$54,000,000 which are unsecured and unguaranteed and the Convertible Notes with an aggregate principal amount of HK\$30,000,000 which are unsecured and unguaranteed.

Contingent liability

As at 30 June 2015, United Simsen Securities Limited (“**USSL**”), an indirectly wholly owned subsidiary of the Listco, has been joined as the 10th defendant to the High Court action HCA 64/2012 commenced by Mayer Holdings Limited (“**Mayer**”) as plaintiff (the “**Action**”) and has been served with the Re-amended Writ of Summons and

Re-amended Statement of Claim for the Action. Mayer is claiming against USSL for damages for, among other things, breach of contract. USSL has sought legal advice on the alleged claims against it but based on their understanding of the factual background concerning the alleged claims against USSL, the Listco Directors consider that USSL has a defence of merit and will therefore defend the alleged claims strenuously. The parties to the Action are in the course of providing relevant information to the High Court and there is no substantial progress as at 30 June 2015.

Disclaimer

Save as disclosed, and apart from normal trade payable (unsecured and unguaranteed) and intragroup liabilities, the Remaining Group did not, as at the close of business on 30 June 2015, have any outstanding mortgages, charges or debentures, loan capital issued, or bank overdrafts and loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits or any hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities.

4. MATERIAL CHANGE

The MSL Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the MSL Group since 28 February 2014, being the date to which the audited consolidated financial statements of the MSL Group as disclosed in the notes to the accountants' report of the MSL Group for the three years ended 28 February 2014 as set out in Appendix III to this Composite Document were made up, up to and including the Latest Practicable Date:

1. the MSL Group ceased to be a wholly-owned subsidiary of the Listco upon the completion of the Distribution which took place on 4 August 2015;
2. the MSL Group ceased to obtain funding from the Listco to conduct (i) the money lending business in Hong Kong; (ii) money lending and provision of pawn loans in the PRC; and (iii) dealing of bullion contracts upon the completion of the Distribution which took place on 4 August 2015;
3. the slimming down of business in Type 3 (leveraged foreign exchange trading) regulated activity under the SFO by USFD, which was transferred to MSL Group after 28 February 2015;
4. the capitalization of an aggregate amount of approximately HK\$1,863,342,768 in reserve accounts of MSL for the allotment and issue of MSL Shares under the Distribution such that the number of MSL Shares increased to 1,575,672,880;

5. the competitive rivalry is getting more intense in the money lending industry where a considerable amount of new competitors has entered into the market. In particular, the MSL Group has noticed that (a) increasing competition among the money lenders has significantly lowered the MSL Group's bargaining power and therefore pressed down the interest rate that the MSL Group is able to charge its clients with; (b) the MSL Group has encountered more difficulties to obtain external facility or credits at a reasonable cost; and (c) in light of the changes of the business environment, the money lending business now requires more professional supports, including better credit assessment and overdue payment management which lead to cost concern; and
6. as result of the overdue payment by the borrowers, the MSL Group recorded a decrease in interest income for the money lending and the provision of pawn loan businesses.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP

The unaudited pro forma financial information of the MSL Group contained in Appendix IIIB to the Circular is reproduced below.

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

Basis of preparation of the unaudited pro forma financial information of the Distributed Group is prepared in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the effect of the proposed group reorganisation and distribution in specie of Modern Series Limited (“MSL”) (the “Proposed Reorganisation and Distribution”), which might have affected the financial information of Simsen International Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”). The Group immediately after the completion of the Proposed Reorganisation and Distribution is referred to as the “Remaining Group”.

The unaudited pro forma combined statement of financial position of the Distributed Group is prepared based on the audited combined statement of financial position of the Distributed Group as at 28 February 2015 as set out in the Appendix IIIA of this Circular, after making pro forma adjustments relating to the Proposed Reorganisation and Distribution, as if the Proposed Reorganisation and Distribution had been completed on 31 October 2014.

The unaudited pro forma combined statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Distributed Group are prepared based on the audited combined statement of profit or loss, audited combined statement of comprehensive income and audited combined statement of cash flows of the Distributed Group for the year ended 30 April 2014 as extracted from the Appendix IIIA of this Circular after making pro forma adjustments relating to the Proposed Reorganisation and Distribution, as if the Proposed Reorganisation and Distribution had been completed on 1 May 2013.

The unaudited pro forma financial information is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. Narrative description of the pro forma adjustments that are (i) directly attributable to the transaction; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the results, cash flows, or financial position of the Distributed Group upon completion of the Proposed Reorganisation and Distribution or for any future period or at any future date.

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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Unaudited pro forma combined statement of financial position of the Distributed Group

	The Distributed Group as at 28 February 2015	Pro forma adjustment	Pro forma adjusted total
	<i>Note 1</i>	<i>Note 2</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	5,260		5,260
Goodwill	22,279		22,279
Finance leases receivable	92,648		92,648
Loans and accounts receivable	449		449
	120,636		120,636
TOTAL non-current assets			
	120,636		120,636
CURRENT ASSETS			
Finance leases receivable	81,717		81,717
Loans and accounts receivable	1,021,958		1,021,958
Prepayments, deposits and other receivables	13,657		13,657
Due from fellow subsidiaries	2,055		2,055
Tax recoverable	16		16
Available-for-sale investments	1,472		1,472
Bank trust account balances	13,786		13,786
Cash and cash equivalents	120,277		120,277
	1,254,938		1,254,938
TOTAL current assets			
	1,254,938		1,254,938
CURRENT LIABILITIES			
Accounts payable	17,509		17,509
Other payables and accruals	33,584		33,584
Interest-bearing bank and other borrowings	70,670		70,670
Tax payable	14,954		14,954
Provision for reinstatement	48		48
Due to the ultimate holding company	1,750,300		1,750,300
	1,887,065	(1,726,194)	160,871
TOTAL current liabilities			
	1,887,065		160,871
NET CURRENT (LIABILITIES)/ASSETS			
	(632,127)		1,094,067
TOTAL ASSETS LESS CURRENT LIABILITIES			
	(511,491)		1,214,703

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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	The Distributed Group as at 28 February 2015	Pro forma adjustment	Pro forma adjusted total
	<i>Note 1</i>	<i>Note 2</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	15,335		15,335
Provision for long service payments	68		68
Provision for reinstatement	<u>240</u>		<u>240</u>
 Total non-current liabilities	 <u>15,643</u>		 <u>15,643</u>
 Net (liabilities)/assets	 <u><u>(527,134)</u></u>		 <u><u>1,199,060</u></u>
 EQUITY/DEFICIENCY IN ASSETS			
Equity attributable to owners of MSL			
Issued capital	1	305	306
Reserves	<u>(527,135)</u>	1,725,889	<u>1,198,754</u>
 Total (deficiency)/equity	 <u><u>(527,134)</u></u>		 <u><u>1,199,060</u></u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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Unaudited pro forma combined statement of profit or loss of the Distributed Group

	The Distributed Group for the year ended 30 April 2014	Pro forma adjustment	Pro forma adjusted total
	<i>Note 3</i>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	126,935		126,935
Other income and gains or losses, net	12,386		12,386
Brokerage and commission expenses	(1,673)		(1,673)
Administrative and other operating expenses	(79,029)		(79,029)
Fair value gain on convertible notes designated as at fair value through profit or loss	45,975		45,975
Gain on bargain purchase of a subsidiary	2,861		2,861
Reversal of impairment of finance leases receivable, and loans and accounts receivable, net	8,298		8,298
Finance costs	<u>(23,018)</u>		<u>(23,018)</u>
PROFIT BEFORE TAX	92,735		92,735
Income tax expense	<u>(11,320)</u>		<u>(11,320)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF MSL	<u>81,415</u>		<u>81,415</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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Unaudited pro forma combined statement of comprehensive income of the Distributed Group

	The Distributed Group for the year ended 30 April 2014	Pro forma adjustment	Pro forma adjusted total
	<i>Note 3</i>		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	81,415		81,415
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations	(10,277)		(10,277)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX OF NIL	(10,277)		(10,277)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF MSL	71,138		71,138

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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Unaudited pro forma combined statement of cash flows position of the Distributed Group

	The Distributed Group for the year ended 30 April 2014	Pro forma adjustment	Pro forma adjusted total
	<i>Note 3</i>	<i>Note 4</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	92,735		92,735
Adjustments for:			
Finance costs	23,018		23,018
Interest income	(7,182)		(7,182)
Fair value gain on convertible notes designated as at fair value through profit or loss	(45,975)		(45,975)
Gain on bargain purchase of a subsidiary	(2,861)		(2,861)
Depreciation	1,769		1,769
Loss on disposal of items of property, plant and equipment	305		305
Write-back of provision for long service payments, net	(21)		(21)
Reversal of impairment of finance leases receivable, and loans and accounts receivable, net	(8,298)		(8,298)
Impairment of goodwill	<u>1,498</u>		<u>1,498</u>
	54,988		54,988
Increase in finance leases receivable	(78,573)		(78,573)
Increase in loans and accounts receivable	(194,211)		(194,211)
Increase in prepayments, deposits and other receivables	50,738		50,738
Increase in amount due to the Remaining Group	—	422,145	422,145
Increase in equity investments at fair value through profit or loss	(63)		(63)
Decrease in bank trust account balances	5,331		5,331
Decrease in accounts payable	(1,021)		(1,021)
Increase in other payables and accruals	1,690		1,690
Decrease in provision for reinstatement	<u>92</u>		<u>92</u>
Cash generated (used in)/from operations	(161,029)		261,116
Interest received	212		212
Tax paid	<u>(9,599)</u>		<u>(9,599)</u>
Net cash flows (used in)/from operating activities	<u>(170,416)</u>		<u>251,729</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP
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	The Distributed Group for the year ended 30 April 2014	Pro forma adjustment	Pro forma adjusted total
	<i>Note 3</i>	<i>Note 4</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of convertible notes	139,205		139,205
Acquisition of subsidiaries	(292,507)		(292,507)
Purchase of investments in senior notes	(80,000)		(80,000)
Purchases of items of property, plant and equipment	<u>(3,995)</u>		<u>(3,995)</u>
Net cash flows used in investing activities	<u>(237,297)</u>		<u>(237,297)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Advance from			
— ultimate holding company	389,229	(389,229)	—
— fellow subsidiaries	32,916	(32,916)	—
Interest paid	(17,275)		(17,275)
Capital element of finance lease rental payments	<u>(11)</u>		<u>(11)</u>
Net cash flows from/(used in) financing activities	<u>404,859</u>		<u>(17,286)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	173,013		173,013
Effect of foreign exchange rate changes, net	<u>(625)</u>		<u>(625)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	<u><u>169,534</u></u>		<u><u>169,534</u></u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP

Notes:

1. Amounts are extracted from the audited combined statement of financial position sheet set out in the accountant's report of the Distributed Group as at 28 February 2015 as set out in Appendix IIIA of this Circular.
2. The adjustment represents the amount due by the Distributed Group to the ultimate holding company of approximately HK\$1,726,194,000 which will be settled by issuance of 1,575,592,880 ordinary shares of MSL for approximately \$305,000 and capitalisation of remaining amount of approximately HK\$1,725,889,000 as share premium of MSL Shares as per the section headed "E. Proposed Reorganisation and Distribution" in the Letter from the Board included in this circular, as if the Proposed Reorganisation and Distribution had been taken place on 31 October 2014.
3. Amounts are extracted from the audited financial information of the Distributed Group set out in the accountant's report of the Distributed Group for the year ended 30 April 2014 as set out in Appendix IIIA of this Circular.
4. In relation to pro forma statement of cash flows, advances to the Distributed Group by the ultimate holding company and the fellow subsidiaries grouped under the net cash from financing activities of approximately HK\$389,229,000 and HK\$32,916,000 respectively had been reallocated to increase in amount due to the Remaining Group grouped under the net cash from operating activities as they would become an independent third party upon the completion of the Proposed Reorganisation and Distribution. The adjustment to the statement of cash flow is not expected to have a continuing effect on the Distributed Group.
5. Apart from the above, no other adjustment has been made to reflect any trading results and other transactions of the Distributed Group entered into subsequent to 28 February 2015.

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

The following is the full text of a report received from the reporting accountants, Zenith CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the Circular:



ZENITH CPA LIMITED
誠豐會計師事務所有限公司
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香港灣仔軒尼詩道8-12號
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**ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION TO THE DIRECTORS OF SIMSEN INTERNATIONAL CORPORATION
LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Modern Series Limited (“MSL”) and its then subsidiaries upon completion of the Reorganisation prior to the Distribution (hereinafter collectively referred to as the “Distributed Group”), which has been prepared by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of profit or loss and the unaudited pro forma combined statement of cash flows for the year ended 30 April 2014, the unaudited pro forma combined statement of financial position as at 28 February 2015, and related notes (the “Unaudited Pro Forma Financial Information”), as set out on pages IIIB-2 to IIIB-8 of the Circular, in connection with the Proposed Reorganisation and Distribution (the “Transaction”). Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the Transaction on the Distributed Group’s financial position as at 28 February 2015 and the Distributed Group’s financial performance and cash flows for the year ended 30 April 2014 as if the Transaction had taken place at 31 October 2014 and 1 May 2013, respectively. The basis of preparation of the Unaudited Pro Forma Financial Information of the Distributed Group is set out on page IIIB-1.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 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 (the “HKICPA”).

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have complied the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information include in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the even had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 1 May 2013 or 31 October 2014 would have been as presented.

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

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

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

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE MSL GROUP

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

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Distributed Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Zenith CPA Limited

Certified Public Accountants

Cheng Po Yuen

Practising Certificate Number: P04887

Hong Kong

30 June 2015

Set out below is a summary of certain provisions of the memorandum of association (the “**Memorandum**”) and articles of association (the “**Articles**”) of MSL adopted on 31 July 2015 before completion of the Distribution and of certain aspects of the BVI company law.

MSL was incorporated in BVI as an international business company with limited liability on 18 September, 1996 which was automatically re-registered as a business company with effect from 1 January, 2007 under the BVI Business Companies Act, as amended (for the purpose of this Appendix IV only, the “**BVI Companies Act**”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that subject to the BVI Companies Act and any other BVI legislation, MSL has, irrespective of corporate benefit:
 - a. full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - b. for the purposes of paragraph (a), full rights, powers and privileges.
- (b) The Memorandum states, inter alia, that the liability of members of MSL is limited to the amount, if any, for the time being unpaid on the shares of MSL respectively held by them.
- (c) MSL is authorized by the Memorandum to issue a maximum of 2,000,000,000 shares of a single class with par value of US\$0.000025 each.

2. ARTICLES OF ASSOCIATION

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the BVI Companies Act and the Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as MSL may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the BVI Companies Act, the Memorandum and the Articles, any share may be issued on terms that, at the option of MSL or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of MSL on such terms as it may from time to time determine.

Subject to the provisions of the BVI Companies Act and the Articles, where applicable, the rules of the Stock Exchange, and any direction that may be given by MSL in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in MSL shall be at

the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither MSL nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of MSL or any subsidiary

The directors may sell, transfer, secure, exchange or otherwise dispose of the assets of MSL without authorisation by the members pursuant to section 175 of the BVI Companies Act. The directors may otherwise exercise all powers and do all acts and things which may be exercised or done or approved by MSL and which are not required by the Articles or the BVI Companies Act to be exercised or done by MSL in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any director or past director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the director is contractually entitled) must be approved by MSL in general meeting.

(iv) Loans and provision of security for loans to directors

There are provisions in the Articles prohibiting the making of loans to directors.

(v) Disclosure of interests in contracts with MSL or any of its subsidiaries

A director may hold any other office or place of profit with MSL (except that of the auditors of MSL) in conjunction with his office of director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A director may be or become a director or other officer of, or otherwise interested in, any company promoted by MSL or any other company in which MSL may be interested, and shall not be liable to account to MSL or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company.

Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by MSL to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the BVI Companies Act and the Articles, no director or proposed or intended director shall be disqualified by his office from contracting with MSL, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to MSL or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such director holding that office or the fiduciary relationship thereby established. A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with MSL shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A director shall not vote (nor be counted in the quorum) on any resolution of the board in respect of any contract or arrangement or other proposal in which he or any of his close associates has a material interest, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract, transactions, arrangement or proposal for giving of any security or indemnity to the director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him at the request of or for the benefit of MSL or any of its subsidiaries;
- (bb) any contract, transaction, arrangement or proposal for the giving by MSL of any security or indemnity to a third party in respect of a debt or obligation of MSL or any of its subsidiaries for which the director or his close associate(s) has himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by MSL or any other company which MSL may promote or be interested in for subscription or purchase, where the director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract, transaction, arrangement or proposal in which the director or his close associate(s) is interested in the same manner as other holders of shares or debentures or other securities of MSL or any of its subsidiaries by virtue only of his interest in shares or debentures or other securities of MSL; or
- (ee) any proposal or arrangement concerning the benefit of employees of MSL or its subsidiaries including the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the director or his close associate(s) may benefit, a pension fund or retirement, death, or disability benefits scheme which relates both to directors, his close associates and employees of MSL or of any of its subsidiaries and does not provide in respect of any director, or his close associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the directors shall from time to time be determined by MSL in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided among the board in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

The directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of MSL or otherwise in connection with the discharge of their duties as directors.

Any director who, by request, goes or resides abroad for any purpose of MSL or who performs services which in the opinion of the board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a director. An executive director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a director.

The board may establish or concur or join with other companies (being subsidiary companies of MSL or companies with which it is associated in business) in establishing and making contributions out of MSL's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any director or ex-director who may hold or have held any executive office or any office of profit with MSL or any of its subsidiaries) and ex-employees of MSL and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board in the manner set out in the following paragraph shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation. There are no provisions relating to retirement of directors upon reaching any age limit.

The directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of MSL and shall then be eligible for re-election. Neither a director nor an alternate director is required to hold any shares in MSL by way of qualification.

The members may, at any general meeting convened and held in accordance with the Articles, by ordinary resolution remove a director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between MSL and such director (but without prejudice to any claim for damages under any such agreement). Unless otherwise determined by MSL in general meeting, the number of directors shall not be less than two. There is no maximum number of directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to MSL at the registered office of MSL for the time being or tendered at a meeting of the board whereupon the board resolves to accept such resignation;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with MSL for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such director or directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing and other powers

The board may exercise all the powers of MSL to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of MSL and, subject to the BVI Companies Act, to issue debentures, bonds and other securities of MSL, whether outright or as collateral security for any debt, liability or obligation of MSL or of any third party.

Notwithstanding any provisions contained in the Articles, any connected transaction falling within the definition of the Listing Rules as if MSL were a listed issuer which requires the approval of independent shareholders under the Listing Rules shall require the approval by ordinary resolution of the independent members of MSL in general meeting, the notice convening which shall be accompanied by a circular containing the advice of an independent financial adviser to the independent members of MSL in respect of such transaction in accordance with the Listing Rules as far as applicable.

Further, (a) any notifiable transaction falling within the definition of the Listing Rules as if MSL were a listed issuer which requires the approval of shareholders under the Listing Rules; and (b) any issue of shares of MSL or securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new shares of MSL wholly for cash unless an offer of such shares or securities has first been made to holders of shares on the register of members of MSL on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong), shall require the approval by ordinary resolution of the members of MSL in general meeting in accordance with the Listing Rules as far as applicable.

(ix) Proceedings of the board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of directors and officers

The Articles provide that MSL will maintain at its registered office a register of directors and officers which is not available for inspection by the public.

(b) Alternations to Constitution Documents

The Articles may be rescinded, altered or amended by MSL in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum (save for an amendment for purposes of altering the capital as described in (c) below which shall require an ordinary resolution only), to amend the Articles or to change the name of MSL.

(c) Alternation of Capital

Subject to the Memorandum and these Articles, MSL may by ordinary resolution:

- (i) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by MSL in general meeting, as the directors may by Resolution of the directors determine provided always that where MSL issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”; or
- (ii) combine its shares, including issued shares, into a smaller number of shares; or
- (iii) sub-divide its shares, or any of them, into a greater number of shares,

provided that, where shares are divided or combined, the aggregate par value (if any) of the new shares must be equal to the aggregate par value (if any) of the original shares, and MSL shall not divide its shares if it would cause the maximum number of shares that MSL is authorised to issue to be exceeded.

(d) Variation of Rights of Existing Shares or classes of Shares

Subject to the BVI Companies Act, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special Resolution-majority required

Pursuant to the Articles, a special resolution of MSL must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of MSL as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting Rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting, a resolution put to the vote of a meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a clearing house (or its nominee(s)), being a corporation, is a member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of MSL or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of MSL held by the clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where MSL has knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of MSL or restricted to voting only for or only against any particular resolution of MSL, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(g) Requirements for Annual General Meetings

An annual general meeting of MSL shall be held in each year other than the year of MSL's adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of these Articles, unless a longer period would not infringe the rules of the Stock Exchange, if any) at such time and place as may be determined by the board.

(h) Accounts and Audit

The board shall cause true accounts to be kept of the sums of money received and expended by MSL, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of MSL and of all other matters required by the BVI Companies Act and in accordance with the generally accepted accounting principles and practices in Hong Kong or as may be necessary to give a true and fair view of MSL's affairs and to explain its transactions.

The accounting records shall be kept at the Office or, at such other place or places as the board decides and shall always be open to inspection by the directors. No member (other than a director) shall have any right of inspecting any accounting record or book or document of MSL except as conferred by law or authorised by the board or MSL in general meeting.

A printed copy of the directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of MSL under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before MSL at the annual general meeting held in accordance with the Articles provided that the Articles shall not require a copy of those documents to be sent to any person whose address MSL is not aware of or to more than one of the joint holders of any shares or debentures.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by MSL in general meeting or in such manner as the members may determine.

The financial statements of MSL shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than BVI. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of Meetings and Business to be Conducted Thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of MSL other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from MSL, and also to the auditors for the time being of MSL.

Notwithstanding that a meeting of MSL is called by shorter notice than that mentioned above, if permitted by the rules of the Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of MSL entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than 95 % of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:

- (a) the declaration and sanctioning of dividends;
- (b) consideration and adoption of the accounts and balance sheet and the reports of the directors and auditors and other documents required to be annexed to the balance sheet;
- (c) the election of directors whether by rotation or otherwise in the place of those retiring;
- (d) appointment of auditors (where special notice of the intention for such appointment is not required by the BVI Companies Act) and other officers;
- (e) the fixing of the remuneration of the auditors, and the voting of remuneration or extra remuneration to the directors;
- (f) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of MSL representing not more than 20% in nominal value of its existing issued share capital; and

(g) the granting of any mandate or authority to the directors to repurchase securities of MSL.

(j) Transfer of Shares

Subject to the Articles, any member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in any other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. The board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers.

Unless the board otherwise agrees (which agreement may be on such terms and subject to such conditions as the board in its absolute discretion may from time to time determine, and which agreement the board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register of members of MSL shall be transferred to any branch register nor shall shares on any branch register be transferred to the register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant office where the branch register of members is kept, and, in the case of any shares on the register of members, at the registered office of MSL or such other place at which the register is kept in accordance with the BVI Companies Act.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share issued for a promissory note or other binding obligation to contribute money or property or a contribution thereof to MSL on which MSL has a lien.

The board may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share, the instrument of transfer is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do) or, if applicable, the instrument of transfer is duly and properly stamped.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in the appointed newspaper or by other means as set out in the Articles, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for MSL to Purchase its own Shares

Subject to the BVI Companies Act, the Memorandum and the Articles, MSL shall have all the powers conferred upon it by the BVI Companies Act to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it thinks fit, including but not limited to, the purchase of shares at a price less than fair value.

Shares that MSL purchases, redeems or otherwise acquires pursuant to the Articles may be cancelled or held as treasury shares provided that the number of shares purchased, redeemed or otherwise acquired when aggregated with shares already held as treasury shares may not exceed 50% of the shares of that class previously issued (excluding shares that have been cancelled).

(l) Power for any subsidiary of MSL to own Shares in MSL

There are no provisions in the Articles relating to ownership of shares in MSL by a subsidiary.

(m) Dividends and other methods of Distribution

Subject to the BVI Companies Act, MSL in general meeting may from time to time declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The board may recommend and pay to all members on a pro rata basis a dividend or a distribution at such time and of such an amount as they think fit if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend or distribution, the value of MSL's assets exceeds its liabilities and MSL is able to pay its debts as they fall due. The resolution shall include a statement to that effect.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

Whenever the board has resolved that a dividend be paid or declared on the share capital of MSL, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. MSL may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of MSL that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of MSL in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to MSL. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of MSL until claimed and MSL shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to MSL.

No dividend or other monies payable by MSL on or in respect of any share shall bear interest against MSL.

(n) Proxies

Any member entitled to attend and vote at a meeting of MSL is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of MSL or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Forfeiture of Shares

Where a share is not fully paid for on issue, the directors may, subject to the terms on which the share was issued, at any time serve upon the member a written notice of call specifying a date for payment to be made. Where a notice complying with the provisions of the Articles has been issued and the requirements of the notice have not been complied with, the directors by resolution of directors may, at any time before tender of payment forfeit and cancel the share to which the notice relates.

When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such notice.

The board may accept the surrender of any share liable to be forfeited and, in such case, references in the Articles to forfeiture will include surrender.

A declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by MSL if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.

Notwithstanding any such forfeiture as aforesaid, the board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.

(p) Inspection of Share Register

Unless closed in accordance with the Articles, the register and branch register of members, as the case may be, shall be open to inspection for at least two (2) hours during business hours by members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the board, at the registered office of MSL or such other place at which the register of members is kept in accordance with the BVI Companies Act or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the board at the office where the branch register of members of MSL is kept. The register of members of MSL including any overseas or local or other branch register of members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any designated stock exchange or by any electronic means in such manner as may be accepted by the Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the board may determine and either generally or in respect of any class of shares.

(q) Quorum for Meetings and Separate Class Meetings

No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. The absence of a quorum shall not preclude the appointment of a chairman. Save as otherwise provided by the Articles, two (2) members entitled to vote and present in person or by proxy or (in the case of a member being a corporation) by its duly authorised representative shall form a quorum for all purposes. In respect of a separate class meeting (other than an adjourned

meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

(r) Untraceable Members

MSL may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, MSL may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. MSL shall have the power to sell, in such manner as the board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by these Articles have remained uncashed; (b) so far as it is aware at the end of the relevant period, MSL has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and (c) MSL, if so required by the rules governing the listing of shares on the Stock Exchange, has given notice to, and caused advertisement in newspapers in accordance with the requirements of, the Stock Exchange to be made of its intention to sell such shares in the manner required by the Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) above and ending at the expiry of the period referred to in that paragraph.

(s) Procedures on Liquidation

A resolution that MSL be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if MSL shall be wound up and the assets available for distribution among the members of MSL shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively and (ii) if MSL shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If MSL shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the BVI Companies Act divide among the members in specie or kind the whole or any part of the assets of MSL whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of properties to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

3. BVI COMPANY LAW

MSL is incorporated in BVI subject to the BVI Companies Act and, therefore, operates subject to BVI law. Set out below is a summary of certain provisions of BVI company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of BVI company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

Under the BVI Companies Act there is no concept of authorised capital. Companies incorporated under the BVI Companies Act may be authorised to issue a specific number of shares or the company's memorandum of association may provide that the company is authorised to issue an unlimited number of shares. The BVI Companies Act also provides that, subject to the company's memorandum and articles of association, shares may be issued with or without a par value and in any currency. The BVI Companies Act also permits the company to issue fractional shares.

Shares issued by the company will be the personal property of the shareholders and confer on the holder of a share:

- (i) the right to one vote at a meeting of the members of the company or on any resolution of the members of the company;
- (ii) the right to an equal share in any dividend paid in accordance with the BVI Companies Act; and
- (iii) the right to an equal share in the distribution of the surplus assets of the company.

Subject to any limitations or provisions to the contrary in the company's memorandum or articles of association, the unissued shares and treasury shares of the company are at the disposal of the directors who may, without limiting or affecting any rights previously conferred on the holders of any existing shares or class or series of shares, offer, allot or otherwise dispose of shares to such persons, at such times and upon such terms as the company may by resolution of directors determine.

Similarly, subject to the company's memorandum and articles of association, options to acquire shares in the company may be granted at any time, to any person and for such consideration as the directors may determine.

Subject to the company's memorandum and articles of association, the company may issue shares which are partly paid or nil-paid. Shares may also be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how), services rendered or the provision of future services.

Subject to the company's memorandum and articles of association, the company may issue shares with or without voting rights or with different voting rights; common, preferred, limited or redeemable shares; options warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of a company.

Subject to its memorandum and articles of association, the company may issue more than one class of shares. A statement of the classes of shares that the company is authorised to issue and, if the company is authorised to issue two or more classes of shares, the rights, privileges, restrictions and conditions attaching to each class of shares must be included in the company's memorandum of association of association. Subject to its memorandum and articles, the company may issue a class of shares in one or more series.

(b) Financial assistance to purchase shares of a company or its holding company

Subject to the BVI Companies Act, any other enactment and the company's memorandum and articles of association, a company has, *irrespective of corporate benefit* full capacity to carry on or undertake any business or activity, do any act or enter into any transaction including:

- (i) unless it is a company limited by guarantee or an unlimited company that in either case is not authorised to issue shares:
 - (aa) issue and cancel shares and hold treasury shares,
 - (bb) grant options over unissued shares in the company and treasury shares,
 - (cc) issue securities that are convertible into shares, and
 - (dd) give financial assistance to any person in connection with the acquisition of its own shares;
- (ii) issue debt obligations of every kind and grant options, warrants and rights to acquire debt obligations;
- (iii) guarantee a liability or obligation of any person and secure any of its obligations by mortgage, pledge or other charge, of any of its assets for that purpose; and

- (iv) protect the assets of the company for the benefit of the company, its creditors and its members and, at the discretion of the directors, for any person having a direct or indirect interest in the company.

(c) Purchase of shares and warrants by a company and its subsidiaries

If a company satisfies the solvency test described below, and subject to the company's memorandum and articles of association, a company may purchase, redeem or otherwise acquire its own shares. The solvency test the company must satisfy to be able acquire its own shares is:

- (i) does the value of the company's assets exceed its liabilities; and
- (ii) is the company able to pay its debts as they fall due.

The BVI Companies Act sets out three procedures by which a company may purchase, redeem or otherwise acquire its own shares. Other procedures for the purchase, redemption or acquisition by a company of its own shares may be set out in the company's memorandum or articles of association.

Where a company purchases, redeems or acquires its own shares otherwise than in accordance with the provisions set out in the BVI Companies Act, it may not purchase, redeem or otherwise acquire the shares without the consent of the member whose shares are to be purchased, redeemed or acquired, unless the company is specifically permitted by its memorandum or articles of association to do this without consent.

Under the BVI Companies Act, the directors may determine:

- (aa) to purchase, redeem or otherwise acquire all the shares issued by the company if the offer is an offer made to all shareholders that:
 - (i) would, if accepted, leave the relative voting and distribution rights of the shareholders unaffected; and
 - (ii) affords each shareholder a reasonable opportunity to accept the offer; or
- (bb) to purchase, redeem or otherwise acquire shares of one or more shareholders issued by the company if the offer is an offer to which all shareholders have consented and which the directors have expressly determined in a resolution:
 - (i) is to the benefit of the remaining shareholders; and
 - (ii) the terms of the offer and the consideration offered for the shares are fair and reasonable to the company and to the remaining shareholders.

Shares may also be redeemable at the option of the shareholder. If this is the case and the shareholder gives the company proper notice of his intention to redeem the share, the company is required to redeem the share on the date specified in the notice or, if no date is specified, on the date of the receipt of the notice. Unless the share redeemed at the option of the shareholder is held as a treasury share, it is deemed to have been cancelled.

A determination by the directors is, however, not required:

- (i) where shares are purchased, redeemed; or otherwise acquired pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company;
- (ii) by virtue of the provisions of the BVI Companies Act in relation to the rights of dissenters under a redemption of minority shareholders, merger, consolidation, a disposition of assets, a compulsory redemption or an arrangement; or
- (iii) pursuant to an order of the court.

Where a company has redeemed, purchased or otherwise acquired its own shares as set out in paragraphs (a) and (b), above, or at the option of the shareholder, the company may hold the acquired shares as treasury shares if:

- (i) the company's memorandum or articles of association do not prohibit the company from holding treasury shares;
- (ii) the directors resolve that shares to be purchased, redeemed or otherwise acquired should be held as treasury shares; and
- (iii) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled.

A company may purchase, redeem or otherwise acquire the shares of the company at a price lower than fair value if permitted by, and then only in accordance with, the terms of its memorandum or articles of association; or a written agreement for the subscription for the shares to be purchased, redeemed or otherwise acquired.

Under BVI law, a subsidiary may hold shares in its holding company.

All the rights and obligations attaching to shares held by a company as treasury shares are suspended and shall not be exercised by or against the company while the company holds the share as a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

(d) Protection of minorities

The BVI Companies Act contains various mechanism to protect minority shareholders, including:

- (i) **Restraining or compliance orders:** if a company or a director of a company engages in, or proposes to engage in, conduct that contravenes the BVI Companies Act or the company's memorandum and articles of association, the court may, on the application of a member or a director of the company, make an order directing the company or its director to comply with, or restraining the company or director from engaging in conduct that contravenes, the BVI Companies Act or the company's memorandum and articles of association;
- (ii) **Derivative actions:** the court may, on the application of a member of a company, grant leave to that member to:
 - (aa) bring proceedings in the name and on behalf of that company; or
 - (bb) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company; and
- (iii) **Unfair prejudice remedies:** a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him, may apply to the court for an order and, if the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limitation, one or more of the following orders:
 - (aa) in the case of a shareholder, requiring the company or any other person to acquire the shareholder's shares;
 - (bb) requiring the company or any other person to pay compensation to the member;
 - (cc) regulating the future conduct of the company's affairs;
 - (i) amending the memorandum or articles of association of the company;
 - (ii) appointing a receiver of the company;

- (iii) appointing a liquidator of the company under section 159(1) of the Insolvency Act;
 - (iv) directing the rectification of the records of the company; and
 - (v) setting aside any decision made or action taken by the company or its directors in breach of the BVI Companies Act or the company's memorandum and articles of association.
- (iv) **Representative actions:** a member is able to bring an action against the company for a breach of a duty owed by the company to member in his capacity as a member. Where a member brings such an action and other members have the same (or substantially the same) action against the company, the court may appoint the first member to represent all or some of the members having the same interest and may make an order:
- (aa) as to the control and conduct of the proceedings;
 - (bb) as to the costs of the proceedings; and
 - (cc) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

The BVI Companies Act provides that any member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (i) a merger;
- (ii) a consolidation;
- (iii) any sale, transfer, lease, exchange or other disposition of more than 50% of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including:
 - (aa) a disposition pursuant to an order of the court having jurisdiction in the matter;
 - (bb) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one (1) year after the date of disposition; or
 - (cc) a transfer pursuant to the power of the directors to transfer assets for the protection thereof;
 - (dd) a redemption of 10% or less of the issued shares of the company required by the holders of 90% or more of the shares of the company pursuant to the terms of the BVI Companies Act; and
 - (ee) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

(e) Dividends and distributions

Subject to any limitations or provisions to the contrary in its memorandum or articles and the solvency test set out above being satisfied, a company may by resolution of directors authorise a distribution to its members.

A distribution may be a direct or indirect transfer of an asset (other than the company's own shares) or the incurring of a debt for the benefit of a member.

(f) Management

Subject to its memorandum and articles of association, the business and affairs of a company shall be managed by, or under the direction or supervision of, the directors of the company and the directors shall have all the powers necessary for managing, and for directing and supervising, the business and affairs of the company. The number of directors of a company may be fixed by, or in the manner provided in the articles of association of a company.

The BVI Companies Act provides that, subject to any limitations or provisions to the contrary in its memorandum and articles of association, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% of the assets of a company, if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members.

The BVI Companies Act contains no other specific restrictions on the power of directors to dispose of assets of a company.

The BVI Companies Act contains a statutory code of directors' duties. Each director of a company, in performing his functions, must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(g) Amendment of constitutional document

The members of a company may, by resolution, amend the memorandum or articles of association of the company. The memorandum of a company may include a provision:

- (i) that specified provisions of the memorandum or articles of association may not be amended;
- (ii) that a resolution passed by a specified majority of members, greater than 50%, is required to amend the memorandum or articles of association or specified provisions of the memorandum or articles of association; and

- (iii) that the memorandum or articles of association, or specified provisions of the memorandum or articles of association, may be amended only if certain specified conditions are met.

The memorandum of association of a company may authorise the directors, by resolution, to amend the memorandum or articles of association of the company where a resolution is passed to amend the memorandum or articles of association of a company, the company must file for registration:

- (aa) a notice of amendment in the approved form; or
- (bb) a restated memorandum or articles incorporating the amendment made.

An amendment to the memorandum or articles of association has effect from the date that the notice of amendment, or restated memorandum or articles of association incorporating the amendment, is registered by the BVI Registrar of Corporate Affairs or from such other date as may be ordered by the court.

(h) Accounting requirements

A company must keep such accounts and records as are sufficient to show and explain the company's transactions and which will, at any time, enable the financial position of the company to be determined with reasonable accuracy. There is generally no obligation to have financial statement audited, unless the company is operating as a certain type of fund regulated by the Mutual Funds Act, 1996.

(i) Exchange control

There are no exchange control regulations or currency restrictions in BVI.

(j) Loans to and transactions with directors

There is no express provision in the BVI Companies Act prohibiting the making of loans by a company to any of its directors.

A director of a company shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the company, disclose the interest to the board of the company. If a director fails to make such a disclosure, he is liable, upon summary conviction, to a fine of US\$10,000.

A director of a company is not required to disclose an interest if:

- (i) the transaction or proposed transaction is between the director and the company; and
- (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the company's business and on usual terms and conditions.

A disclosure to the board to the effect that a director is a member, director, officer or trustee of another named company or other person and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. It should be noted, however, that a disclosure is not made to the board unless it is made or brought to the attention of every director on the board.

(k) Taxation in BVI

A company incorporated under the BVI Companies Act is exempt from all provisions of the Income Tax Act (as amended) of BVI (including with respect to all dividends, interests, rents, royalties, compensation and other amounts payable by the company to persons who are not persons resident in BVI).

Capital gains realised with respect to any shares, debt obligations or other securities of a company by persons who are not persons resident in BVI are also exempt from all provisions of the Income Tax Act of BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(l) Stamp duty on transfer

No stamp duty is payable in BVI on a transfer of shares in a BVI company.

(m) Inspection of corporate records

Members of the general public, on a payment of a nominal fee, can inspect the public records of a company available at the office of the BVI Registrar of Corporate Affairs which will include, *inter alia*, the company's certificate of incorporation, its memorandum and articles of association (with any amendments) and the records of licence fees paid to date.

A director may, on giving reasonable notice, inspect (and make copies of) the documents and records of a company without charge and at a reasonable time specified by the director.

A member of a company may, on giving written notice to a company, inspect the company's memorandum and articles of association, the register of members, the register of directors and the minutes of meetings and resolutions of members and of those classes of members of which he is a member.

Subject to any provision to the contrary in the company's memorandum and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a member to inspect any document, or part of a document, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

A company shall keep minutes of all meetings of directors, members, committees of directors, committees of officers and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The books, records and minutes required by the BVI Companies Act shall be kept at the registered office or at such other place as the directors determine.

A company is required to keep one or more registers to be known as the register of members containing, *inter alia*, the names and addresses of the persons who hold registered shares in the company, in the case of shares issued to bearer, the total number of each class and series of shares issued to the bearer, etc. The share register may be in any form as the directors may approve but, if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents and a copy of the share register commencing from the date of registration of the company shall be kept at the registered office of the company. The share register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

A company is required to keep a register to be known as a register of directors containing, *inter alia*, the names and addresses of the persons who are directors and the date on which each person whose name is entered on the register was appointed and ceased to be a director. The register of directors may be in such form as the directors approve, but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. A copy of the register of directors must be kept at the registered office and the register is *prima facie* evidence of any matters directed or authorised by the BVI Companies Act to be contained therein.

(n) Winding up

The court has authority under the Insolvency Act 2003 of BVI to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

A company may enter into voluntary liquidation under the BVI Companies Act if it has no liabilities or is able to pay its debts as they fall due. Where it is proposed to appoint a voluntary liquidator, the directors of the company must:

- (i) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due; and

- (ii) approve a liquidation plan specifying:
 - (aa) the reasons for the liquidation of the company;
 - (bb) their estimate of the time required to liquidate the company;
 - (cc) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company;
 - (dd) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator; and
 - (ee) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions.

Subject to certain exceptions in the BVI Companies Act, a declaration of solvency is insufficient for the purposes of voluntary liquidation unless:

- (aa) it is made on a date no more than four weeks earlier than the date of the resolution to appoint a voluntary liquidator; and
- (bb) it has attached to it a statement of the company's assets and liabilities as at the latest practical date before the making of the declaration.

To be effective, a liquidation plan must be approved by the directors no more than six weeks prior to the date of the resolution to appoint a voluntary liquidator.

A director making a declaration of solvency without having reasonable grounds for the opinion that the company is and will continue to be able to discharge, pay or provide for its debts in full as they fall due, commits an offence and is liable on summary conviction to a fine of \$10,000.

Subject to the provisions of the BVI Companies Act, a voluntary liquidator may be appointed in respect of a company:

- (i) by a resolution of the directors; or
- (ii) by a resolution of the members.

(o) Reconstructions

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to the court for approval of the proposed arrangement. Upon approval by the court, the directors of the company are required to approve the plan of arrangement as approved by the

court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the court requires notice to be given or submit the plan of arrangement to those person for such approval, if any, as the court order required.

(p) Compulsory acquisition

Subject to any limitations in the memorandum or articles of association of a company, members holding 90% of the votes of the outstanding shares entitled to vote may give a written instruction to a company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company is required to redeem the shares and give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(q) Indemnification

BVI law does not limit the extent to which a company's articles of association may provide for indemnification of directors, officers and any other person, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime) provided that the indemnified person acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful.

4. GENERAL

Conyers Dill & Pearman, MSL's special legal counsel on BVI law, have sent to MSL a letter of advice summarising certain aspects of BVI company law. Such letter, together with a copy of the BVI Companies Act, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

1. RESPONSIBILITY STATEMENT

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

The Offeror accept full responsibility for the accuracy of the information contained in this Composite Document relating to the himself, his associates and parties acting in concert with him and the Offer (other than information relating to MSL and its subsidiaries, their respective associates and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by MSL, its subsidiaries, their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The number of authorised and issued shares of MSL as at the Latest Practicable Date were as follows:

Authorised

2,000,000,000	MSL Shares of US\$0.000025 each as at the Latest Practicable Date	US\$50,000

Issued and fully paid or credited as fully paid

1,575,672,880	MSL Shares of US\$0.000025 each as at the Latest Practicable Date	US\$39,391.82

1,575,672,880	MSL Shares of US\$0.000025 each as at the Latest Practicable Date	US\$39,391.82

Save for the allotment and issue of (i) 1 MSL Share to the then sole shareholder of MSL, Firstmount International Limited, on 30 September 2014; (ii) 1 MSL Share to the Listco on 31 May 2015 for capitalising certain amount due from the MSL Group to the Listco; and (iii) 1,575,552,880 MSL Shares to the Listco on 3 August 2015 to facilitate the Distribution, MSL has not issued any MSL Shares since 30 April 2014, being the last financial year end date.

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

Save for the 1,575,672,880 MSL Shares in issue as at the Latest Practicable Date, the MSL Group did not have any other MSL Shares, or outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the MSL Shares.

3. MARKET PRICES

As the MSL Shares are not listed on the Stock Exchange or any other stock exchanges, there is no information in relation to the prices of the MSL Shares quoted on the Stock Exchange or any other stock exchanges.

In addition, no transaction of the MSL Shares has taken place during the Relevant Period.

4. SHAREHOLDINGS AND DEALINGS

(a) Interest in MSL

I. Interests of the Offeror and persons acting in concert with the Offeror in MSL

As at the Latest Practicable Date, the shareholdings of MSL in which the Offeror and any persons acting in concert with the Offeror were interested (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) were as follows:

Name	Capacity/Nature of interest	Number of MSL shares held	Aggregate interests	Approximate percentage of issued share capital of MSL
The Offeror	beneficial owner	470,000,000	470,000,000	29.83%
Kingston Securities	beneficial owner	50	50	0.00%

Save as disclosed in this section, none of the Offeror or any persons acting in concert with the Offeror had any other interest (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) in the MSL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in MSL as at the Latest Practicable Date.

Note:

The total number of issued shares in the capital of MSL as at the Latest Practicable Date was 1,575,672,880.

II. Interests of the MSL directors in MSL

As at the Latest Practicable Date, none of the MSL Directors had any other interest (as defined in Note 3 to paragraph 4 of Schedule I of the Takeovers Code) in the MSL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in MSL as at the Latest Practicable Date.

(b) Dealings in securities of MSL

During the Relevant Period, none of the MSL Directors had dealt for value in the MSL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the MSL Shares.

During the Relevant Period, save for the Distribution under which an aggregate of 470,000,050 MSL Shares were distributed to the Offeror and parties acting in concert with the Offeror, none of the Offeror or parties acting in concert with the Offeror had dealt in the MSL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the MSL Shares.

As at the Latest Practicable Date and during the Relevant Period, none of the Offeror, parties acting in concert with the Offeror and the MSL Directors, have borrowed or lent any MSL Shares or other securities of MSL carrying voting rights, or convertible securities, warrants, options or derivatives of MSL.

Furthermore, during the Relevant Period,

- (a) none of the subsidiaries of MSL, pension funds of MSL or its subsidiaries or advisers to MSL as specified in class (2) of the definition of associate under the Takeovers Code, including the Independent Financial Adviser, had any shareholdings or dealings in any MSL Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the MSL Shares; and
- (b) no fund managers connected with MSL had any dealings in any MSL Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into the MSL Shares.

(c) Additional Disclosure of Interests and Dealings

- (i) As at the Latest Practicable Date and during the Relevant Period, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with MSL or with any person who is an associate of MSL by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (ii) no shares, convertible securities, warrants, options or derivatives of MSL were managed on a discretionary basis by any fund managers connected with MSL as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of MSL during the Relevant Period;

- (iii) as at the Latest Practicable Date, no MSL Shares carrying voting rights or convertible securities, warrants, options or derivatives of MSL had been borrowed or lent by any of the MSL Directors or by MSL;
- (iv) as at the Latest Practicable Date, no benefit was or would be given to any MSL Director as compensation for loss of office in any members of the MSL Group or otherwise in connection with the Offer;
- (v) as at the Latest Practicable Date, there was no agreement or arrangement between the Offeror, his parties acting in concert, any MSL Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;
- (vi) as at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any MSL Director had material personal interest;
- (vii) as at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Offer will be transferred, charged or pledged to any other persons;
- (viii) as at the Latest Practicable Date and during the Relevant Period, none of the Offeror or any person acting in concert with any of them had any arrangement or indemnity of the kind described in note 8 to Rule 22 of the Takeovers Code with any person;
- (ix) as at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which he may or may not invoke or seek to invoke a condition to the Offer;
- (x) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with any of them and any director, recent director, shareholder or recent shareholder of MSL which having any connection with or dependence upon the Offer;
- (xi) during the Relevant Period, save for the Irrevocable Undertakings, no person had irrevocably committed themselves to accept or reject the Offer;
- (xii) all parties acting in concert with the Offeror confirmed, in respect of their respective beneficial shareholdings, not to accept the Offer; and
- (xiii) as at the Latest Practicable Date, none of the MSL Directors have any MSL Shares. In addition, they have confirmed not to accept the Offer even if they have become interested in any MSL Shares.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract with MSL or any of its subsidiaries or associated companies in force for the MSL Directors which: (i) (including both continuous and fixed term contracts) has been entered into or amended during the Relevant Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

6. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by MSL or any of its subsidiaries) have been entered into by members of the MSL Group within the two years preceding 23 March 2015, being the date of commencement of the offer period (as defined in the Takeovers Code):

- (i) On 1 May 2013, Key Gains Investments Limited (“**Key Gains**”) (a wholly-owned subsidiary of MSL) as the subscriber, entered into the subscription agreement with Million Wealth Capital Investment Limited (“**Million Wealth**”) as the issuer and Pure Profit Holdings Limited as the guarantor of Million Wealth, pursuant to which Key Gains has conditionally agreed to subscribe for and Million Wealth has conditionally agreed to issue the Million Wealth senior notes in the principal amounts of HK\$80 million at the subscription price of HK\$80 million. Details of which were set out in the announcement of the Listco dated 1 May 2013;
- (ii) On 2 October 2013, Success Path Corporation Limited (an indirect wholly-owned subsidiary of MSL) as the purchaser and the vendors, namely Mr. Wan Lei, Mr. Hao Peng Fei and Mr. Yang Xiao Yong entered into the sale and purchase agreement whereby the purchaser has agreed to acquire from the vendors the entire share capital of Beijing Hong Tian Chuang Ming Investment Consulting Co., Ltd* (北京弘天創銘投資諮詢有限公司) for consideration of HK\$260,500,000. The despatch date of the circular has been postponed to a date falling on or before 31 May 2014 and the extension of the long stop date has been agreed by the parties thereto from 31 May 2014 to 30 September 2014. Details of which are disclosed in the announcements of the Listco dated 2 October 2013 and 24 October 2013, 21 November 2013, 20 December 2013, 17 January 2014, 14 February 2014, 14 March 2014, 11 April 2014, 9 May 2014 and 12 May 2014;
- (iii) On 22 May 2014, Solomon International Leasing (Tianjin) Co., Ltd* (“**Solomon**”) (索羅門國際租賃(天津)有限公司) (a wholly foreign owned company established under the laws of the PRC) entered into the Finance Lease Agreement with 中電華通通信有限公司 (CECT-CHINACOMM COMMUNICATIONS Co., Ltd.*) (“**CECT**”) in relation to the provision of finance lease service, pursuant to which Solomon agreed to purchase an equipment from CECT at a total consideration of RMB70,000,000 (equivalent to approximately HK\$89,600,000) and lease the equipment back to CECT for a term of 36 months;

- (iv) On 22 May 2014, Solomon International Leasing (Tianjin) Co., Ltd* (索羅門國際租賃(天津)有限公司) (a wholly foreign owned company established under the laws of the PRC) entered into the Co-payment Agreement with 中電華通通信有限公司 (CECT-CHINACOMM COMMUNICATIONS Co., Ltd.*) and 信通數據網絡通信有限公司 (Xin Tong Data Network & Communication Ltd.*) in which 中電華通通信有限公司 (CECT-CHINACOMM COMMUNICATIONS Co., Ltd.*) and 信通數據網絡通信有限公司 (Xin Tong Data Network & Communication Ltd.*) agreed to, among other things, undertake joint liability for the lease payments, penalty, compensation and other fees payable by 中電華通通信有限公司 (CECT-CHINACOMM COMMUNICATIONS Co., Ltd.*) to Solomon under the Finance Lease Agreement;
- (v) On 22 May 2014, Simsen Capital Finance Limited (an indirect wholly-owned subsidiary of MSL) entered into the loan agreement, the share mortgage agreement and the charge over accounts agreement and the relevant documents required thereunder with Happy On Investments Limited and Xu Jia Wei* (徐家偉) in relation to the provision of a secured loan in the amount of US\$30,000,000 to Happy On Investments Limited;
- (vi) On 27 June 2014, Simsen Capital Finance Limited (an indirect wholly-owned subsidiary of MSL) entered into the loan agreement with the borrower for providing the loan of HK\$190 million;
- (vii) On 10 July 2014, Success Path Corporation Limited (an indirect wholly-owned subsidiary of MSL), Mr. Wan Lei, Mr. Hao Peng Fei and Mr. Yang Xiao Yong entered into a deed of termination to terminate the sale and purchase agreement previously entered into by the same parties on 2 October 2013. Details of which have been disclosed in the Listco's announcement dated 10 July 2014;
- (viii) On 30 September 2014, Simsen Era (Beijing) Financial Consulting Co., Ltd* (“**Simsen Era**”) (天行紀元(北京)財務顧問有限公司) (an indirectly wholly-owned subsidiary of MSL) has entered into the loan management agreement and risk reserve agreement with China Foreign Economy and Trade Trust Co. Ltd* (“**FOTIC**”) (中國對外經濟貿易信托有限責任公司). Pursuant to the loan management agreement, Simsen Era has agreed to provide loan management services for a trust (including various phases) launched by FOTIC which is for the provision of loans by the trust to individuals in the PRC. All loans shall be secured by pledge over properties. The expected size of trust is not exceeding RMB250,000,000 in total (equivalent to approximately HK\$312,500,000) for a term of one year. To the best of MSL's estimation, Simsen Era would receive management fee of RMB6,060,000 (equivalent to approximately HK\$7,575,000) from the trust and administration fee, service fee, early repayment service fee etc of RMB2,840,000 (equivalent to approximately HK\$3,550,000) from borrowers within twelve-month period following and inclusive of date of the loan management agreement; and

- (ix) On 30 September 2014, Beijing Dong Fang Hui Investment Consulting Co. Ltd.* (北京東方滙投資諮詢有限公司) (an indirect wholly-owned subsidiary of the Company) entered into the single fund trust agreement I with FOTIC in relation to the fund amount of RMB10,000,000 entrusted by Beijing Dong Fang Hui.

7. LITIGATION

As at 30 April 2015, Simsen Capital Finance Limited (“**SCFL**”), a directly wholly-owned subsidiary of MSL, has been joined as the 8th defendant to the High Court action HCA 64/2012 commenced by Mayer Holdings Limited (“**Mayer**”) as plaintiff (the “**Action**”) and has been served with the Re-amended Writ of Summons and Re-amended Statement of Claim for the Action. Mayer is claiming against SCFL for injunctive relief and declaration in relation to certain convertible notes and promissory notes. SCFL has sought legal advice on the alleged claims against it but based on their understanding of the factual background concerning the alleged claims against SCFL, the MSL Directors consider that SCFL has a defence of merit and will therefore defend the alleged claims strenuously. The parties to the Action are in the course of providing relevant information to the High Court and there is no substantial progress as at 30 June 2015.

As at the Latest Practicable Date, save as disclosed above, neither MSL nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is pending or threatened by or against MSL or any of its subsidiaries.

8. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this Composite Document:

Name	Qualification
Kingston CF	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	A licensed corporation permitted to carry out type 1 (dealing in securities) regulated activity under the SFO
Gram Capital	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Conyers Dill & Pearman	Bermuda and BVI attorneys-at-law
Zenith CPA Limited	Certified public accountants

Each of the above expert has given and confirmed that it has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report, advice, opinion and/or references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, in any member of the MSL Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the MSL Group.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interest in any assets which had been, since 28 February 2015, being the date of the latest audited consolidated financial statements of MSL were made up, acquired or disposed of by or leased to any member of the MSL Group, or were proposed to be acquired or disposed of by or leased to any member of the MSL Group.

9. MARKET PRICE

The table below shows the closing prices of the Consideration Shares on the Stock Exchange (i) at the end of each of the six calendar months immediately preceding the date of the Joint Announcement and ending on the Latest Practicable Date (ii) on the Last Trading Day and (iii) on the Latest Practicable Date:

	Closing price per Listco's Share <i>HK\$</i>
30 September 2014	Trading in Listco's Shares suspended
31 October 2014	1.71
3 November 2014 (Last Trading Day)	1.71
28 November 2014	Trading in Listco's Shares suspended
31 December 2014	Trading in Listco's Shares suspended
30 January 2015	Trading in Listco's Shares suspended
27 February 2015	Trading in Listco's Shares suspended
23 March 2015	Trading in Listco's Shares suspended
31 March 2015	3.42
30 April 2015	5.37
29 May 2015	5.40
30 June 2015	6.29
31 July 2015	5.28
Latest Practicable Date	5.70

The lowest and highest closing market prices of the Consideration Shares recorded on the Stock Exchange during the period as mentioned in (i) above were HK\$1.57 on 20 October 2014 and HK\$7.58 on 12 June 2015 respectively.

10. FURTHER INFORMATION ON THE CONSIDERATION SHARES AND THE LISTCO

- (a) The Listco was incorporated in Bermuda with limited liability on 18 September 1993. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business in Hong Kong is situated at Rooms 1906–1910, 19th Floor, The Center, 99 Queen’s Road Central, Hong Kong.
- (b) The Remaining Group are principally engaged in business operated under Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) licences issued under the SFO.
- (c) As at the Latest Practicable Date, the authorised share capital of the Listco was HK\$1,000,000,000 divided into 1,000,000,000,000 ordinary shares of HK\$0.001 each, of which 1,575,672,880 Listco Shares were in issue, and shall entitle the holders thereof equal rights on capital return, dividends and voting at the general meetings of the Listco.
- (d) The Listco Shares are identical and rank *pari passu* with each other and all the existing Listco Shares in issue in all respects. The Listco Shares in issue are listed on the Stock Exchange.
- (e) 670,000,000 Listco Shares have been issued, and no Listco Shares have been bought back, since 30 April 2014, being the date to which the latest published audited consolidated financial statements of the Remaining Group were made up, and up to the Latest Practicable Date.
- (f) As at the Latest Practicable Date, the Listco has outstanding Convertible Notes in the principal amount of HK\$30,000,000 which confers the right On its holder to convert into 60,000,000 new Listco Shares at the conversion price of HK\$0.5 per Listco Share. Save as disclosed above, the Listco did not have any outstanding options, derivatives, warrants and other convertible securities or rights which are convertible or exchangeable into Listco Shares as at the Latest Practicable Date.
- (g) On 4 September 2013, the Listco has carried out a capital reorganisation which consisted of (i) the consolidation of the Listco Shares (the “**Share Consolidation**”) on the basis of every 40 issued Listco Shares of HK\$0.001 each be consolidated into 1 consolidated Listco Share; (ii) immediately after the Share Consolidation, the issued share capital of the Listco was reduced by cancelling the paid-up capital of the Listco to the extent of HK\$0.039 on each of the then issued consolidated Listco Share such that the nominal value of each issued consolidated Listco Share was reduced from HK\$0.04 to HK\$0.001 (together with the Share Consolidation, the “**Capital Reorganisation**”); and (iii) the board lot size of the Listco Shares was changed from 10,000 Listco Shares to 1,000 Listco Shares immediately after the Capital Reorganisation became effective. The Capital Reorganisation has become effective since 11 October 2013.

- (h) Indebtedness Statement of the Remaining Group
- (i) As at the close of business on 30 June 2015, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Remaining Group had other borrowings of approximately HK\$54,000,000 which are unsecured and unguaranteed and the Convertible Notes with an aggregate principal amount of HK\$30,000,000 which are unsecured and unguaranteed.
 - (ii) As at 30 June 2015, United Simsen Securities Limited (“**USSL**”), an indirectly wholly owned subsidiary of the Listco, has been joined as the 10th defendant to the High Court action HCA 64/2012 commenced by Mayer Holdings Limited (“**Mayer**”) as plaintiff (the “**Action**”) and has been served with the Re-amended Writ of Summons and Re-amended Statement of Claim for the Action. Mayer is claiming against USSL for damages for, among other things, breach of contract. USSL has sought legal advice on the alleged claims against it but based on their understanding of the factual background concerning the alleged claims against USSL, the Listco Directors consider that USSL has a defence of merit and will therefore defend the alleged claims strenuously. The parties to the Action are in the course of providing relevant information to the High Court and there is no substantial progress as at 30 June 2015.
 - (iii) Save as abovementioned, and apart from normal trade payable (unsecured and unguaranteed) and intragroup liabilities, the Remaining Group did not, as at the close of business on 30 June 2015, have any outstanding mortgages, charges or debentures, loan capital issued, or bank overdrafts and loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits or any hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities.
- (i) Save for the Action disclosed in (h) above, details of which could be found in the announcement of the Listco dated 4 October 2012, as at the Latest Practicable Date, none of the member of the Remaining Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the directors of the Listco to be pending or threatened against any member of the Remaining Group.
- (j) The followings are the material contracts of the Remaining Group entered into after the date of 2 years before the date of the Joint Announcement not being a contract entered into in the ordinary course of the business of the Remaining Group:
- (i) On 30 August 2013, the Listco has conditionally agreed to acquire the entire share capital of Beijing Jinshengtai Financial Consulting Company Limited at the consideration of HK\$66,608,320 to be payable in cash (the “**Acquisition**”). The said company is a financial consulting company and its principal business is the provision of medium and short term financing services, including personal loans, entrusted loans and financial consultation services in the PRC and all conditions precedent as set out under sale and purchase agreement were fulfilled

and completion of the Acquisition took place on 3 April 2014. Details of the Acquisition have been disclosed in the Listco's announcement dated 30 August 2013, 31 March 2014 and 3 April 2014;

- (ii) On 4 October 2013, the Listco placed a sale order to dispose of shares of China Agri-Products Exchanges Limited ("CAP") (stock code: 149) on the open market. A total number of 180 million CAP shares was disposed through a series of sales on open market from 4 October 2013 to 9 October 2013. The aggregate gross sale proceeds is approximately HK\$19.12 million (excluding transaction costs) and the average price for each CAP share disposed is approximately HK\$0.106;

On 17 October 2013, the Listco further disposed of 57 million CAP shares through a sale order in the open market. The aggregate gross sale proceeds is approximately HK\$5,901,000 (excluding transaction costs) and the average price for each CAP share disposed is approximately HK\$0.104.

On 18 October 2013, the Listco further disposed of 3 million CAP shares through a sale order in the open market. The aggregate gross sale proceeds is approximately HK\$303,670 (excluding transaction costs) and the average price for each CAP share disposed is approximately HK\$0.101.

The abovementioned disposals were conducted without a written contract and details of which were set out in the announcements of the Listco dated 9 October 2013, 17 October 2013 and 18 October 2013;

- (iii) On 17 October 2013, the Listco and the placing agent entered into the placing agreement pursuant to which the placing agent has conditionally agreed to procure placee(s), on a best effort basis, to subscribe for the convertible notes with an aggregate principal amount of up to HK\$500 million. The initial conversion price shall be HK\$5.00 per conversion share and on 25 October 2013, the Listco and the placing agent has entered into the supplemental agreement to amend certain terms and conditions of the placing agreement;
- (iv) On 9 May 2014, United Simsen Securities Limited (an indirect wholly-owned subsidiary of the Company) as the underwriter entered into the underwriting agreement with China Energy Development Holdings Limited, the shares of which are listed on main board of Stock Exchange (stock code: 228) whereby the underwriter agreed to underwrite not less than 1,980,280,000 offer shares and not more than 3,387,749,690 offer shares at the offer price of HK\$0.095 each under the open offer. On the same day, the Listco has entered into the sub-underwriting Letter with the underwriter whereby the Listco agreed to sub-underwrite 617,749,690 offer shares at the offer price of HK\$0.095 each under the open offer; and

- (v) On 30 January 2015, the Listco entered into the conditional agreement with China Huarong International Holdings Limited (中國華融國際控股有限公司) for the subscription of 1,702,435,038 new Listco Shares, as amended by the supplemental subscription agreements dated 20 March 2015 and 20 May 2015 respectively.
- (k) There will be no effect on the emoluments of the directors of the Listco by the acquisition of the MSL Shares pursuant to the Offer or by any other associated transactions.
- (l) It is expected that upon full acceptance of the Offer (assuming the that all the MSL Shareholders elect to accept the Offer for the Consideration Shares) there will be no immediate and material effect on the assets, liabilities, profits and business of the Listco.

11. MISCELLANEOUS

- (a) The registered office of MSL is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands and its principal place of business in Hong Kong is Room 1908-10, 19/F, The Center, 99 Queen's Road Central, Central, Hong Kong.
- (b) The principal place of business of Kingston Securities in Hong Kong is Suite 2801, 28th Floor, One IFC, 1 Harbour View Street, Central, Hong Kong.
- (c) The principal place of business of Gram Capital in Hong Kong is Room 1209, 12/F, Nan Fung Tower, 88 Connaught Road Central, Hong Kong.
- (d) The principal place of business of Conyers Dill & Pearman is 2901, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (e) The address of the Offeror is Room 301, Block B, Capital Mansion, 6 Xin Yuan South Road, Chao Yang District, Beijing, PRC.
- (f) The Offeror has charged 200,340,000 Listco Shares held by him to Kingston Finance Limited ("KFL") pursuant to the loan granted by KFL to the Offeror to finance partial cash consideration for acquisition of the MSL Shares. The payment of interest on, repayment of security for the loan (loan agent or otherwise) will not depend on any significant extent on the business of MSL.
- (g) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 1908–10, 19/F, The Center, 99 Queen’s Road Central, Central, Hong Kong, and (ii) on the website of the SFC (www.sfc.hk), from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of MSL;
- (b) the letter from the MSL Board, the text of which is set out on pages 9 to 13 of this Composite Document;
- (c) the letter from Kingston Securities, the text of which is set out on pages 14 to 24 of this Composite Document;
- (d) the letter of advice from Gram Capital, the text of which is set out on pages 25 to 40 of this Composite Document;
- (e) the letter of advice from Conyers Dill & Pearman summarising certain aspects of the BVI company law and the memorandum and articles of association of MSL, the text of which is set out in Appendix IV to this Composite Document;
- (f) a copy of the BC Act;
- (g) the accountant’s report on the audited financial information of the MSL Group from Zenith CPA for the three financial years ended 30 April 2014, the text of which is set out in Appendix II to this Composite Document;
- (h) the unaudited pro forma financial information of the MSL Group from Zenith CPA for the ten months ended 28 February 2015, the text of which is set out in Appendix III to this Composite Document;
- (i) the written consents of the experts as referred to in the section headed “Qualification and Consent of Experts” in this appendix;
- (j) the material contracts as referred to in the section headed “Material contracts” in this appendix;
- (k) the Irrevocable Undertakings;
- (l) the Circular; and
- (m) this Composite Document.