THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Nan Nan Resources Enterprise Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

NAN NAN RESOURCES ENTERPRISE LIMITED
南南資源實業有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1229)

MAJOR TRANSACTION
ACQUISITION OF SHARES AND SUBSCRIPTION OF NEW SHARES IN THE TARGET COMPANY

Financial Adviser

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Capitalised terms used on this cover page have the same meanings as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 6 to 22 of this circular.

12 April 2019

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement
"Agreements"	means (1) the Sale and Purchase Agreement and (2) the Subscription Agreement
"Announcement"	the announcement of the Company dated 11 March 2019 in relation to, among other things, the Transactions
"Board"	the board of Directors
"Business Day"	any day (excluding a Saturday) on which banks in Hong Kong are opened for business throughout their normal business hours
"Company"	Nan Nan Resources Enterprise Limited, a company incorporated in Bermuda with limited liability whose Shares are listed and traded on the Main Board of the Stock Exchange (Stock Code: 1229)
"connected person(s)"	has the same meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the same meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Company and its subsidiaries as enlarged by the completion of the Transactions
"Group"	the Company and its subsidiaries
"HG Singapore"	Harbour Group (Singapore) Pte. Ltd., a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of the Target Company
"HG UK"	Harbour Group Consulting (UK) Limited, a company incorporated in United Kingdom with limited liability and a wholly-owned subsidiary of the Target Company

"HGH"	HGH Technology Sdn. Bhd., a company incorporated in Malaysia with limited liability and a wholly-owned subsidiary of the Target Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Independent Valuer"	Peak Vision Appraisals Limited, an independent valuer appointed by the Company to assess the fair value of the Target Group
"Latest Practicable Date"	11 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 April 2019 (or such other date as may be agreed between the Purchaser and Vendor)
"Malaysia"	Persekutuan Malaysia
"Material Adverse Effect"	any event, state of facts, circumstance, development, change or effect that, individually or in the aggregate with all other events, states of fact, circumstances, developments, changes and effects, (a) is materially adverse to the business, assets, liabilities, financial condition or results of operations of the Target Group (taken as a whole); or (b) would prevent, impair or materially delay the Vendor or the Target Company (as the case maybe) from performing his obligations under the Sale and Purchase Agreement or the Subscription Agreement (as the case maybe) or consummating the transactions contemplated hereby
"MM Consulting"	Mountain Managed Cloud Consulting Limited (峻嶺雲端顧問有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company

"Net Profit"	the audited consolidated net profit generated from operating activities of the Target Group in its ordinary and usual course of business (i.e. the net profit after tax of the Target Group as to be shown in the audited accounts of the Target Group), prepared in accordance with Hong Kong Financial Reporting Standards for the relevant financial period by the auditors appointed by the Company
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong and the Macau Special Administrative Region of the People's Republic of China
"Promissory Notes"	means Promissory Note 1, Promissory Note 2 and Promissory Note 3
"Promissory Note 1"	the promissory note in a principal amount of HK$2,400,000 with the maturity date set out in the section headed "The Sale and Purchase Agreement – Principal Terms of the Promissory Notes" in this circular to be issued by the Company to the Vendor upon the Sale and Purchase Completion
"Promissory Note 2"	the promissory note in a principal amount of HK$2,400,000 with the maturity date set out in the section headed "The Sale and Purchase Agreement – Principal Terms of the Promissory Notes" in this circular to be issued by the Company to the Vendor upon the Sale and Purchase Completion
"Promissory Note 3"	the promissory note in a principal amount of HK$2,400,000 with the maturity date set out in the section headed "The Sale and Purchase Agreement – Principal Terms of the Promissory Notes" in this circular to be issued by the Company to the Vendor upon the Sale and Purchase Completion
"Purchaser" or "Subscriber"	Ample Talent Ventures Limited, a company incorporated in Samoa with limited liability and an indirect wholly-owned subsidiary of the Company
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 11 March 2019 entered into between the Vendor and the Purchaser in respect of the Sale Shares

"Sale and Purchase Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
"Sale and Purchase Completion Date"	the date of the Sale and Purchase Completion is to take place
"Sale and Purchase Conditions"	condition(s) precedent to Sale and Purchase Agreement, further details of which are set out in the section headed "The Sale and Purchase Agreement – Sale and Purchase Conditions" in this circular
"Sale Shares"	8,000 Target Shares, representing 80% of the total number of Target Shares in issue as at the Latest Practicable Date
"Share(s)"	ordinary share(s) of HK$0.10 in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Shares
"Shareholders' Agreement"	the shareholders' agreement to be entered into between the Vendor, the Purchaser and the Target Company upon the Sale and Purchase Completion in relation to the Target Company
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of 450 new Target Shares by the Purchaser under the Subscription Agreement
"Subscription Agreement"	the subscription agreement entered into between the Purchaser and the Target Company on 11 March 2019 in relation to the subscription of the Subscription Shares
"Subscription Completion"	completion of the Subscription
"Subscription Completion Date"	the date on which the Subscription Completion is to take place
"Subscription Conditions"	condition(s) precedent to Subscription Agreement, further details of which are set out in the section headed "The Subscription Agreement – Subscription Conditions" in this circular

"Subscription Price"	the subscription price of HK$4,464 per Subscription Share
"Subscription Share(s)"	450 new Target Shares to be issued by the Target Company to the Purchaser pursuant to the Subscription Agreement
"Target Company"	Harbour Group Holdings Limited (港海控股有限公司), a company incorporated in Hong Kong with limited liability whose entire issued share capital is legally and beneficially owned by the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Target Share(s)"	the ordinary share(s) of the Target Company
"Transactions"	the Acquisition and the Subscription
"United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"VB Services"	Vanguard Business Services Limited (領導商業服務有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"Vendor"	Mr. Li Ping, being sole shareholder of the Target Company as at the Latest Practicable Date
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

NAN NAN RESOURCES ENTERPRISE LIMITED
南南資源實業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1229)

Executive Directors:
Mr. Kwan Man Fai *(Chairman)*
Mr. Wang Xiangfei
(with Mr. Wong Sze Wai as alternate)
Mr. Wong Sze Wai

Independent non-executive Directors:
Mr. Wong Man Hin Raymond
Mr. Chan Yiu Fai Youdey
Mr. Pak Wai Keung Martin

Registered Office:
Clarendon House
2 Church Street
Hamiliton HM11
Bermuda

Principal Place of Business in Hong Kong:
8/F., Tower 2
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

12 April 2019

To the Shareholders

Dear Sir/Madam,

MAJOR TRANSACTION ACQUISITION OF SHARES AND SUBSCRIPTION OF NEW SHARES IN THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement.

On 11 March 2019 (after trading hours), (i) the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing 80% of the total number of Target Shares in issue as at the Latest Practicable Date, for a consideration of HK$35,712,000; and (ii) the Purchaser and the Target Company entered into the Subscription Agreement, pursuant to which the Target Company has conditionally agreed to issue and allot to the Purchaser, and the Purchaser has conditionally agreed to subscribe for, the Subscription Shares, representing 4.5% of the total number of Target Shares in issue as at the Latest Practicable Date and approximately 4.3% of the total number of Target Shares in issue as enlarged by the allotment and issue of the Subscription Shares for an aggregate Subscription Price of HK$2,008,800 (or the Subscription Price of HK$4,464 per Subscription Share).

Upon the Sale and Purchase Completion and the Subscription Completion, the Company will be indirectly interested in approximately 80.86% shareholding interests in the Target Company.

The purpose of this circular is to provide you with, among others, (i) further details of the Transactions; (ii) the financial information of the Group and the Target Group; (iii) the valuation report of the Target Group; and (iv) the unaudited pro forma financial information of the Enlarged Group (the "**Pro Forma Information**").

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date:	11 March 2019 (after trading hours)
Parties:	(i) the Purchaser as purchaser; and (ii) the Vendor as vendor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Subject to and in accordance with the terms and conditions of the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 80% of the total number of Target Shares in issue as at the Latest Practicable Date.

Consideration

The consideration for the sale and purchase of the Sale Shares shall be the sum of HK$35,712,000, which shall be settled by the Purchaser to the Vendor in the following manner:

(a) on the date of the Sale and Purchase Agreement, the Purchaser paid to the Vendor a sum of HK$3,571,200 in cash as a refundable deposit (the "**Deposit**") and partial payment of the consideration. The Vendor undertakes to refund the Deposit to the Purchaser if the Sale and Purchase Completion does not take place for any reason whatsoever; and

(b) at the Sale and Purchase Completion, the Purchaser shall pay to the Vendor (i) a further sum of HK$24,940,800 in cash; and (ii) the remaining amount of HK$7,200,000 by means of the issue of the Promissory Notes by the Company to the Vendor.

In the event the Target Group AFS (as defined below) for the PG 12-Month Period (as defined below) ended 31 December 2018 shall have been issued, the Purchaser shall pay the Vendor the amount of HK$2,400,000 less the Shortfall Amount (as defined below) (if any) in respect of such PG 12-Month Period (as defined below), instead of delivery to the Vendor Promissory Note 1.

The Group intends to finance the consideration by internal resources.

Basis of the consideration

The consideration was agreed after arm's length negotiation between the Purchaser and the Vendor having taken into account, among other things, (i) the valuation of the Target Group prepared by an independent valuer engaged by the Company; and (ii) the financial performance of the Target Group.

The Company has engaged the Independent Valuer to perform a valuation on the Target Group for the purposes of the Transactions.

The Company has had extensive discussions with the Independent Valuer on, amongst other things, different possible valuation approaches and methodologies for valuing the Target Group and performed due diligence ("**Due Diligence**") in relation to the Transactions, including (i) reviewing the audited financial information of the Target Group for the three years ended 31 December 2018; (ii) analysing and evaluating the financial performance and financial position of the Target Group; (iii) reviewing the management accounts of the Target Group for the two months ended 28 February 2019 and the existing order status of the Target Group; (iv) reviewing the constitutional documents, licences and permits of the Target Group; (v) reviewing and evaluating the legal due diligence reports in relation to the Target Group prepared by Hong Kong and overseas legal advisers engaged by the Company; (vi) conducting site visit of the Target Group and interview with its management; and (vii) reviewing the business model, management structure and business operation of the Target Group, in order to understand, amongst other things, the basis of assumptions, qualifications, and reasonableness of material information that is likely to affect the fair value of the Target Group.

The Independent Valuer has considered all commonly adopted valuation approaches in the market (namely asset approach, market approach and income approach) for the purpose of determining the appraisal value of the 100% equity interests in the Target Group. After having assessed the appropriateness of all possible methodologies for each of the valuation approaches and circumstances and facts specific to the Target Group, the Independent Valuer considered that the market approach is the most appropriate valuation methodology in the case of the Target Group, and hence has adopted this method for use in the fair value analysis of the Target Group, on the basis that it is the most direct valuation approach by which fair value is concluded on market-determined market price paid by the market participants for similar assets on the marketplace. The income approach is not adopted as long-term forecasts would involve a high level of uncertainty in estimates and underlying assumptions and the asset approach is not applied as the valuation of the Target Group is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. Details on the selection of valuation methodology are set out in the valuation report on the Target Group in Appendix V to this circular (the "**Valuation Report**").

As set out in the Valuation Report, under the market approach, the Independent Valuer has applied the Guideline Public Company Method as a certain number of publicly traded companies engaged in the same or similar line of business as the Target Group can be identified. The shares of these publicly traded companies are actively traded in free and open markets and are valid indicators of value allowing meaningful comparison. The Directors have reviewed the comparable companies ("**Comparable Companies**") as set out in the Valuation Report and have discussed the criteria for selecting the Comparable Companies with the Independent Valuer. The Comparable Companies were selected based on the following criteria: (i) companies that are actively traded and publicly listed in Hong Kong; and (ii) companies in which the majority of the revenue is derived from the information technology consultancy business. The list of selected Comparable Companies is an exhaustive list based on the aforesaid criteria applied by the Independent Valuer.

Based on the Directors' assessment, the selection criteria for the Comparable Companies are comprehensive and clear as it takes into account a wide range of factors such as principal business activities, location of operations and source of revenues to ensure that the Comparable Companies are similar in characteristics to the Target Group. Given that the selected Comparable Companies' data were compiled within a reasonable period prior to the valuation date and the relevant financial information was based on publicly available information that could be verified, the Directors considered that the selection criteria adopted by the Independent Valuer to be fair and reasonable. In view of the selection criteria, the characteristics of the Comparable Companies, and the number of the Comparable Companies selected, the Directors considered the Comparable Companies to be fair and representative for the purpose of the valuation. The Directors have also reviewed the assumptions adopted in the Valuation Report and considered them to be fair and reasonable.

In addition, under the market approach, the Independent Valuer has adopted the enterprise earnings before interest and taxes ("**EV/EBIT**") ratio and price to earnings ("**P/E**") ratio as multiples in valuing the Target Group and the Target Group's financial results for the year ended 31 December 2018 had been applied to the EV/EBIT and P/E of the Comparable Companies.

As disclosed in the Valuation Report, the Independent Valuer has considered, other than EV/EBIT and P/E, other commonly adopted multiples such as price to sales ("**P/S**") and price to book ("**P/B**") ratios in valuing the Target Group. After discussion with the Independent Valuer and having considered that (i) the Target Group runs a light assets business which provides professional information technology consultancy services on project basis; and (ii) measurements using P/S and P/B fail to reflect the earning power and value of the business, the Directors concur with the view of the Independent Valuer that earnings is the primary determinant of value and EV and EBIT measurements are useful for comparisons across Comparable Companies with different capital/asset structures as they exclude the distorting effects of individual companies' capital/asset levels as disclosed in the Valuation Report.

As from the Due Diligence, the Directors noted that the Target Group reported continuing improvement in gross profit margins at approximately 9.9%, 13.0% and 21.3% for each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018, respectively and its results achieved a turnaround from net loss of approximately HK$9,000 for the year ended 31 December 2016 to Net Profit of approximately HK$1,099,000 and HK$7,299,000 for the years ended 31 December 2017 and 31 December 2018, respectively.

The substantial increase in profit for the year ended 31 December 2018 was principally attributable to (i) the continuing increase in revenue of the Target Group, which was in line with the expansion of the Target Group in response to the overseas business development of the customers of the Target Group; and (ii) the reduction in staff costs, the largest cost component of the Target Group's business (representing approximately 56.5% and 46.1% of sales for the two years ended 31 December 2017 and 2018, respectively) after the adoption of the enterprise resources planning system (the "**ERP System**") in 2018, which the Directors considered that the Target Group will continue to be benefited from the ERP System in enhancing the business efficiency and lowering the on-site time costs of the Target Group's staff for the IT projects.

The Directors have also reviewed the management accounts of the Target Group for the two months ended 28 February 2019 as well as its existing order status to assess whether the financial performance of the Target Group is on track. Based on the management accounts of the Target Group provided by the Vendor for the two months ended 28 February 2019, the unaudited revenue and profit before tax of the Target Group were approximately HK$9,440,000 and HK$1,203,000, respectively, for the two months ended 28 February 2019.

Based on the above, the Directors are of the view that the valuation methodology adopted by the Independent Valuer is a common practice for determining the fair value of the Target Group and the underlying basis and assumptions (including the basis of using the audited financial results of the Target Group for the year ended 31 December 2018) are fair and reasonable.

Further details on the valuation of the Target Group are set out in "Appendix V — Valuation Report on the Target Company" to this circular.

The Directors are of the view that the consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Sale and Purchase Conditions

Pursuant to the Sale and Purchase Agreement, the Sale and Purchase Completion shall be conditional upon the following Sale and Purchase Conditions being fulfilled or waived (as the case may be) at or before 4:00 p.m. on the Long Stop Date:

(a) the due execution of the Subscription Agreement by the Subscriber and the Target Company on the date of the Sale and Purchase Agreement;

(b) the fulfilment or waiver (if applicable) of the Subscription Conditions at or before 4:00 p.m. on the Long Stop Date;

(c) the Purchaser being satisfied with the results of due diligence exercise conducted in connection with the Acquisition including but not limited to the business, affairs, operations, assets, accounts, liabilities, financial condition, legal, taxation, prospects and records of the Target Group;

(d) the Purchaser having obtained a final valuation report confirming the fair value of the Target Group as at 31 December 2018 at no less than HK$46,649,518;

(e) (i) all necessary consents, approvals, permits and/or authorisations required to be obtained by the Vendor and/or the Target Group in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained; and (ii) all necessary consents, approvals, permits and/or authorisations required to be obtained by the Purchaser in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained;

(f) on or prior to the Sale and Purchase Completion, no applicable laws, order or governmental authority shall have been enacted, made effective or constituted (as the case may be) that materially delays or makes illegal the performance of the Sale and Purchase Agreement;

(g) no circumstance or occurrence having occurred that has a Material Adverse Effect;

(h) the warranties contained in the Sale and Purchase Agreement shall remain true, accurate in all material respects and not misleading in any material respects as given as at the date of the Sale and Purchase Agreement and at all times up to and including the Sale and Purchase Completion Date;

(i) the Transactions not having been deemed by the Stock Exchange as a very substantial acquisition or reverse takeover (as defined in the Listing Rules) for the Company;

(j) the Company having despatched this circular in relation to the Transactions to its Shareholders in accordance with the Listing Rules; and

(k) the Shareholders having approved the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

The Purchaser may in its absolute discretion waive either in whole or in part at any time any of the Sale and Purchase Conditions (except for (a), (b), (i) to (k) which are incapable of being waived by any of the Purchaser or the Vendor and (e)(ii) which can only be waived by the Vendor). If any of the Sale and Purchase Conditions has not been fulfilled at or before 4:00 p.m. (or waived by the Purchaser, where applicable) on the Long Stop Date, the Sale and Purchase Agreement shall cease to have any effect whatsoever whereupon the Vendor shall forthwith refund the Deposit to the Purchaser and none of the parties to the Sale and Purchase Agreement shall have any obligations and liabilities thereunder.

As at the Latest Practicable Date, the Sale and Purchase Conditions remain to be fulfilled.

Sale and Purchase Completion

Subject to fulfillment or waiver (where applicable) of the Sale and Purchase Conditions, the Sale and Purchase Completion of this agreement shall take place at 10:00 a.m. on the Sale and Purchase Completion Date (or on such other time and/or day as the Purchaser and the Vendor may agree).

Principal Terms of the Promissory Notes

Issuer:	the Company
Principal amount of Promissory Notes:	HK$2,400,000 for each of Promissory Note 1, Promissory Note 2 and Promissory Note 3
Maturity Date of Promissory Note 1:	fifteen (15) Business Days after the audited consolidated financial statements are issued by the auditors of the Target Group for the year ended 31 December 2018
Maturity Date of Promissory Note 2:	fifteen (15) Business Days after the audited consolidated financial statements are issued by the auditors of the Target Group for the year ended 31 December 2019
Maturity Date of Promissory Note 3:	fifteen (15) Business Days after the audited consolidated financial statements are issued by the auditors of the Target Group for the year ended 31 December 2020

The Promissory Notes bear no interest.

Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to guarantee to the Purchaser that the Net Profit for each of the financial years ending 31 December 2018, 31 December 2019, 31 December 2020 (together as "**PG Period**" and each such 12-month period is referred to as a "**PG 12-Month Period**") shall be no less than HK$7,200,000.00 per annum (the "**Guaranteed Profit**").

In the event that the Net Profit during the PG-12 Month Period is less than the Guaranteed Profit or the Target Group does not have any Net Profit or incurs a net loss for the relevant PG-12 Month Period, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay such shortfall multiplying the ratio (1.13) (the "**Shortfall Amount**") presented as below:

Shortfall Payment = 1.13 x (Guaranteed Profit – Net Profit)

The multiplier of 1.13x was agreed after arm's length negotiation between the Purchaser and the Vendor, which represents the cost of funds with references to the current lending rates of financial institutions in Hong Kong.

The Vendor shall pay to the Purchaser the Shortfall Amount by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Notes (to the extent of the principal amount of each Promissory Note) after the audited financial statements (the "**Target Group AFS**") are issued by the auditors of the Target Group appointed by the Company for the relevant PG-12 Month Period.

The Shortfall Amount shall become payable by the Vendor on the 15th Business Day after the date of issue of the Target Group AFS for the relevant PG-12 Month Period ("**Payment Timeline**") and will not be carried forward to be deducted from the amount of the Promissory Note(s) for the subsequent years.

For the avoidance of doubt, in case the Shortfall Amount is larger than the principal amount of the Promissory Note (i.e. HK$2,400,000) to the relevant PG-12 Month Period, the Vendor shall settle the full amount either (i) by cash or (ii) by setting off the relevant Promissory Note and the remaining amount by cash in accordance with the Payment Timeline.

In the event that the Net Profit for the PG-12 Month Period exceeds the Guaranteed Profit, such excess amount shall not be carried forward to meet the Guaranteed Profit for the subsequent period.

Based on the Accountants' Report of the Target Group as set out in Appendix II to this circular, the Net Profit for the year ended 31 December 2018 was approximately HK$7,299,000. Therefore the Guaranteed Profit for the year ended 31 December 2018 was achieved.

Management of the Target Group after the Sale and Purchase Completion

Pursuant to the Sale and Purchase Agreement, upon the Sale and Purchase Completion, (i) the Vendor, the Target Company and the Purchaser shall enter into the Shareholders' Agreement for the purpose of defining their rights and obligations as shareholders and regulating their relationship with each other and certain aspects of the affairs of and their dealings with the Target Group; and (ii) the Vendor and the Target Company shall enter into a director's service agreement with the Vendor in respect of the office of the Vendor as director and chief executive officer of the Target Company for an initial term of three years commencing from the Sale and Purchase Completion Date.

As agreed under the Shareholders' Agreement, each of the members of the Target Group shall have a maximum number of three directors, two of whom shall be appointed by the Purchaser, and the remaining one director shall be appointed by the Vendor. In addition, during the PG Period under the supervision of the board of the Target Group, the Vendor shall have sole control of the management, operation and affairs of the business of the Target Group, including, without limitation, the power and authorities to determine the business policies and directions, and selling and marketing policies of the Target Group (provided that no major departure from the business policies and directions as at the date of the Shareholders' Agreement shall be implemented by the Vendor without the prior written consent of the Purchaser, such consent not to be unreasonably withheld).

In light of the above arrangements, the Directors consider that, despite the Target Group's business being new to the Group, the Group can leverage on the continuing support of its experienced existing management team to ensure efficient operation of the Target Group's business. In addition, subject to the actual growth and business needs of the Target Group in the future, the Directors are planning to strengthen the management team of the Group by increasing the number of IT professionals to assist the Directors in managing the Target Group's business.

THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below.

Date:	11 March 2019 (after trading hours)
Parties:	(i) the Subscriber as subscriber; and (ii) the Target Company as issuer.
Subscription Price:	HK$4,464 per Subscription Share
Subscription Shares:	450 new Target Shares to be allotted and issued

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target Company and its ultimate beneficial owner is an Independent Third Party.

Subscription Shares

Pursuant to the Subscription Agreement, the Target Company has conditionally agreed to issue and allot to the Purchaser and the Purchaser has conditionally agreed to subscribe for the Subscription Shares for an aggregate Subscription Price of HK$2,008,800 (or the Subscription Price of HK$4,464 per Subscription Share).

The Subscription Shares represent approximately 4.30% of the total number of Target Shares in issue as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The aggregate Subscription Price for the Subscription Shares amounts to HK$2,008,800 and is payable in cash by the Subscriber to the Target Company upon the Subscription Completion.

The Subscription Price of HK$4,464 per Subscription Share under the Subscription Agreement is the same as the purchase price per Sale Share payable by the Purchaser under the Sale and Purchase Agreement. It is intended that the net proceeds from the issue of the Subscription Shares will be used as general working capital of the Target Group.

The Board is of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and the entering into of the Subscription Agreement is in the interest of the Company and its Shareholders as a whole. The Group intends to finance the Subscription Price by internal resources.

Subscription Conditions

Completion of the Subscription contemplated under the Subscription Agreement is conditional upon the following Subscription Conditions being fulfilled at or before 4:00 p.m. on the Long Stop Date:

(a) the due execution of the Sale and Purchase Agreement by all parties thereto on the date of the Subscription Agreement;

(b) the fulfilment or waiver (if applicable) of the Sale and Purchase Conditions at or before 4:00 p.m. on the Long Stop Date;

(c) the Subscriber being satisfied with the results of due diligence exercise conducted in connection with the Subscription including but not limited to the business, affairs, operations, assets, accounts, liabilities, financial condition, legal, taxation, prospects and records of the Target Group;

(d) the Subscriber having obtained a final valuation report confirming the fair value of the Target Group as at 31 December 2018 at not less than HK$46,649,518;

(e) (i) all necessary consents, approvals, permits and/or authorisations required to be obtained by the Target Company and/or the Target Group in respect of the transactions contemplated under the Subscription Agreement having been obtained; and (ii) all necessary consents, approvals, permits and/or authorisations required to be obtained by the Subscriber in respect of the transactions contemplated under the Subscription Agreement having been obtained;

(f) no applicable laws, order or governmental authority shall have been enacted, made effective or constituted (as the case may be) that materially delays or makes illegal the performance of the Subscription Agreement;

(g) no circumstance or occurrence having occurred that has a Material Adverse Effect;

(h) the warranties contained in the Subscription Agreement shall remain true, accurate and not misleading in any material aspect as given as the date of the Subscription Agreement and at all times up to and including the Subscription Completion Date;

(i) the Transactions not having been deemed by the Stock Exchange as a very substantial acquisition or reverse takeover (as defined in the Listing Rules) for the Company;

(j) the Company having despatched this circular in relation to the Transactions to its Shareholders in accordance with the Listing Rules; and

(k) the Shareholders having approved the execution of the Subscription Agreement and the transaction contemplated hereunder in accordance with the Listing Rules.

The Subscriber may in its absolute discretion waive either in whole or in part at any time any of the Subscription Conditions (except for (a), (b), (i) to (k) which are incapable of being waived by any of the Subscriber or the Target Company and (e) (ii) which can only be waived by the Target Company). If any of the Subscription Conditions has not been fulfilled at or before 4:00 p.m. (or waived by the Subscriber or the Target Company, where applicable) on the Long Stop Date or such later date as may be agreed in writing between the parties, the Subscription Agreement shall cease to have any effect whatsoever and none of the parties to the Subscription Agreement shall have any obligations and liabilities thereunder.

Subscription Completion

Subject to fulfillment (or waiver) of the Subscription Conditions, the Subscription Completion shall take place at 10:00 a.m. on the Subscription Completion Date (or, on such other time and/or day as the Subscriber and the Target Company may agree), which shall take place simultaneously with the Sale and Purchase Completion.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in mining and sales of coal.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding.

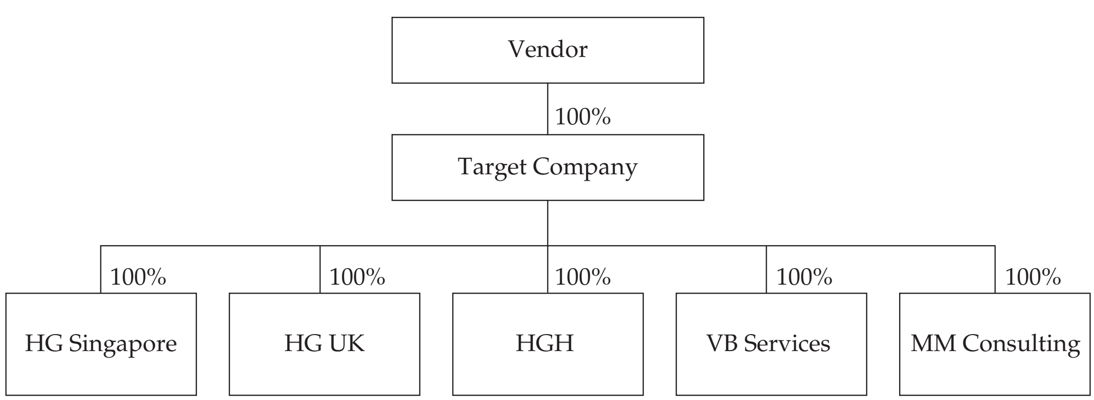
INFORMATION OF THE VENDOR AND THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of information technology outsourcing, consultancy and technical services ("**IT Services**") in Hong Kong. As at the Latest Practicable Date, the Target Company is directly wholly-owned by the Vendor.

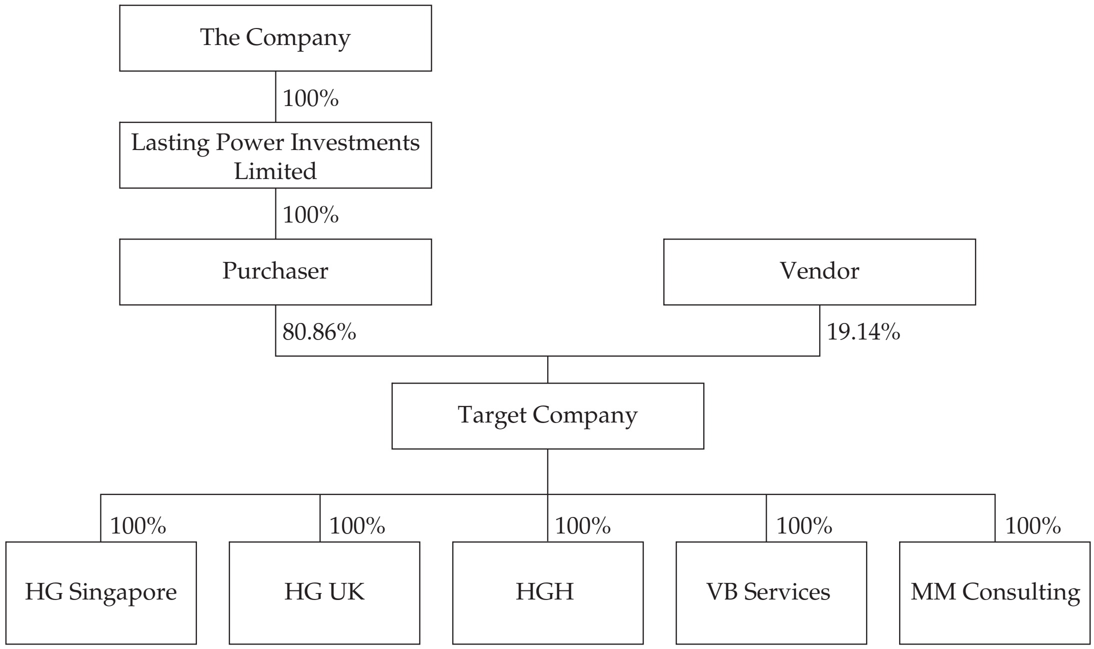
The Target Company owns the entire issued share capital of each of HG Singapore, HG UK, HGH, VB Services and MM Consulting and all of them are principally engaged in the provision of IT Services in their respective countries.

HG Singapore is a company incorporated in Singapore with limited liability. HG UK is a company incorporated in the United Kingdom with limited liability. HGH is a company incorporated in Malaysia with limited liability. Both VB Services and MM Consulting are limited liability companies incorporated in Hong Kong.

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



Shareholding structure of the Target Group following the Sale and Purchase Completion and the Subscription Completion



FINANCIAL INFORMATION OF THE TARGET GROUP

Below is a summary of the audited consolidated financial information of the Target Group for the years ended 31 December 2017 and 31 December 2018, which is extracted from the Accountants' Report of the Target Group as set out in Appendix II to this circular:

	For the year ended 31 December	
	2017	**2018**
	(Audited)	(Audited)
	HK$'000	*HK$'000*
Profit before taxation	1,458	8,408
Profit after taxation	1,099	7,299

The audited consolidated net assets of the Target Group as at 31 December 2018 was approximately HK$6,622,000.

FINANCIAL EFFECT OF THE TRANSACTIONS

Upon the Sale and Purchase Completion and the Subscription Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

As illustrated in the Pro Forma Information as set out in Appendix IV to this circular, had the completion of the Transactions taken place on 31 December 2018, the unaudited consolidated total assets of the Enlarged Group would increase to approximately HK$534,138,000 on a pro forma basis, and the unaudited consolidated total liabilities of the Enlarged Group would increase to approximately HK$351,002,000 on a pro forma basis. Accordingly, the unaudited consolidated net assets of the Enlarged Group would decrease to approximately HK$183,136,000 on a pro forma basis. If excluding the one-off Transactions-related cost of approximately HK$3,384,000, the unaudited consolidated net assets of the Enlarged Group would increase to approximately HK$186,520,000.

According to the Accountants' Report of the Target Group as set out in Appendix II to this circular, the audited revenue and net profit of the Target Group for the year ended 31 December 2018 are approximately HK$68,973,000 and HK$7,299,000 respectively. The Directors expect that the Transactions will contribute towards broadening the revenue and earnings base of the Enlarged Group.

In addition, based on the Pro Forma Information, the fair value of net consideration of the Transactions as at 31 December 2018 was HK$34,356,000, representing the aggregate consideration of HK$37,073,000 under the Sale and Purchase Agreement and the Subscription Agreement less the amount of contingent consideration receivable of HK$2,717,000 (the "**Contingent Consideration Receivable**"). As disclosed in the Pro Forma Information, the Contingent Consideration Receivable represents the possibility of the failure to meet the Guaranteed Profit and it has been measured at fair value with reference to the valuation conducted by the Independent Valuer.

The key Directors' assumptions in relation to the valuation of the Contingent Consideration Receivable are that:

(a) the core operations of the Target Group will not differ materially from those of present or expected;

(b) all licences, approvals and certificates issued by any authorised entity for the Target Group's operations have been obtained and are renewable upon expiry;

(c) there will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdictions where the Target Group operates;

(d) the market conditions, interest rates and exchange rates will not differ materially from those of present or expected;

(e) the information in respect of the Target Group has been prepared after due and careful consideration by the senior management of the Target Group; and

(f) key management and personnel will be retained for the ongoing operations of the Target Group.

The above assumptions are in line with the assumptions adopted in the Valuation Report as set out in Appendix V to the circular.

As disclosed in the Pro Forma Information, the Directors noted that the valuation of Contingent Consideration Receivable was for financial reporting purpose and the nature of the Contingent Consideration Receivable was derived from the cash flow compensation as a result of the possibility of failure to meet the Guaranteed Profit by the Target Group in the relevant PG-12 Month Period. The key inputs for such valuation were based on the latest audited financial information of the Target Group for the year ended 31 December 2018 and the Target Group's financial performance forecast for two years ending 31 December 2019 and 2020 prepared by the management of the Target Group, which covered the period under the Profit Guarantee.

On the other hand, as explained in the section headed "Basis of the consideration" in this letter and the Valuation Report as set out in Appendix V to this circular, the valuation by means of market approach of the market value of the Target Group was used as a basis for determining the consideration of the Transactions. Both the Directors and the Independent Valuer considered that the adoption of the discounted cash flow forecasts analysis under the income approach, which involves long-term forecasts with high level of uncertainty in estimates and underlying assumptions, was not appropriate in the valuation. Please refer to the section headed "Basis of the consideration" in this letter and the Valuation Report as set out in Appendix V to this circular for the details of the valuation of the fair market value of the Target Group.

The Directors consider that, given the different purposes of the above two valuations, the adoption of different valuation techniques, both of which are commonly adopted for each specific purpose and circumstances, are appropriate, fair and reasonable.

Based on the Pro Forma information, shareholders should note that the unaudited pro forma financial information has been prepared for illustrative purpose only based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give the true picture of the financial position of the Enlarged Group following completion of the Transactions or any future date. Moreover, since the actual fair value of the assets and liabilities of the Target Group may be different at completion of the Transactions as compared to their respective values used in the preparation of the Pro Forma Information, the actual financial effects of the transaction may be different from the financial information shown in Appendix IV to this circular.

Further details are set out in "Appendix IV — Unaudited Pro Forma Financial Information of the Enlarged Group" to this circular.

REASONS AND BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION

The Group is principally engaged in mining, sales and distribution of coal in the PRC. As disclosed in the Company's interim report for the six months ended 30 September 2018, in August 2018, the Company acquired a company, together with its wholly-owned subsidiary in Malaysia, principally engaged in provision of renewable energy leasing solution with a view to extending its business coverage to the renewable energy sector in the Southeast Asian markets. The Board is of the view that the coal business is full of challenges, such as the rising competition from the renewable energy sector and tightening government regulations due to increasing environmental awareness. In this connection, the Board considers that it is necessary for the Group to explore other business opportunities with a view to broadening the Group's revenue base and benefitting from the diversified return in future.

The Target Group is principally engaged in the provision of IT Services and the Target Company, the principal operating company of the Target Group, has proven track record in providing IT Services in Hong Kong since its establishment in 2006. Since 2015, the Target Group has gradually expanded its business to the United Kingdom, Malaysia and Singapore in responding to the overseas business development of its existing customers. In late 2016, the Target Group ventured into the cloud computing services in Hong Kong and became an accredited AWS (Amazon Web Services, a secured cloud services platform provided by Amazon) Partner, offering its clients the opportunity to take advantage of AWS cloud to develop an optimised deployment plan and providing them with ongoing support on cloud operations and management.

The Board is of the view that the information technology and communication industry in Hong Kong will continue to grow. In accordance with the Gross Domestic Product (4th quarter 2018) published by the Census and Statistics Department of Hong Kong in February 2019, the share of the information technology and communication activity of the Gross Domestic Product by economic activity of Hong Kong grew from approximately HK$51.551 million in 2007 to approximately HK$87.237 million in 2017, representing a compound annual growth rate of approximately 4.9%. In addition, the Hong Kong government has adopted an array of policy measure to facilitate the multi-faceted development of IT industry in Hong Kong, which includes establishing specific government authorities (i.e. the Innovative and Technology Bureau in 2015) to promote the industry, setting up funding schemes to support industry-oriented research and development and nurturing technological entrepreneurship.

The Company believes that while continuing to develop its existing business, the Transactions represent an opportunity for the Group to invest in the IT industry with favorable government support and broaden the source of the Group's revenue, thereby diversifying business risk of the Group and maximising Shareholders' interests in the long run.

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement, understanding, negotiation and has no current intention to downsize, cease, sell and/or dispose of its mining business (the "**Mining Business**"), although it will periodically review the performance and prospects of the Mining Business and the appropriate deployment/allocation of resources available to the Group to the Mining Business.

The Directors are of the view that the terms of the Agreements are fair and reasonable and the entering into of the Agreements are in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

Since the highest applicable percentage ratio in respect of the Transactions is more than 25% but less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Transactions which is different from other Shareholders, and therefore no Shareholder is required to abstain from voting on the relevant resolution(s) in respect of the Agreements and the transactions contemplated thereunder to be proposed at the general meeting if the Company was to convene a general meeting for approving the Agreements and the transactions contemplated thereunder.

Ascent Goal Investments Limited, the controlling shareholder of the Company holding 569,616,589 Shares, representing approximately 74.42% of the issued share capital of the Company as at the Latest Practicable Date, has undertaken to give its/have given its written consent to approve the Agreements and the transactions contemplated thereunder, which will be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

RECOMMENDATIONS

The Directors consider that the terms of the Agreements are fair and reasonable and the entering into of the Agreements are in the interests of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Agreements and the transactions contemplated thereunder, if such a general meeting were to be convened by the Company, the Board would have recommended the Shareholders to vote in favour of the resolutions to approve the Agreements and transactions contemplated thereunder.

By Order of the Board
Nan Nan Resources Enterprise Limited
Kwan Man Fai
Chairman and Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 March 2018 and for the six months ended 30 September 2018 together with the relevant notes thereto, are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.nannanlisted.com):

- **Annual report of the Company for the year ended 31 March 2016**

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0725/LTN20160725177.pdf

- **Annual report of the Company for the year ended 31 March 2017**

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0728/LTN20170728479.pdf

- **Annual report of the Company for the year ended 31 March 2018**

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0718/LTN20180718657.pdf

- **Interim report of the Company for the six months ended 30 September 2018**

  http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1206/LTN20181206637.pdf

2. STATEMENT OF INDEBTEDNESS

As at 28 February 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness as summarised below.

The Group

As at the close of business on 28 February 2019, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had:

a. outstanding interest-bearing bank borrowings in the aggregated principal amount of approximately HK$69,954,000 repayable by instalments up to September 2020. The bank borrowings are unguaranteed and secured by restricted bank balances with carrying amount of approximately HK$78,115,000; and

b. unsecured and unguaranteed convertible bond designated as financial liabilities at fair value through profit or loss, amount of HK$203,094,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 28 February 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, material mortgages, charges, debentures, loan capital, other debt securities, term loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade payables) or acceptance credits, guarantees or other material contingent liabilities.

The Target Group

As at the close of business on 28 February 2019, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Target Group had:

a. obligation under finance lease of approximately HK$588,000, which is unguaranteed and secured by the Target Group over the leased assets;

b. outstanding interest-bearing bank borrowings in the aggregated principal amount of approximately HK$4,344,000 repayable by instalments up to 11 December 2022. The bank borrowings are guaranteed and unsecured by the ultimate controlling party of the Target Group and the Hong Kong Mortgage Corporation Limited; and

c. bank overdraft amount of approximately HK$667,000. The bank overdraft is guaranteed and unsecured by the ultimate controlling party of the Target Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 28 February 2019, the Target Group did not have any loan capital issued and outstanding or agreed to be issued, material mortgages, charges, debentures, loan capital, other debt securities, term loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade payables) or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Company for the six months ended 30 September 2018, the Group recorded a substantial decrease in revenue and gross profit for the six months ended 30 September 2018 as compared to the results for the six months ended 30 September 2017, primarily due to the temporary suspension of operation of Kaiyuan Open Pit Coal Mine (the "**Kaiyuan Mine**") and the construction of the coal sifting machine as required by the Ministry of Ecology and Environment. As further announced by the Company on 31 December 2018 and 11 January 2019, Kaiyuan Mine temporarily suspended its operation pending the renewal of mining right, which expired on 31 December 2018. Kaiyuan Mine successfully renewed the mining right on 7 January 2019 and resumed operation on 10 January 2019.

Save as disclosed above, the Company is not aware of any material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of the publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in mining, sale and distribution of coal.

Coal Mining Business

As disclosed in the interim report of the Company for the six months ended 30 September 2018 ("**2018 Interim Report**") and the various announcements published by the Company in respect of the operation of Kaiyuan Mine since the publication of the 2018 Interim Report on 6 December 2018, the financial performance of the Group for the year ending 31 March 2019 is expected to be negatively affected by the reduced production capacity, due primarily to (i) the suspension of production of Kaiyuan Mine, from 11 April 2018 to 29 August 2018 following the receipt of the suspension decision dated 11 April 2018 issued by the Production Safety Supervision and Administration Bureau of the Xinjiang Zhundong Economic and Technological Development Zone, as well as from the expiry of the mining right on 31 December 2018 to the receipt of the renewed mining right on 7 January 2019 and resumed operation on 10 January 2019; and (ii) the construction of the coal sifting machine as required by Ministry of Ecology and Environment* (環保局) ("**Coal Sifting Machine**").

The estimated remaining coal reserve in Kaiyuan Mine was 7.22 million as at 30 September 2018.

As announced by the Company on 11 January 2019, Kaiyuan Mine has resumed operation and sales since 10 January 2019. During the period from 10 January 2019 (i.e. date of resumption of the operation and sales as announced by the Company on 11 January 2019) up to 28 February 2019, Kaiyuan Mine reported sales of coal of approximately RMB13.5 million. Nevertheless, Kaiyuan Mine has yet to resume full production capacity due to the delay in completion of the construction of the Coal Sifting Machine, which was originally planned to complete in November 2018. The delay was due to the modification of the design in construction of the coal sifting machine based on the geological structure of Kaiyuan Mine. The Directors currently expect that Kaiyuan Mine may resume full production in August 2019 upon completion of the construction of the coal sifting machine.

Kaiyuan Mine is the only operating coal mine of the Group and the Group has been actively proceeding an optimization and upgrading plan, in which the mining area of Kaiyuan Mine is proposed to be increased from 1.1596 km^2 to approximately 4.1165 km^2 ("**Extended Mining Area**") and the annual production volume will be increased to 0.9 million tonnes, ten times of the existing production volume of Kaiyuan Mine. Such mining right application was approved by the Department of Natural Resources of Xinjiang Uygur Autonomous Region* (新疆維吾爾自治區自然

資源廳) ("**Xinjiang Natural Resources Department**") on 21 December 2018, subject to the completion of further procedures as required by the Xinjiang Natural Resources Department. The Directors currently expect that the new mining right application for the Extended Mining Area will be granted on or before 31 May 2019, as opposed to 31 March 2019 as announced by the Company on 31 December 2018, due to additional time required for the Xinjiang Natural Resources Department to review the application.

As disclosed in the annual report of the Company for the year ended 31 March 2018, the Extended Mining Area of Kaiyuan Mine was proposed to be increased from 1.1596 square kilometers to 4.12 square kilometers with the estimated coal resources of approximately 131.18 million tones.

The Board will closely monitor the progress of the new mining right application and will keep the shareholders and potential investors of the Company informed of the development.

New Business Development

The Board is of the view that the coal business is full of challenges, such as the rising competition from the renewable energy sector and tightening government regulations due to increasing environmental awareness. In this connection, the Board considers while continuing the development of the existing coal mining business, it is necessary for the Group to explore other business opportunities with a view to broadening the Group's revenue base and benefit from the diversified return in future.

In August 2018, the Company announced the acquisition of a company, together with its wholly-owned subsidiary in Malaysia, principally engaged in provision of renewable energy leasing solution with a view to extending its business coverage to the renewable energy sector in the Southeast Asian markets. The acquisition was completed in October 2018.

As discussed in the "Reasons for and the benefits of the Acquisition and the Subscription" in the letter from the Board in this circular, the Board considers it is an opportune time to acquire the Target Group in view of the growth potential of the Target Group and the favourable government support of the IT Industry in Hong Kong and the Target Group will bring recurring cash flow and returns to the Group, thereby diversifying the business risks of the Group and maximising Shareholder's interest in the long run.

Both the Group's new investment in renewable energy leasing solution business and the IT Business (upon Completion takes place) are new to the Group and it is the Group's current intention to focus on the existing business portfolios of these two businesses and effectively manage the cost and optimise their performance. The Directors will periodically review the performance and prospects of these two businesses and may explore other expansion opportunities in order to enhance long-term growth potential of the Group.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HARBOUR GROUP HOLDINGS LIMITED

The Board of Directors
Nan Nan Resources Enterprise Limited

Introduction

We report on the historical financial information of Harbour Group Holdings Limited (the "**Harbour Group**" or the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") set out on pages II-4 to II-53, which comprises the combined statements of financial position of the Target Group at 31 December 2016, 2017 and 2018, and the statements of financial position of the Target Company at 31 December 2016, 2017 and 2018, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the years ended 31 December 2016, 2017 and 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-53 forms an integral part of this report, which has been prepared for inclusion in the circular of Nan Nan Resources Enterprise Limited (the "**Company**") dated 12 April 2019 (the "**Circular**") in connection with the proposed acquisition of the entire equity interests in the Target Company (the "**Acquisition**").

Director's responsibility for the Historical Financial Information

The sole director of the Target Company is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group at 31 December 2016, 2017 and 2018, of the financial position of the Target Company at 31 December 2016, 2017 and 2018 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on other matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page II-4 have been made.

Dividends

Note 12 to the Historical Financial Information contains information about the dividends declared by entities now comprising the Target Group in respect of the Relevant Periods.

Preparation or audit of financial statements

During the Relevant Periods, the statutory financial statements of the Target Company for its relevant financial reporting periods were audited by Y.L. Cheung, *Certified Public Accountants*, Hong Kong. No statutory audited financial statements have been prepared by the Target Company after the Relevant Periods as they are not yet due for issuance.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Target Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants

12 April 2019

A. THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

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

The combined financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the sole director of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA (the "**Historical Financial Statements**") and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong*, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	5	53,128	65,285	68,973
Cost of services and materials sold		(47,869)	(56,816)	(54,314)
Gross profit		5,259	8,469	14,659
Other income	6	1,177	280	98
Administrative and other operating expenses		(6,143)	(6,783)	(5,856)
(Impairment loss) Reversal of impairment loss of trade receivables		(13)	(124)	24
Finance costs	7	(249)	(384)	(517)
Profit before tax	7	31	1,458	8,408
Income tax expenses	10	(40)	(359)	(1,109)
(Loss) Profit for the year		(9)	1,099	7,299
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on combination		(64)	111	(161)
Total comprehensive (loss) income for the year		(73)	1,210	7,138

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	13	3,141	2,197	1,680
Deferred tax assets	20	38	23	74
		3,179	2,220	1,754
Current assets				
Trade and other receivables	15	4,822	10,522	9,237
Tax recoverable		–	–	70
Bank balances and cash		2,489	3,187	4,546
		7,311	13,709	13,853
Current liabilities				
Trade and other payables	16	1,761	7,463	2,003
Bank overdrafts	17	22	365	510
Income tax payables		171	258	436
Interest-bearing borrowings	18	3,718	5,356	4,664
Obligations under finance leases	19	116	120	222
		5,788	13,562	7,835
Net current assets		1,523	147	6,018
Total assets less current liabilities		4,702	2,367	7,772
Non-current liabilities				
Obligations under finance leases	19	363	243	404
Deferred tax liabilities	20	181	427	746
		544	670	1,150
NET ASSETS		4,158	1,697	6,622
Capital and reserves				
Share capital	21	10	10	10
Reserves		4,148	1,687	6,612
TOTAL EQUITY		4,158	1,697	6,622

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*13*	2,300	1,685	1,484
Investments in subsidiaries	*14*	–	1	–
		2,300	1,686	1,484
Current assets				
Trade and other receivables	*15*	2,670	6,716	10,596
Tax recoverable		–	–	50
Bank balances and cash		1,630	1,640	364
		4,300	8,356	11,010
Current liabilities				
Trade and other payables	*16*	300	5,235	1,156
Bank overdrafts	*17*	22	365	510
Income tax payables		179	179	–
Interest-bearing borrowings	*18*	2,851	4,417	3,364
Obligations under finance leases	*19*	116	120	222
		3,468	10,316	5,252
Net current assets (liabilities)		832	(1,960)	5,758
Total assets less current liabilities		3,132	(274)	7,242
Non-current liabilities				
Obligations under finance leases	*19*	363	243	404
Deferred tax liabilities	*20*	50	283	682
		413	526	1,086
NET ASSETS (LIABILITIES)		2,719	(800)	6,156
Capital and reserves				
Share capital	*21*	10	10	10
Reserves	*22(c)*	2,709	(810)	6,146
TOTAL EQUITY (DEFICITS)		2,719	(800)	6,156

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000* *(Note 21)*	Capital reserve *HK$'000* *(Note 22(a))*	Translation reserve *HK$'000* *(Note 22(b))*	Accumulated profits *HK$'000*	Total *HK$'000*
Year ended 31 December 2016					
At 1 January 2016	10	859	(226)	3,578	4,221
Loss for the year	–	–	–	(9)	(9)
Other comprehensive loss:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on combination	–	–	(64)	–	(64)
Total comprehensive loss for the year	–	–	(64)	(9)	(73)
Transaction with owners:					
Contribution and distributions					
Contribution made by the Ultimate Controlling Party *(Note (i))*	–	10	–	–	10
At 31 December 2016	10	869	(290)	3,569	4,158
Year ended 31 December 2017					
At 1 January 2017	10	869	(290)	3,569	4,158
Profit for the year	–	–	–	1,099	1,099
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on combination	–	–	111	–	111
Total comprehensive income for the year	–	–	111	1,099	1,210
Transaction with owners:					
Contribution and distributions					
Dividends *(Note 12)*	–	–	–	(3,671)	(3,671)
At 31 December 2017	10	869	(179)	997	1,697

	Share capital HK$'000 (Note 21)	Capital reserve HK$'000 (Note 22(a))	Translation reserve HK$'000 (Note 22(b))	Accumulated profits HK$'000	Total HK$'000
Year ended 31 December 2018					
At 1 January 2018	10	869	(179)	997	1,697
Profit for the year	–	–	–	7,299	7,299
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on combination	–	–	(161)	–	(161)
Total comprehensive income for the year	–	–	(161)	7,299	7,138
Transaction with owners:					
Contribution and distributions					
Dividends *(Note 12)*	–	–	–	(2,213)	(2,213)
At 31 December 2018	10	869	(340)	6,083	6,622

Note:

(i) During the year ended 31 December 2016, 10,000 ordinary shares of MMCC (as defined in Note 1) were allotted and issued to Mr. Li Ping at a consideration of HK$10,000 and fully paid in the year.

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES				
Cash generated from (used in) operations	*23(a)*	488	(688)	3,705
Income tax refund		114	–	–
Income tax paid		–	(19)	(722)
Net cash from (used in) operating activities		602	(707)	2,983
INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment		540	–	–
Purchase of property, plant and equipment		(2,750)	(26)	(134)
Net cash used in investing activities		(2,210)	(26)	(134)
FINANCING ACTIVITIES				
Interest paid		(249)	(384)	(517)
Inception of interest-bearing borrowings		4,170	2,886	1,000
Repayment of interest-bearing borrowings		(452)	(1,248)	(1,692)
Repayment of obligations under finance leases		(522)	(116)	(191)
Dividend paid		–	–	(277)
Net cash from (used in) financing activities		2,947	1,138	(1,677)
Net increase in cash and cash equivalents		1,339	405	1,172
Cash and cash equivalents at beginning of the year		1,176	2,467	2,822
Effect on exchange rate changes		(48)	(50)	42
Cash and cash equivalents at end of the year		2,467	2,822	4,036
Analysis of the balances of cash and cash equivalents				
Bank balances and cash		2,489	3,187	4,546
Bank overdrafts		(22)	(365)	(510)
		2,467	2,822	4,036

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Target Company is a limited liability company incorporated in Hong Kong on 27 April 2006. The registered office is situated at Room 703, Kowloon Building, 555 Nathan Road, Kowloon, Hong Kong and its principal place of business is at Unit 107B, 1/F, IC Development Centre, No.6 Science Park West Avenue, Hong Kong Science Park, Shatin, N.T.

The principal activities of the Target Company are investment holding and engaged in provision of information technology outsourcing, consultancy and technical services ("**IT Services**"). During the Relevant Periods, the Target Group is principally engaged in provision of IT Services.

At the date of this report, in the opinion of the sole director of the Target Company, the ultimate controlling party of the Target Group is Mr. Li Ping (the "**Ultimate Controlling Party**"). Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 20 September 2018, the Target Company became the holding company of the entities now comprising the Target Group.

During the Relevant Periods, the particulars of the Target Company's subsidiaries, which are private limited liability companies, of which the Target Company has direct interests are as follows:

Name of subsidiary	Place of incorporation	Date of incorporation	Paid-up share capital	Attributable equity interest held by the Target Company			Principal activities and place of operation
				2016	2017	2018	
Directly held by the Target Company							
Mountain Managed Cloud Consulting Limited ("**MMCC**")	Hong Kong	20 December 2016	HK$10,000	–	–	100%	Provision of IT Services, Hong Kong
Vanguard Business Services Limited ("**Vanguard**")	Hong Kong	17 October 2007	HK$10,000	–	–	100%	Provision of IT Services, Hong Kong
Harbour Group (Singapore) Pte. Limited ("**Harbour Singapore**")	Singapore	26 January 2015	Singapore dollars ("**S$**") 100	–	–	100%	Provision of IT Services, Singapore
Harbour Group Consulting (UK) Limited ("**Harbour UK**")	United Kingdom	4 June 2015	GBP 100	100%	100%	100%	Provision of IT Services, United Kingdom
HGH Technology Sdn. Bhd. ("**HGH Tech**")	Malaysia	12 July 2013	Malaysian Ringgit ("**RM**") 350,000	–	–	100%	Provision of IT Services, Malaysia

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Target Company's subsidiaries that fall into the Relevant Periods have been audited as follows:

Subsidiary	Financial period	Auditors
MMCC	Period from 20 December 2016 (date of incorporation) to 31 December 2017	Y.L. Cheung, *Certified Public Accountant, Hong Kong*
Vanguard	Years ended 31 March 2016, 2017 and 2018	Ho, Lok & Pui CPA Limited
HGH Tech	Years ended 31 December 2016 and 2017	K. H. Kwong & Co., *Chartered Accountants, Malaysia*

No statutory audited financial statements have been prepared by Harbour Singapore and Harbour UK as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

No statutory audited financial statements have been prepared by MMCC and HGH Tech for the year ended 31 December 2018 and Vanguard for the year ended 31 March 2019 as they are not yet due for issuance as of the date of this report.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Target Company and its subsidiaries now comprising the Target Group are ultimately controlled by the Ultimate Controlling Party. Because the Reorganisation did not result in any change in the management and the ultimate control of the Target Group's business so that the Target Group is regarded as a continuity entity and therefore, the Reorganisation is considered as a business combination under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis in accordance with the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3 to the Historical Financial Information, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Target Group as if the combination had occurred from the date when the combining entities or business first came under control of the Ultimate Controlling Party.

Further details of the accounting policies adopted by the Target Group are set out in Note 3 to the Historical Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the Historical Financial Information, the Target Group has consistently adopted all those new/revised HKFRSs that are relevant to its operations and are effective during the Relevant Periods.

A summary of the principal accounting policies adopted by the Target Group in the preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost.

Business combinations

The Historical Financial Information comprises the financial statements of the Target Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Target Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements 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 Ultimate Controlling Party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Party's perspective. No amount is recognised as consideration for 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 Ultimate Controlling Party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recorded have been recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income includes 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.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Target Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Target Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated 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. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Computer and equipment	3 – 5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	$3^1/_3$ years

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**Mandatory FVOCI**"); (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Target Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Target Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Target Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Target Group's financial liabilities include trade and other payables, bank overdrafts, interest-bearing borrowings and obligations under finance leases. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets and other items under HKFRS 9

The Target Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost and Mandatory FVOCI issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Target Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the past due information or other credit risk characteristics.

Definition of default

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Target Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Target Group considers that default has occurred when a financial asset is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for the receivables due from subsidiaries and the Ultimate Controlling Party for which the Target Group considers previously non-repayments were an administrative oversight instead of resulting from financial difficulty of them, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables, the Target Group applies a simplified approach in calculating ECL. The Target Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Target Group writes off a financial asset when the Target Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Target Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Target Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

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

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

(i) Sales of hardware products

(ii) IT consultancy and technical services

(iii) IT outsourcing services

Identification of performance obligations

At contract inception, the Target Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Target Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;

(b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of hardware products is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

IT consultancy and technical services and IT outsourcing services income are recognised over time when services are rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies (i) the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Target Group's inputs and the transfer of control of goods or services to the customers and (ii) the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Target Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The principal input applied in the input method for IT outsourcing services is the usage of staff hours by customers and the output method applies to the IT consultancy and technical services is based on the appraisals of progress achieved.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in the currency of HK$, which is also the functional currency of the Target Company, and rounded to the nearest thousands unless otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the Target Group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Target Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Target Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Target Group's interest in a subsidiary that includes a foreign operation which does not result in the Target Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Impairment of other assets

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment and the Target Company's investment in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Leases

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

Finance leases, as lessee

Assets held under finance leases are recognised as assets of the Target Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the lease liability, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases, as lessee

Rentals payables under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to the defined contribution retirement schemes are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Target Group in an independently administered fund.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

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 in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will net reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Target Group, that is defined as:

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

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group.

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

- (i) the entity and the Target Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) both entities are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

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

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the Target Group's management in the preparation of the Historical Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives of the property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment

The Target Group's management determines whether the property, plant and equipment are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Deferred tax assets

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

(iv) Loss allowance for ECL

The Target Group's management estimates the loss allowance for trade receivables and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Target Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 25.

(v) Income taxes

The Target Group is subject to income taxes in several jurisdictions significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in HKFRSs

As at the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Group has not early adopted:

Amendments to HKAS 19	Employee benefits [1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures [1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation [1]
HKFRS 16	Leases [1]
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments [1]
Annual Improvements to HKFRSs	2015–2017 Cycle [1]
Amendments to HKAS 1 and HKAS 8	Disclosure initiative – Definition of material [2]
Amendments to HKFRS 3	Definition of business [3]
HKFRS 17	Insurance Contracts [4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [5]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020
[4] Effective for annual periods beginning on or after 1 January 2021
[5] The effective date to be determined

Save for HKFRS 16 as set out below, the management of the Target Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Target Group's financial information.

HKFRS 16 "Leases"

HKFRS 16 significantly changes the lessee accounting by replacing the dual model under HKAS 17 with a single model which requires a lessee to recognise assets and liabilities for the rights and obligations created by leases unless the exemptions apply. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors. Based on the preliminary assessment, the director is of the opinion that the leases of certain properties by the Target Group which are currently classified as operating leases under HKAS 17 will trigger the recognition of right-of-use assets and lease liabilities in accordance with HKFRS 16. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest will be recognised on the right-of-use assets and the lease liabilities respectively, of which the amount in total for each reporting period is not expected to be significantly different from the periodic operating lease expenses recognised under HKAS 17. Apart from the effects as outlined above, it is not expected that HKFRS 16 will have a material impact on the future financial position, financial performance and cash flows of the Target Group upon adoption.

4. SEGMENT INFORMATION

Information reported to the sole director of the Target Company, being identified as the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Target Group.

Specifically, the Target Group's reportable and operating segments are as follows:

(1) IT consultancy and technical services (including sales of hardware products); and

(2) IT outsourcing services.

Segment revenue and results

The accounting policies of the operating segments are the same as the Target Group's accounting policies described in Note 3.

Segment revenue represents revenue derived from provision of IT consultancy and technical services and IT outsourcing services.

Segment results represent gross profit reported by each segment without allocation of other income, administrative and other operating expenses, (reversal of) impairment loss of trade receivables, finance costs and income tax expenses. This is the measure reported to the CODM of the Target Group for the purposes of resource allocation and performance assessment.

No analysis of the Target Group's assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

The followings are analysis of the Target Group's revenue and results by reportable and operating segments:

	IT consultancy and technical services	**IT outsourcing services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2016			
Revenue from external customers and reportable segment revenue	6,627	46,501	53,128
Reportable segment results	3,123	2,136	5,259
Unallocated income and expenses			
Other income			1,177
Administrative and other operating expenses			(6,143)
Impairment loss of trade receivables			(13)
Finance costs			(249)
Profit before tax			31
Income tax expenses			(40)
Loss for the year			(9)

	IT consultancy and technical services	**IT outsourcing services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2017			
Revenue from external customers and reportable segment revenue	11,175	54,110	65,285
Reportable segment results	4,235	4,234	8,469
Unallocated income and expenses			
Other income			280
Administrative and other operating expenses			(6,783)
Impairment loss of trade receivables			(124)
Finance costs			(384)
Profit before tax			1,458
Income tax expenses			(359)
Profit for the year			1,099

	IT consultancy and technical services	IT outsourcing services	Total
	HK$'000	*HK$'000*	*HK$'000*
Year ended 31 December 2018			
Revenue from external customers and reportable segment revenue	13,607	55,366	68,973
Reportable segment results	6,001	8,658	14,659
Unallocated income and expenses			
Other income			98
Administrative and other operating expenses			(5,856)
Reversal of impairment loss of trade receivables			24
Finance costs			(517)
Profit before tax			8,408
Income tax expenses			(1,109)
Profit for the year			7,299

Geographical information

The following table sets out information about the geographical location of (i) the Target Group's revenue from external customers and (ii) the Target Group's property, plant and equipment ("**Specified Non-current Assets**"). The geographical location of the revenue is presented based on the location of customers. The geographical location of the specified non-current assets is based on the physical location of the assets.

(a) *Revenue from external customers*

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	40,168	43,039	41,449
Malaysia	5,533	12,204	18,881
Singapore	5,254	8,257	6,525
United Kingdom	843	1,674	2,118
United States of America	1,330	111	–
	53,128	65,285	68,973

(b) Specified Non-current Assets

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	3,127	2,186	1,667
Malaysia	14	11	13
	3,141	2,197	1,680

Information about major customers

Revenue from customer contributing for 10% or more of total revenue of the Target Group during the Relevant Periods is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Customer A and its affiliated companies from IT consultancy and technical services segment and IT outsourcing services segment	42,651	48,163	45,228

5. REVENUE

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Revenue from contracts with customers within HKFRS 15			
Sales of hardware products	4,026	5,588	6,845
IT consultancy and technical services	2,601	5,587	6,762
IT outsourcing services	46,501	54,110	55,366
	53,128	65,285	68,973

6. OTHER INCOME

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Exchange gain, net	–	101	–
Gain on disposal of property, plant and equipment	477	–	–
IT miscellaneous income	600	–	–
Sundry income	100	179	98
	1,177	280	98

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Finance costs			
Interest on bank overdrafts	11	8	17
Interest on interest-bearing borrowings	142	361	471
Finance charges on obligations under finance leases	96	15	29
	249	384	517
Staff costs (including director's remuneration)			
Salaries, allowances and other benefits in kinds	37,983	35,901	30,750
Contributions to defined contribution plans	1,111	979	1,069
	39,094	36,880	31,819
Other items			
Auditor's remuneration	31	40	44
Cost of materials sold	1,565	2,829	5,344
Depreciation of property, plant and equipment	695	971	1,096
Exchange loss (gain), net	7	(101)	30
(Gain) Loss on disposal of property, plant and equipment	(477)	–	8
Operating lease payments for premises	199	135	100

8. DIRECTOR'S REMUNERATION

The sole director of the Target Company received remuneration from the entities now comprising the Target Group during the Relevant Periods for his appointment as employee of these entities. The aggregate amounts of remuneration received and receivable by the sole director of the Target Company are set out below.

Year ended 31 December 2016

	Director's fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Li Ping	–	1,367	–	17	1,384

Year ended 31 December 2017

	Director's fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Li Ping	–	1,513	–	18	1,531

Year ended 31 December 2018

	Director's fees	Salaries, allowances and benefits in kinds	Discretionary bonus	Contributions to defined contribution plans	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Li Ping	–	373	–	14	387

During the Relevant Periods, no emoluments were paid by the Target Group to the sole director as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which the sole director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant periods is as follows:

	Number of individuals Year ended 31 December		
	2016	**2017**	**2018**
Director	1	1	–
Non-director	4	4	5
	5	5	5

The aggregate amounts of emoluments of the highest paid non-director individuals of the Target Group are as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits in kinds	4,218	3,770	3,943
Contributions to defined contribution plans	117	54	91
	4,335	3,824	4,034

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December		
	2016	**2017**	**2018**
Nil to HK$1,000,000	2	3	4
HK$1,000,001 to HK$1,500,000	2	–	–
HK$1,500,001 to HK$2,000,000	–	1	1
	4	4	5

During the Relevant Periods, no remuneration was paid by the Target Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Relevant Periods.

10. TAXATION

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Current tax			
Hong Kong Profits Tax	–	–	395
Malaysia corporate income tax ("**Malaysia CIT**")	12	102	149
Singapore corporate income tax ("**Singapore CIT**")	4	–	–
United Kingdom corporate income tax ("**UK CIT**")	–	–	296
	16	102	840
Deferred tax *(Note 20)*			
(Benefit) Utilisation of tax losses recognised	(241)	183	(24)
Changes in temporary differences	265	74	293
	24	257	269
Total income tax expenses	40	359	1,109

In March 2018, the two-tiered profits tax rates regime was signed into law of Hong Kong, under which, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25% ("**graduated tax rate**"), and profits above HK$2 million will be taxed at 16.5% (the "**standard rate**"). The profits of corporations in the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 December 2018, Hong Kong Profits Tax for the qualifying company is calculated in accordance with the two-tiered profits tax rates regime.

For the years ended 31 December 2016 and 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits for the respective period, taking into account a reduction of 75% of the tax payable subject to a maximum reduction of HK$20,000 or HK$30,000 for each business in respective period.

Malaysia CIT is calculated at the rate of 24% (the "**standard rate**") of the Target Group's entity estimated assessable profits arising from Malaysia during the Relevant Periods. Malaysia incorporated entities with paid-up capital of RM2.5 million or less enjoy tax rate of 19%, 18% and 18% on the first RM500,000 ("**graduated tax rate**") and remaining balance of the estimated assessable profits at the standard rate for the years ended 31 December 2016, 2017 and 2018, respectively.

During the year ended 31 December 2018, Malaysian subsidiaries are eligible for a reduction of between 1% and 4% on the standard tax rate for a portion of their income if there is an increase of 5% or more in the entities' taxable income from a business, compared to the immediately preceding year of assessment. The reduction in the tax rate will apply to the portion of taxable income representing the increase.

Singapore CIT is calculated at the rate of 17% of the Target Group's entity estimated assessable profits arising from Singapore with Singapore CIT rebate of 50%, capped at S$25,000 for the year ended 31 December 2016, with Singapore CIT rebate of 40%, capped at S$15,000 for the year ended 31 December 2017, with CIT rebate of 20%, capped at S$10,000 for the year ended 31 December 2018.

During the years ended 31 December 2016 and 2017, Singapore newly incorporated companies can enjoy 100% tax exemption on the first S$100,000 of normal taxable income and a further 50% tax exemption on the next S$200,000 of normal taxable income. During the year ended 31 December 2018, Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal taxable income and a further 50% tax exemption on the next S$290,000 of normal taxable income.

UK CIT was calculated at the rate of 20%, 19% and 19% of the estimated assessable profits for the years ended 31 December 2016, 2017 and 2018, respectively.

Reconciliation of income tax expense

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	31	1,458	8,408
Income tax at applicable tax rate in respective territories	2	301	1,499
Effect of graduated tax rate	–	(37)	(354)
Non-deductible expenses	2	2	7
Others	36	93	(43)
Income tax expenses	40	359	1,109

11. EARNINGS PER SHARE

No earnings per share information are presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Dividends declared to the then equity owners of the entities now comprising the Target Group	–	3,671	2,213

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

Target Group

	Computer and equipment *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amounts – year ended 31 December 2016				
At 1 January 2016	367	34	204	605
Additions	690	1,769	836	3,295
Disposals	–	–	(63)	(63)
Depreciation	(179)	(312)	(204)	(695)
Exchange realignments	(1)	–	–	(1)
At 31 December 2016	877	1,491	773	3,141
Reconciliation of carrying amounts – year ended 31 December 2017				
At 1 January 2017	877	1,491	773	3,141
Additions	22	4	–	26
Depreciation	(354)	(366)	(251)	(971)
Exchange realignments	1	–	–	1
At 31 December 2017	546	1,129	522	2,197
Reconciliation of carrying amounts – year ended 31 December 2018				
At 1 January 2018	546	1,129	522	2,197
Additions	8	–	580	588
Disposals	(8)	–	–	(8)
Depreciation	(338)	(362)	(396)	(1,096)
Exchange realignments	(1)	–	–	(1)
At 31 December 2018	207	767	706	1,680
At 31 December 2016				
Cost	1,077	1,831	836	3,744
Accumulated depreciation	(200)	(340)	(63)	(603)
Net carrying amounts	877	1,491	773	3,141
At 31 December 2017				
Cost	1,099	1,835	836	3,770
Accumulated depreciation	(553)	(706)	(314)	(1,573)
Net carrying amounts	546	1,129	522	2,197
At 31 December 2018				
Cost	1,042	1,835	1,416	4,293
Accumulated depreciation	(835)	(1,068)	(710)	(2,613)
Net carrying amounts	207	767	706	1,680

The carrying amounts of the Target Group's motor vehicles held under finance leases amounted to approximately HK$773,000, HK$522,000 and HK$706,000 at 31 December 2016, 2017 and 2018, respectively (Note 19).

Target Company

	Computer and equipment *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Reconciliation of carrying amounts – year ended 31 December 2016				
At 1 January 2016	59	34	204	297
Additions	–	1,766	836	2,602
Disposals	–	–	(63)	(63)
Depreciation	(21)	(311)	(204)	(536)
At 31 December 2016	38	1,489	773	2,300
Reconciliation of carrying amounts – year ended 31 December 2017				
At 1 January 2017	38	1,489	773	2,300
Additions	22	–	–	22
Depreciation	(21)	(365)	(251)	(637)
At 31 December 2017	39	1,124	522	1,685
Reconciliation of carrying amounts – year ended 31 December 2018				
At 1 January 2018	39	1,124	522	1,685
Additions	–	–	580	580
Disposals	(8)	–	–	(8)
Depreciation	(16)	(361)	(396)	(773)
At 31 December 2018	15	763	706	1,484
At 31 December 2016				
Cost	67	1,827	836	2,730
Accumulated depreciation	(29)	(338)	(63)	(430)
Net carrying amounts	38	1,489	773	2,300
At 31 December 2017				
Cost	89	1,827	836	2,752
Accumulated depreciation	(50)	(703)	(314)	(1,067)
Net carrying amounts	39	1,124	522	1,685
At 31 December 2018				
Cost	22	1,827	1,416	3,265
Accumulated depreciation	(7)	(1,064)	(710)	(1,781)
Net carrying amounts	15	763	706	1,484

The carrying amounts of the Target Company motor vehicles held under finance leases amounted to approximately HK$773,000, HK$522,000 and HK$706,000 at 31 December 2016, 2017 and 2018, respectively (Note 19).

14. INVESTMENT IN SUBSIDIARIES

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted share	1	1	871
Impairment losses	(1)	–	(871)
	–	1	–

Details of the subsidiaries at 31 December 2016, 2017 and 2018 are set out in Note 1.

15. TRADE AND OTHER RECEIVABLES

Target Group

		At 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
From third parties		2,789	8,854	7,831
Less: Loss allowance	*25*	(27)	(156)	(132)
	15(a)	2,762	8,698	7,699
Other receivables				
Deposits and prepayments		1,375	1,301	1,538
Due from the Ultimate Controlling Party	*15(b)*	685	523	–
		2,060	1,824	1,538
		4,822	10,522	9,237

Target Company

		At 31 December		
		2016	2017	2018
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables				
From third parties		930	3,657	5,198
Less: Loss allowance	*25*	(10)	(43)	(90)
	15(a)	920	3,614	5,108
Other receivables				
Deposits and prepayments		1,236	1,108	1,311
Due from the Ultimate Controlling Party	*15(b)*	321	–	–
Due from subsidiaries	*15(c)*	193	1,994	4,177
		1,750	3,102	5,488
		2,670	6,716	10,596

Information about the Target Group's and Target Company's exposures to credit risks and loss allowance for trade and other receivables is included in Note 25.

15(a) Trade receivables from third parties

The Target Group grants credit period up to 60 days from the date of issuance of invoices to its customers.

The ageing of trade receivables (net of loss allowance) of the Target Group and Target Company based on invoice date at the end of each reporting period is as follows:

Target Group

	At 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	1,006	3,393	5,490
31 to 60 days	1,491	1,520	949
61 to 90 days	178	484	656
Over 90 days	114	3,457	736
	2,789	8,854	7,831
Loss allowance	(27)	(156)	(132)
	2,762	8,698	7,699

Target Company

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	362	1,377	3,780
31 to 60 days	501	213	405
61 to 90 days	31	164	283
Over 90 days	36	1,903	730
	930	3,657	5,198
Loss allowance	(10)	(43)	(90)
	920	3,614	5,108

15(b) Due from the Ultimate Controlling Party

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amount due during the Relevant Periods.

Details of the amount due from the Ultimate Controlling Party are as follows:

Target Group

	Year ended 31 December 2016		
	Greatest outstanding amount during the year	**Balance at 31.12.2016**	**Balance at 1.1.2016**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	840	685	840

	Year ended 31 December 2017		
	Greatest outstanding amount during the year	**Balance at 31.12.2017**	**Balance at 1.1.2017**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	2,713	523	685

	Year ended 31 December 2018		
	Greatest outstanding amount during the year	Balance at 31.12.2018	Balance at 1.1.2018
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	523	–	523

Target Company

	Year ended 31 December 2016		
	Greatest outstanding amount during the year	Balance at 31.12.2016	Balance at 1.1.2016
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	799	321	537

	Year ended 31 December 2017		
	Greatest outstanding amount during the year	Balance at 31.12.2017	Balance at 1.1.2017
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	2,713	–	321

	Year ended 31 December 2018		
	Greatest outstanding amount during the year	Balance at 31.12.2018	Balance at 1.1.2018
	HK$'000	*HK$'000*	*HK$'000*
Mr. Li Ping	–	–	–

15(c) Due from the subsidiaries

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amounts due during the Relevant Periods.

Details of the amounts due from subsidiaries are as follows:

Target Company

	Year ended 31 December 2016		
	Greatest outstanding amount during the year	**Balance at 31.12.2016**	**Balance at 1.1.2016**
	HK$'000	*HK$'000*	*HK$'000*
Vanguard	156	155	155
Harbour Singapore	38	38	–
		193	155

	Year ended 31 December 2017		
	Greatest outstanding amount during the year	**Balance at 31.12.2017**	**Balance at 1.1.2017**
	HK$'000	*HK$'000*	*HK$'000*
Vanguard	773	672	155
Harbour Singapore	676	676	38
HGH Tech	646	646	–
		1,994	193

	Year ended 31 December 2018		
	Greatest outstanding amount during the year	**Balance at 31.12.2018**	**Balance at 1.1.2018**
	HK$'000	*HK$'000*	*HK$'000*
MMCC	346	346	–
Vanguard	672	667	672
Harbour Singapore	981	981	676
Harbour UK	1,016	1,016	–
HGH Tech	1,167	1,167	646
		4,177	1,994

16. TRADE AND OTHER PAYABLES

Target Group

		At 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
To third parties	*16(a)*	489	805	224
Other payables				
Salaries payables		336	541	183
Other tax payables		137	355	439
Accruals and other payables		121	461	1,157
Due to the Ultimate Controlling Party	*16(b)*	678	5,301	–
		1,272	6,658	1,779
		1,761	7,463	2,003

Target Company

		At 31 December		
		2016	**2017**	**2018**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables				
To third parties	*16(a)*	–	228	181
Other payables				
Accruals and other payables		6	332	914
Salaries payables		138	–	61
Due to the Ultimate Controlling Party	*16(b)*	–	4,643	–
Due to subsidiaries	*16(b)*	156	32	–
		300	5,007	975
		300	5,235	1,156

16(a) Trade payables

At the end of each reporting period, the ageing analysis of the trade payables of Target Group and Target Company based on invoice date are as follows:

Target Group

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	256	45	43
31 to 60 days	–	183	–
Over 60 days	233	577	181
	489	805	224

Target Company

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Within 30 days	–	–	–
31 to 60 days	–	138	–
Over 60 days	–	90	181
	–	228	181

The credit term on trade payables is up to 90 days.

16(b) Due to the Ultimate Controlling Party and subsidiaries

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

17. BANK OVERDRAFTS

Target Group and Target Company

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Bank overdrafts – secured	22	365	510

The secured bank overdrafts are interest-bearing at prime rate or 5% per annum over the prime rate.

The bank overdrafts are guaranteed by the Ultimate Controlling Party.

18. INTEREST-BEARING BORROWINGS

Target Group

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing borrowings – secured	3,718	5,356	4,664

Target Company

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Interest-bearing borrowings – secured	2,851	4,417	3,364

The interest-bearing borrowings are wholly repayable within five years since its inception at 31 December 2016, 2017 and 2018. At 31 December 2016, 2017 and 2018, the interest-bearing borrowings carried fixed interest rate ranging from 4.44% to 6.0% per annum and weighted average effective interest rate of approximately 5.35%, 5.10% and 5.09% per annum, respectively.

The interest-bearing borrowings are guaranteed by the Ultimate Controlling Party and the Hong Kong Mortgage Corporation Limited.

In addition, the group entities' loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the group entities have complied with the covenants and met the scheduled repayment obligations. Therefore, the entire outstanding loan balances are classified as "current liabilities".

Target Group and Target Company

At the end of each reporting period, the Target Group leased certain motor vehicles under finance leases. The lease term is 60 months and the leases are secured by the lessors' charge over the leased assets. At 31 December 2016, 2017 and 2018, the weighted average effective interest rate of the obligations under finance leases of the Target Group and the Target Company was 4.55%, 4.55% and 4.29% per annum, respectively.

	Minimum lease payments At 31 December			Present value of minimum lease payments At 31 December		
	2016	**2017**	**2018**	**2016**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts payable:						
Within one year	131	131	240	116	120	222
In the second to fifth years inclusive	383	251	419	363	243	404
	514	382	659	479	363	626
Less: finance charges	(35)	(19)	(33)			
Present value of lease obligations	479	363	626			
Less: Amounts due for settlement within 12 months (Shown under current liabilities)				(116)	(120)	(222)
Amounts due for settlement after 12 months				363	243	404

20. DEFERRED TAXATION

Target Group

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	38	23	74
Deferred tax liabilities	(181)	(427)	(746)
Net deferred tax position	(143)	(404)	(672)

The movements during the Relevant Periods in the Target Group's net position of deferred tax were as follows:

	Tax losses	**Timing differences on income and expenses (including depreciation recognised)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	–	(116)	(116)
Income tax credit (expenses)	241	(265)	(24)
Exchange difference	(1)	(2)	(3)
Deferred tax assets (liabilities)	240	(383)	(143)
Offsetting	(202)	202	–
At 31 December 2016	38	(181)	(143)
At 1 January 2017	240	(383)	(143)
Income tax expenses	(183)	(74)	(257)
Exchange difference	1	(5)	(4)
Deferred tax assets (liabilities)	58	(462)	(404)
Offsetting	(35)	35	–
At 31 December 2017	23	(427)	(404)
At 1 January 2018	58	(462)	(404)
Income tax credit (expenses)	24	(293)	(269)
Exchange difference	(1)	2	1
Deferred tax assets (liabilities)	81	(753)	(672)
Offsetting	(7)	7	–
At 31 December 2018	74	(746)	(672)

The tax losses reflected in above deferred tax arising at the end of each reporting period which can be offset against future taxable profits of respective subsidiaries. The tax losses of approximately HK$1,454,000, HK$348,000 and HK$148,000 arising in Hong Kong and United Kingdom have no expiry date under current tax legislation at 31 December 2016, 2017 and 2018, respectively.

Target Company

The movements during the Relevant Periods in the Target Company's net position of deferred tax liability were as follows:

	Tax losses	Timing differences on income and expenses (including depreciation recognised)	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2016	–	(40)	(40)
Income tax credit (expenses)	200	(210)	(10)
At 31 December 2016	200	(250)	(50)
At 1 January 2017	200	(250)	(50)
Income tax expenses	(200)	(33)	(233)
At 31 December 2017	–	(283)	(283)
At 1 January 2018	–	(283)	(283)
Income tax expenses	–	(399)	(399)
At 31 December 2018	–	(682)	(682)

The tax losses reflected in above deferred tax arising at the end of each reporting period which can be offset against future taxable profits of the Target Company. The tax losses of approximately HK$1,215,000, nil and nil arising in Hong Kong have no expiry date under current tax legislation at 31 December 2016, 2017 and 2018.

21. SHARE CAPITAL

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Issued and fully paid:			
10,000 ordinary shares	10	10	10

22. RESERVES

22(a) Capital reserve

Capital reserve of the Target Group represents the aggregate amount of the paid-up share capital of the entities now comprising the Target Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

22(b) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for combinations.

22(c) Movements of the reserves of the Target Company

	Share capital	Capital reserve	Accumulated profits (loss)	Total
	HK$'000	*HK$000*	*HK$'000*	*HK$'000*
	(Note 21)	*(Note 22(a))*		
Year ended 31 December 2016				
At 1 January 2016	10	–	3,412	3,422
Loss for the year and total comprehensive loss for the year	–	–	(703)	(703)
At 31 December 2016	10	–	2,709	2,719
Year ended 31 December 2017				
At 1 January 2017	10	–	2,709	2,719
Profit for the year and total comprehensive income for the year	–	–	81	81
Transaction with owners:				
Contribution and distribution				
Dividends	–	–	(3,600)	(3,600)
At 31 December 2017	10	–	(810)	(800)
Year ended 31 December 2018				
At 1 January 2018	10	–	(810)	(800)
Profit for the year and total comprehensive income for the year	–	–	8,023	8,023
Transactions with owners:				
Contribution and distribution				
Dividends	–	–	(1,936)	(1,936)
Reorganisation	–	869	–	869
Total transactions with owners	–	869	(1,936)	(1,067)
At 31 December 2018	10	869	5,277	6,156

23. ADDITIONAL INFORMATION ON CASH FLOWS

23(a) Cash generated from (used in) operations

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	31	1,458	8,408
Depreciation	695	971	1,096
Finance costs	249	384	517
(Gain) Loss on disposal of property, plant and equipment	(477)	–	8
Impairment loss (Reversal of impairment loss) of trade receivables	13	124	(24)
Exchange differences	(25)	136	(155)
Changes in working capital:			
Trade and other receivables	(488)	(9,397)	1,218
Trade and other payables	490	5,636	(7,363)
Cash generated from (used in) operations	488	(688)	3,705

23(b) Major non-cash transactions

(i) During the years ended 31 December 2016 and 2018, the Target Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of approximately HK$545,000 and HK$454,000, respectively.

(ii) During the years ended 31 December 2017 and 2018, dividends of approximately HK$3,671,000 and HK$1,936,000, respectively, were settled through current accounts with the Ultimate Controlling Party, respectively.

23(c) Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Target Group's liabilities arising from financing activities are as follows:

			Non-cash changes	
	At 1 January 2016	**Net cash flows**	**Addition**	**At 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Interest-bearing borrowings	–	3,718	–	3,718
Obligations under finance leases	456	(522)	545	479
	456	3,196	545	4,197

	At 1 January 2017	Net cash flows	Non-cash changes Addition	At 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017				
Interest-bearing borrowings	3,718	1,638	–	5,356
Obligations under finance leases	479	(116)	–	363
	4,197	1,522	–	5,719

	At 1 January 2018	Net cash flows	Non-cash changes Addition	At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018				
Interest-bearing borrowings	5,356	(692)	–	4,664
Obligations under finance leases	363	(191)	454	626
	5,719	(883)	454	5,290

24. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, further information of the related party transaction is set out below.

(a) Remuneration for key management personnel (including director) of the Target Group:

	Year ended 31 December 2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowances and other benefits in kinds	1,367	1,513	373
Contributions to defined contribution plans	17	18	14
	1,384	1,531	387

Further details of the director's remuneration are set out in Note 8.

(b) Guarantee issued as securities for banking facilities granted to the Target Group

The Ultimate Controlling Party has provided unlimited personnel guarantees in respect of the bank overdrafts and interest-bearing borrowings obtained by the Target Group from a bank in Hong Kong as set out in Note 17 and Note 18 to the Historical Financial Information.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise current accounts with Ultimate Controlling Party, bank overdrafts, interest-bearing borrowings, obligations under finance leases and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Target Group's operations. The Target Group has various other financial instruments such as trade and other receivables/payables, which arise directly from its business activities.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Target Group generally adopt conservative strategies on its risk management and limit to the Target Group's exposure to these risks to a minimum level as follows:

Interest rate risk

The Target Group's exposure to market risk for changes in interest rates relates primarily to the Target Group's bank overdrafts of approximately HK$22,000, HK$365,000 and HK$510,000 with floating interest rate at 31 December 2016, 2017 and 2018, respectively. The Target Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rate has been 100 basis points higher/lower and all other variables were held constant, the Target Group's pre-tax results value would decrease/increase by approximately Nil, HK$4,000 and HK$5,000 for the years ended 31 December 2016, 2017 and 2018, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the Relevant Periods and had been applied to the exposure to interest rate risk for the closing balance of the bank overdrafts in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Target Group, resulting in a loss to the Target Group. The Target Group's credit risk is mainly attributable to trade and other receivables and bank balances and cash. The Target Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Target Group's maximum exposure to the credit risk is summarised as follows:

Target Group

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables	3,582	9,385	8,508
Bank balances and cash	2,489	3,187	4,546
	6,071	12,572	13,054

Trade receivables

The Target Group trades only with recognised, creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Target Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of two months.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Target Group's own trading records.

At 31 December 2016, 2017 and 2018, the Target Group had a concentration of credit risk as approximately 28.8%, 58.0% and 31.3% of the total trade receivables were due from the Target Group's largest trade debtor and its affiliated companies, respectively, and approximately 78.3%, 94.8% and 87.7% of the total trade receivables were due from the Target Group's five largest trade debtors and their affiliated companies, respectively.

The Target Group's customer base consists of a wide range of customer and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Target Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on historical observed loss rates over the expected life of the trade receivables and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the Relevant Periods.

At the end of each reporting period, the ageing analysis of the trade receivables of by due date is as follow:

Target Group

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not yet due	1,285	1,417	4,424
Past due:			
Within 30 days	932	3,238	1,420
31 to 60 days	458	1,354	1,132
61 to 90 days	108	840	119
Over 90 days	6	2,005	736
	2,789	8,854	7,831
Loss allowance	(27)	(156)	(132)
	2,762	8,698	7,699

Target Company

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Not yet due	129	113	2,996
Past due:			
Within 30 days	592	1,316	784
31 to 60 days	173	161	589
61 to 90 days	30	164	99
Over 90 days	6	1,903	730
	930	3,657	5,198
Loss allowance	(10)	(43)	(90)
	920	3,614	5,108

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is as follows:

Target Group

	At 31 December		
	2016	**2017**	**2018**
Expected loss rate	0.97%	1.76%	1.69%
Gross carrying amount *(HK$'000)*	2,789	8,854	7,831
Loss allowance *(HK$'000)*	27	156	132

Target Company

	At 31 December		
	2016	**2017**	**2018**
Expected loss rate	1.08%	1.17%	1.73%
Gross carrying amount *(HK$'000)*	930	3,657	5,198
Loss allowance *(HK$'000)*	10	43	90

The Target Group and Target Company do not hold any collateral over trade receivables at 31 December 2016, 2017 and 2018.

The movement in the loss allowance for trade receivables is as follows:

Target Group

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the reporting period	14	27	156
Impairment loss (Reversal of impairment loss) of trade receivables	13	124	(24)
Exchange realignments	–	5	–
At the end of the reporting period	27	156	132

At 31 December 2017, mainly due to an increase in trade receivables resulted in an addition in loss allowance.

At 31 December 2018, mainly due to a decrease in trade receivables resulted in a reversal in loss allowance.

Target Company

	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
At the beginning of the reporting period	12	10	43
(Reversal of impairment loss) Impairment loss of trade receivables	(2)	33	47
At the end of the reporting period	10	43	90

At 31 December 2017 and 2018, mainly due to an increase in trade receivables resulted in an addition in loss allowance.

Other receivables

The management considers that the amounts due from the Ultimate Controlling Party and other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

Bank balances and cash

The management considers the credit risk in respect of bank balances and cash is minimal because the counter-parties are authorised financial institutions with high credit ratings.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility. The Target Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Target Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1-2 years	2-5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016					
Trade and other payables	1,761	1,761	1,761	–	–
Bank overdrafts	22	22	22	–	–
Interest-bearing borrowings *(Note (i))*	3,718	3,718	3,718	–	–
Obligations under finance leases	479	514	131	263	120
	5,980	6,015	5,632	263	120
At 31 December 2017					
Trade and other payables	7,463	7,463	7,463	–	–
Bank overdrafts	365	365	365	–	–
Interest-bearing borrowings *(Note (i))*	5,356	5,356	5,356	–	–
Obligations under finance leases	363	382	131	251	–
	13,547	13,566	13,315	251	–
At 31 December 2018					
Trade and other payables	2,003	2,003	2,003	–	–
Bank overdrafts	510	510	510	–	–
Interest-bearing borrowings *(Note (i))*	4,664	4,664	4,664	–	–
Obligations under finance leases	626	658	240	337	81
	7,803	7,835	7,417	337	81

Note:

(i) The amounts repayable under certain bank loan agreements that include a clause that gives the banks unconditional rights to call the loans at any time are classified under the category of "Less than 1 year or on demand". However, the management does not expect that the banks would exercise such rights to demand repayment and thus these borrowings, which include the related interest, would be repaid according to the above schedule as set out in the loan agreements.

	At 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Less than 1 year or on demand	1,454	2,033	2,062
1-2 years	2,101	2,845	2,727
2-5 years	896	1,468	542
	4,451	6,346	5,331

26. FAIR VALUE MEASUREMENTS AND DISCLOSURES

At the end of each reporting period during the Relevant Periods, the Target Group did not have any assets and liabilities that were measured at fair value.

The management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost approximate their fair values.

27. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for equity holders. The Target Group actively and regularly reviews, manages and maintains its capital structure at optimal, by taking into consideration the future capital requirements of the Target Group and making adjustments, including payment of dividends to equity holders, return of capital to equity holders or call for additional capital from equity holders or sale of assets to reduce debts. No changes were made in the Target Group's objectives, policies or processes in managing capital during the Relevant Periods.

28. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2018 and up to the date of this report.

This discussion of the financial position and results of operations of the Target Group is based upon and should be read in conjunction with the Accountants' Report of the Target Group set out in Appendix II to this circular.

RESULTS OF OPERATIONS

The following table sets forth a summary of the financial results of the Target Group for the three years ended 31 December 2016, 2017 and 2018.

	Year ended 31 December		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	53,128	65,285	68,973
Cost of services and materials sold	(47,869)	(56,816)	(54,314)
Gross profit	5,259	8,469	14,659
Other income	1,177	280	98
Administrative expenses	(6,143)	(6,783)	(5,856)
(Impairment Loss) Reversal of impairment loss of trade receivables	(13)	(124)	24
Finance costs	(249)	(384)	(517)
Profit before tax	31	1,458	8,408
Income tax expense	(40)	(359)	(1,109)
(Loss)/Profit for the year	(9)	1,099	7,299

Business

The Target Group is principally engaged in the provision of IT Services. Please refer to the section headed "Letter from the Board – Information of the Vendor and the Target Group" in this circular for the business information of the Target Group.

Revenue

The Target Group's revenue represents income from providing IT outsourcing services, IT consultancy and technical services and sales of hardware products during the three years ended 31 December 2016, 2017 and 2018.

Cost of services and materials sold

Cost of services and materials sold mainly consists of direct cost, sub-contractor fee and staff costs for IT personnel.

Gross profit

Gross profit is equal to revenue less cost of sales. Gross profit margin is equal to gross profit divided by revenue. The gross profit margins of the Target Group for the years ended 31 December 2016, 2017 and 2018 were approximately 9.9 %, 13.0 %, and 21.3 % respectively.

Other income

Other income primarily includes (i) IT miscellaneous income; (ii) gain on disposal of property, plant and equipment; and (iii) sundry income.

IT miscellaneous income mainly represents income from providing IT training to the staff of several customers.

Administrative expenses

Administrative expenses consist primarily of (i) directors' emoluments and staff cost for administrative personnel; (ii) depreciation of property, plant and equipment; and (iii) other expenses associated with the Target Group's general administrative activities.

(Impairment loss) Reversal of impairment loss of trade receivables

The amount represents the movements in the loss allowance for trade receivables calculated based on the expected credit loss rate applicable to the Target Group.

Finance costs

Finance costs are interest on bank overdrafts and borrowings and finance charges on obligations under finance leases.

Income tax expense

The Target Group is subject to incomes taxes in Hong Kong, Malaysia, Singapore and the United Kingdom and details of the applicable tax rates under the respective jurisdictions are set out in Appendix II to this circular.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

The year ended 31 December 2018 compared against the year ended 31 December 2017

Revenue

The Target Group reported sales of approximately HK$68,973,000 for the year ended 31 December 2018, almost flat with the amount for the year ended 31 December 2017.

Cost of services and materials sold

The cost of services and materials sold for the year ended 31 December 2018 was approximately HK$54,314,000 representing a decrease of 4.4% as compared to the amount in 2017. The decrease was mainly attributable to the ERP System adopted during the year ended 31 December 2018, which enhanced the business efficiency and lowered staff costs of the Target Group.

Gross profit

As a result of the foregoing, gross profit increased by approximately 73.1% from approximately HK$8,469,000 for the year ended 31 December 2017 to approximately HK$14,659,000 for the year ended 31 December 2018. Gross profit margin was approximately 13.0% and 21.3% for the year ended 31 December 2017 and 2018 respectively.

Other income

Other income decreased by approximately 65 % from approximately HK$280,000 for the year ended 31 December 2017 to approximately HK$98,000 for the year ended 31 December 2018. The decrease was primarily due to the absence of the reported net exchange gain recognised in year 2017.

Administrative expenses

Administrative expenses decreased by approximately 13.7% from approximately HK$6,783,000 for the year ended 31 December 2017 to approximately HK$5,856,000 for the year ended 31 December 2018, primarily due to the decrease in director's remuneration.

Finance costs

Finance costs increased from approximately HK$384,000 for the year ended 31 December 2017 to approximately HK$517,000 for the year ended 31 December 2018, mainly due to the increase in average outstanding loan balance during the year ended 31 December 2018 as compared to the year ended 31 December 2017.

Income tax expense

The Target Group incurred income tax expenses of approximately HK$359,000 and HK$1,109,000 for the year ended 31 December 2017 and 2018 respectively and the increase in the income tax expenses was in line with the increase in profit of the Target Group for the year.

Profit for the year

As a result of the foregoing, profit for the year ended 31 December 2018 increased from approximately HK$1,099,000 for the year ended 31 December 2017 to approximately HK$7,299,000 for the year ended 31 December 2018.

The year ended 31 December 2017 compared against the year ended 31 December 2016

Revenue

The revenue for the year ended 31 December 2017 was approximately HK$65,285,000, representing an increase of approximately 22.9% as compared to the revenue for the year ended 31 December 2016 of approximately HK$53,128,000. The increase was mainly due to the entering into of the contracts with several new customers during the year.

Cost of services and materials sold

The cost of services and materials sold for the year ended 31 December 2017 was approximately HK$56,816,000 representing an increase of 18.7% as compared to the amount of approximately HK$47,869,000 for the year ended 31 December 2016. The increase was in line with the increase in revenue during the year.

Gross profit

As a result of the foregoing, gross profit increased by approximately 61.0% from approximately HK$5,259,000 for the year ended 31 December 2016 to approximately HK$8,469,000 for the year ended 31 December 2017. Gross profit margin was approximately 9.9% and 13.0% for the year ended 31 December 2016 and 2017 respectively.

Other income

Other income decreased from approximately HK$1,177,000 for the year ended 31 December 2016 to approximately HK$280,000 for the year ended 31 December 2017. The decrease was primarily resulted from the absence of the gain on disposal of property, plant and equipment and IT miscellaneous income during the year ended 31 December 2017 as compared to the amount for the year ended 31 December 2016.

Administrative expenses

Administrative expenses increased by approximately 10.4% from approximately HK$6,143,000 for the year ended 31 December 2016 to approximately HK$6,783,000 for the year ended 31 December 2017, primarily due to the increase in (i) depreciation expenses of property, plant and equipment; and (ii) director's remuneration during the year.

Finance costs

Finance costs increased from approximately HK$249,000 for the year ended 31 December 2016 to approximately HK$384,000 for the year ended 31 December 2017 as a result of the increase in bank borrowings of the Target Group from approximately HK$3,718,000 as at 31 December 2016 to approximately HK$5,356,000 as at 31 December 2017.

Income tax expense

The Target Group incurred income tax expenses of approximately HK$40,000 and HK$359,000 for the year ended 31 December 2016 and 2017 respectively and the increase in the income tax expenses was in line with the increase in profit of the Target Group for the year.

(Loss)/Profit for the year

As a result of the foregoing, profit for the year recorded a turnaround to approximately HK$1,099,000 for the year ended 31 December 2017 from a loss of approximately HK$9,000 for the year ended 31 December 2016.

CERTAIN BALANCE SHEET ITEMS

Property, plant and equipment

Property, plant and equipment was a key component of the Target Group's non-current assets.

As at 31 December 2016, 2017 and 2018, the property, plant and equipment of the Target Group was approximately HK$3,141,000, HK$2,197,000, and HK$1,680,000 respectively, which mainly comprised computer and equipment, motor vehicles and furniture, fixtures and office equipment.

Trade and other receivables

Trade and other receivables primarily consist of trade and other receivables.

Trade receivables were related to the provision of services and products sold on credit and the payment not yet received.

As at 31 December 2016, 2017 and 2018, the Target Group had trade receivables amounting to approximately HK$2,762,000, HK$8,698,000, and HK$7,699,000 respectively.

The Target Group grants a credit period of not more than 60 days normally to its trade customers for the three years ended 31 December 2016, 2017 and 2018. None of the trade receivables were past due nor impaired.

Other receivables mainly comprised deposits and prepayments and amount due from the Vendor. As at 31 December 2016, 2017 and 2018, the Target Group had other receivables amounting to approximately HK$2,060,000, HK$1,824,000 and HK$1,538,000 respectively, of which approximately HK$685,000, HK$523,000 and Nil were due from the Vendor as at the end of the respective year end.

Liquidity and Financial Resources and Capital Structure

The Target Group generally relies on cash generated from business operations and bank borrowings to finance its day-to-day operations.

As at 31 December 2016, 2017 and 2018, the Target Group's bank balances and cash were approximately HK$2,489,000, HK$3,187,000, and HK$4,546,000 respectively.

The Target Group reported net assets of approximately HK$4,158,000, HK$1,697,000, and HK$6,622,000 respectively as at 31 December 2016, 2017 and 2018. The current ratios (represented by current assets as a ratio of current liabilities) of the Target Group were approximately 1.26, 1.01, and 1.77 as at 31 December 2016, 2017 and 2018 respectively.

Borrowings

Borrowings of the Target Group mainly represented short terms bank borrowings of approximately HK$3,718,000, HK$5,356,000, and HK$4,664,000 as at 31 December 2016, 2017 and 2018 respectively. The bank borrowings of the Target Group are denominated in HK$.

The weighted average effective interest rate of borrowings as at 31 December 2016, 2017 and 2018 was approximately 5.35%, 5.10%, and 5.09% per annum, respectively.

Details of borrowings are set out in note 18 to the Accountants' Report on the Target Group in Appendix II to this circular.

Gearing Ratio

The gearing ratio, represented by total liabilities as a percentage of total assets, was approximately 60.36 %, 89.35 %, and 57.57 % as at 31 December 2016, 2017 and 2018, respectively.

Material Acquisitions and Disposals

There was no major acquisition or disposal by the Target Group during the period from 1 January 2016 to 31 December 2018.

Employment and Remuneration Policy

The Target Group remunerated its employees by reference to their qualification, experience, responsibilities, profitability of the Target Group. Remuneration policy is determined based on the staff's performance, qualification, experience and market conditions. The Target Group also provided the comprehensive benefits packages which includes retirement schemes, medical insurance, other insurances, in-house training and on-the-job training.

As at 31 December 2016, 2017 and 2018, the Target Group had a total of 116, 131, and 123 employees respectively. During the year ended 31 December 2016, 2017 and 2018, the staff costs excluding director's remuneration was approximately HK$37,710,000, HK$35,349,000 and HK$31,432,000 respectively, which mainly included wages and salaries, staff welfare and contributions to various government employees' benefits plans. Directors' emoluments for the year ended 31 December 2016, 2017 and 2018 was approximately HK$1,384,000, HK$1,531,000 and HK$387,000 respectively.

Foreign Exchange Exposure

The Target Group mainly operates in Hong Kong, Singapore, United Kingdom and Malaysia and is exposed to foreign exchange risk arising from primarily with respect to British Pound, Singapore Dollars and Malaysian Ringgit arising from the commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Target Group did not hedge the foreign exchange risks during the years ended 31 December 2016, 2017 and 2018. The Target Group periodically reviews liquid assets and liabilities held in currencies other than HK$ to evaluate its foreign exchange exposure and consider the usage of hedging instruments when necessary.

Contingent Liabilities

The Target Group had no contingent liabilities as at 31 December 2016, 2017 and 2018 respectively.

Capital Structure

As disclosed in the Accountants' Report of the Target Group contained in Appendix II to this circular, the Target Group has undergone a reorganisation, which the Target Company became the holding company of the Target Group since September 2018 (the "**Reorganisation**"). Prior to the Reorganisation, the Target Company and the subsidiaries were directly wholly-owned by the Vendor. The paid-in share capital of each member of the Target Group remained unchanged during the years ended 31 December 2016, 2017 and 2018, respectively.

Significant Investments, Capital Expenditures and Commitments

The additions of capital expenditures for the year ended 31 December 2016, 2017 and 2018 were approximately HK$3,295,000, HK$26,000 and HK$588,000 respectively. The additions of capital expenditures mainly consisted of computer and equipment, motor vehicles and furniture, fixtures and office equipment. Save for the additions to property, plant and equipment, there was no other significant investment made or held by the Target Group during the years from 1 January 2016 to 31 December 2018. As at 31 December 2016, 2017 and 2018, the Target Group had no significant capital commitments.

Pledged Assets

The Target Group did not pledge any assets in respect of its borrowings for the years ended 31 December 2016, 2017 and 2018.

Prospect

The Target Group will continue focusing its business on providing IT consulting and technical services and IT outsourcing services and effectively manage the cost and optimise the performance.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

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

12 April 2019

The Board of Directors
Nan Nan Resources Enterprise Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nan Nan Resources Enterprise Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of financial position at 31 December 2018 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix IV to the circular in connection with the proposed acquisition into Harbour Group Holdings Limited ("**Harbour Group**") and its subsidiaries (the "**Target Group**", together with the Group hereinafter collectively referred to as the "**Enlarged Group**") (the "**Proposed Acquisition**") dated 12 April 2019 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Enlarged Group's combined financial position at 31 December 2018 as if the Proposed Acquisition had taken place on 31 December 2018. As part of this process, information about the Group's financial position at 30 September 2018 has been extracted by the Directors from the Group's interim report for the six months ended 30 September 2018 as set out in the interim report of the Company dated 21 November 2018 on which review report has been published. Information about the audited financial position of Target Group at 31 December 2018 has been extracted by the Directors from Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

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

Reporting accountants' independence and quality control

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

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

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Enlarged Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2018 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

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

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

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The following is an illustrative unaudited pro forma financial information of Nan Nan Resources Enterprise Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), Harbour Group Holdings Limited ("**Harbour Group**") and its subsidiaries (collectively referred to as the "**Target Group**", together with the Group hereinafter collectively referred to as the "**Enlarged Group**"), comprising the unaudited pro forma combined statement of financial position of the Enlarged Group at 31 December 2018, has been prepared by the directors of the Company (the "**Directors**") for the purpose of illustrating the effect of the proposed acquisition of the Target Group (the "**Proposed Acquisition**").

The unaudited pro forma financial information is prepared based on the unaudited condensed consolidated statement of financial position of the Group at 30 September 2018 as extracted from the interim report of the Group for the six months ended 30 September 2018 and the audited combined statement of financial position of Target Group at 31 December 2018 as extracted from Appendix II to the Circular.

The unaudited pro forma financial information is presented after making pro forma adjustments that are directly attributable to the Proposed Acquisition and not relating to future events or decisions, factually supportable and clearly identified as to those adjustments which are expected to have/have no continuing effect on the Enlarged Group.

The unaudited pro forma financial information has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Proposed Acquisition pursuant to the terms of Sale and Purchase Agreement (as defined in this Circular) dated 11 March 2019 is based on a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, it may not give a true picture of the combined statement of financial position of the Enlarged Group had the Proposed Acquisition been completed as of 31 December 2018, or any future date.

The unaudited pro forma financial information should be read in conjunction with the historical financial information of the Group as set out in the interim report dated 21 November 2018 of the Group for the six months ended 30 September 2018, the Accountants' Report of the Target Group as set out in Appendix II to the Circular and the Financial Information of the Group as set out in Appendix I to the Circular.

2. UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group At 30 September 2018	The Target Group At 31 December 2018	Pro forma adjustments			The Enlarged Group At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	8,137	1,680	–	–	–	9,817
Intangible assets	19,309	–	–	–	–	19,309
Goodwill	–	–	34,356	(6,979)	–	27,377
Deposits paid for acquisition of subsidiaries	2,500	–	–	–	–	2,500
Prepayments for acquisition of property, plant and equipment	28,349	–	–	-	–	28,349
Security deposit	5,389	–	–	–	–	5,389
Non-refundable deposits	2,380	–	–	–	–	2,380
Deferred tax assets	1,769	74	–	–	–	1,843
Contingent consideration receivables	–	–	2,717	–	–	2,717
	67,833	1,754	37,073	(6,979)	–	99,681
Current assets						
Inventories	11,810	–	–	–	–	11,810
Trade and other receivables	5,779	9,237	–	–	–	15,016
Tax recoverable	–	70	–	–	–	70
Restricted bank balances	75,968	–	–	–	–	75,968
Bank balances and cash	355,559	4,546	(28,512)	–	–	331,593
	449,116	13,853	(28,512)	–	–	434,457
Current liabilities						
Trade and other payables	55,857	2,003	–	–	3,384	61,244
Bank overdrafts	–	510	–	–	–	510
Income tax payables	2,289	436	–	–	–	2,725
Interest-bearing borrowings	68,031	4,664	–	–	–	72,695
Promissory notes	–	–	2,347	–	–	2,347
Obligations under finance leases	–	222	–	–	–	222
	126,177	7,835	2,347	–	3,384	139,743
Net current assets	322,939	6,018	(30,859)	–	(3,384)	294,714
Total assets less current liabilities	390,772	7,772	6,214	(6,979)	(3,384)	394,395

	The Group At 30 September 2018	The Target Group At 31 December 2018	Pro forma adjustments			The Enlarged Group At 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current liabilities						
Obligations under finance leases	–	404	–	–	–	404
Convertible bond designated as financial liabilities at fair value through profit or loss	203,094	–	–	–	–	203,094
Promissory notes	–	–	4,205	–	–	4,205
Provision for close down, restoration and environmental costs	2,810	–	–	–	–	2,810
Deferred tax liabilities	–	746	–	–	–	746
	205,904	1,150	4,205	–	–	211,259
NET ASSETS	184,868	6,622	2,009	(6,979)	(3,384)	183,136
Capital and reserves						
Share capital	76,537	10	2,009	(2,019)	–	76,537
Reserves	108,331	6,612	–	(6,612)	(3,384)	104,947
Equity attributable to equity holders of the Company	184,868	6,622	2,009	(8,631)	(3,384)	181,484
Non-controlling interests	–	–	–	1,652	–	1,652
TOTAL EQUITY	184,868	6,622	2,009	(6,979)	(3,384)	183,136

3. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The balances of the Group at 30 September 2018 are extracted, without adjustments, from the interim report dated 21 November 2018 of the Group for the six months ended 30 September 2018.

2. The balances of the Target Group at 31 December 2018 are extracted, without adjustment, from the Accountants' Report of the Target Group as set out in Appendix II to the Circular.

3. The pro forma adjustments represent the total consideration payable by the Group to acquire 80.86% interests in Target Group. Pursuant to the Sales and Purchase Agreement and Subscription Agreement (as defined in this Circular), the total consideration of HK$37,720,800 (the "**Consideration**") for the Proposed Acquisition includes consideration of HK$35,712,000 ("**1st Consideration**") and HK$2,008,800 ("**2nd Consideration**") in accordance to the Sales and Purchase Agreement and Subscription Agreement, respectively, and which would be satisfied by:

   1st Consideration

   i. cash of HK$3,571,200 has been paid by the Group to the Vendor (as defined in this Circular) on 11 March 2019;

   ii. cash of HK$24,940,800 to be paid by the Group to the Vendor on the date of the Sale and Purchase Completion (as defined in this Circular); and

   iii. Promissory Notes (as defined in this Circular) of HK$7,200,000 to be issued by the Group to the Vendor on the date of the Sale and Purchase Completion.

   2nd Consideration

   i. cash of HK$2,008,800 to be paid by the Group for the subscription of new shares of the Target Company on the date of the Subscription Completion (as defined in this Circular).

For the purposed of the unaudited pro forma financial information, the following adjustments have been made to reflect the settlement of the consideration:

	Face value	Fair value as at 31 December 2018
	HK$'000	*HK$'000*
1st Consideration		
Cash	28,512	28,512
Promissory Notes	7,200	6,552
		35,064
2nd Consideration		
Cash	2,009	2,009
Consideration *(note a)*		37,073
Less:		
Fair value of contingent consideration receivables *(note b)*		(2,717)
Net consideration (fair value)		34,356

Notes:

a. The Directors have engaged an independent valuer, Peak Vision Appraisals Limited ("**PVA**"), to determine the fair value of the Consideration and contingent consideration receivables, in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 13 "*Fair Value Measurement*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). PVA has reviewed the methodologies and the key valuation parameters adopted.

   The fair value of the Promissory Notes included in the Consideration is valued by discounted cash flow method. Key valuation parameters include discount rates. With respect to the cash settlement, PVA has considered that its carrying value approximates its fair value because of its short term nature.

b. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to guarantee to the Group that the Net Profit (as define in this Circular) for each of the financial years ended/ending 31 December 2018, 2019 and 2020 (each such 12-month period is referred to as a "**PG 12-Month Period**") shall be no less than HK$7,200,000.00 per annum (the "**Guaranteed Profit**"). In the event that the Net Profit during the PG-12 Month Period is less than the Guaranteed Profit, the Vendor unconditionally and irrevocably undertakes and guarantees, as a continuing obligation, to pay such shortfall multiplying the ratio (1.13) (the "**Shortfall Amount**") presented as below:

   Shortfall Payment = 1.13 x (Guaranteed Profit – Net Profit)

   In the opinion of the Directors, this profit guarantee is for the exchange of control for the Target Group and therefore considered as contingent consideration receivables and measured at fair value. Subsequent changes to the fair value of the contingent consideration receivables will be recognised in profit or loss of the Enlarged Group.

The valuation of the contingent consideration receivables is valued by PVA in accordance with HKFRS 13 and is mainly based on the latest audited financial information of the Target Group for the year ended 31 December 2018 and the Target Group's financial performance forecast for the years ending 31 December 2019 and 2020 prepared by the management of the Target Group. Accordingly, the fair value of the contingent consideration receivable is estimated to be approximately HK$2,717,000. Monte Carlo Simulation Method is used for the valuation of contingent consideration receivables which is commonly-adopted in the market.

The value of contingent receivables is derived from the cash flow compensation as a result of the possibility of failure to meet the Guaranteed Profit by the Target Group. As such, PVA adopted the Monte Carlo Simulation Method, which is a path dependent model to consider the probability weighted distribution of the possible outcomes and factors the volatility of these outcomes. The Monte Carlo Simulation Method is one of the most commonly adopted valuation methodologies to value contingent receivable or profit guarantee.

It was first introduced to finance in 1964 by David B. Hertz through his Harvard Business Review article, and in 1977, Prelim Boyle pioneered the use of simulation in derivative valuation in his seminal Journal of Financial Economics paper.

The Vendor shall pay to the Group the Shortfall Amount by way of cash and/or setting off the same amount from the amount owed by the Company under the Promissory Notes (to the extent of the principal amount of each Promissory Note) after the audited financial statements are issued by the auditors of the Target Group for the relevant PG-12 Month Period.

In the event that the Net Profit for the PG-12 Month Period exceeds the Guaranteed Profit, such excess amount shall not be carried forward to meet the Guaranteed Profit for the subsequent period.

4. The pro forma adjustments represent the recognition of goodwill arising from the Proposed Acquisition derived from the calculation as follows:

	HK$'000
Net consideration (fair value) *(Note 3)*	34,356
Less:	
Fair values of the identifiable net assets of the Target Group acquired	
– before Subscription Completion	6,622
– cash received upon Subscription Completion	2,009
	8,631
Attributable to the non-controlling interests*	(1,652)
Attributable to the Group	6,979
Goodwill arising from the Proposed Acquisition	27,377

* The non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of the Target Group.

For the purpose of preparing the unaudited pro forma financial information, the Directors assessed that the fair values of the identifiable assets and liabilities of the Target Group approximated to their carrying amount at 31 December 2018.

The goodwill arising from the Proposed Acquisition, being the excess of the fair value of the net consideration over the fair values of the identifiable net assets of the Target Group and adjusted for the non-controlling interests. Upon completion of the Proposed Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with HKFRS 3 (Revised) "*Business Combination*" issued by the HKICPA. The Directors consider the recognition of goodwill by the Enlarged Group is attributable to the growth and profit potential as a result of benefiting from the growing demand in the information technology outsourcing, consultancy and technical services business ("**IT Services Business**") of the Target Group. However, in the opinion of the Directors, the fair value of the growth and profit potential cannot be reasonably estimated and thus no individual intangible assets have been recognised. None of the goodwill recognised is expected to be deductible for income tax purpose.

The fair value of the identifiable assets and liabilities of the Target Group used in the preparation of the unaudited pro forma financial information are subject to changes up to the completion of the Proposed Acquisition and is to be re-assessed on the date of completion of the Proposed Acquisition. Consequently, the actual allocation of the consideration, the resulting goodwill to be recognised in connection with the Proposed Acquisition at the completion date could be materially different from the estimated amounts stated herein and will likely result in different amounts than those stated in the unaudited pro forma financial information.

For the purpose of the unaudited pro forma financial information, the Directors have made an assessment on whether there is any impairment in respect of the goodwill arising from the Proposed Acquisition with reference to Hong Kong Accounting Standard ("**HKAS**") 36 "*Impairment of Assets*" issued by the HKICPA. With respect to the impairment assessment for goodwill, the Directors assume that, upon the completion of the Proposed Acquisition, all of the business of the Target Group will be within IT Services Business cash generating unit (the "**IT Services CGU**") and have engaged PVA to assist them to assess whether there is any impairment of goodwill in the IT Services CGU.

With reference to a recoverable amount assessment based on the higher of (i) business valuation of the Target Group determined by adopting the market approach Guideline Public Company method as stated in a valuation report issued by PVA as set out in Appendix V of the Circular and (ii) 5-years discounted cash-flow analysis of the Target Group, the Directors concluded that there would be no impairment in respect of goodwill in the IT Services CGU at 31 December 2018.

The Directors consider such valuation method is appropriate to be used in determining the recoverable amount of goodwill in the IT Services CGU for impairment analysis under HKAS 36 issued by the HKICPA, which is consistent with the accounting policies of the Group. In addition, unless there is significant change in the circumstances, the Group will adopt consistent accounting policies and valuation method to assess the impairment of goodwill in the IT Services CGU in subsequent reporting periods in accordance with the requirements of HKAS 36.

The adjustments relating to purchase price allocation also included the consolidation entries for the elimination of share capital and reserves of the Target Group and are non-recurring in nature.

5. The pro forma adjustments represent acquisition-related costs (including advisory, legal, accounting, valuation and other professional fees) of approximately HK$3,384,000 which will be expensed in profit or loss of the Group upon the completion and are non-recurring in nature.

6. Save as set out above, the unaudited pro forma financial information does not take into account any trading results or other transactions of the Enlarged Group subsequent to 31 December 2018.

The following is the text of a valuation report, prepared for the purpose of incorporation in this circular received from Peak Vision Appraisals Limited, an independent valuer in connection with the valuation of the Target Company as at 31 January 2019.

Peak Vision
Appraisals Limited
Unit 702, 7th Floor, Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong
www.peakval.com
Tel (852) 2187 2238
Fax (852) 2187 2239

12 April 2019

The Board of Directors
Nan Nan Resources Enterprise Limited
8th Floor, Tower 2
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Dear Sirs,

RE: VALUATION OF 100% EQUITY INTEREST OF HARBOUR GROUP HOLDINGS LIMITED AND ITS SUBSIDIARIES

In accordance with your instruction, we have conducted a valuation of the market value of 100% equity interest of Harbour Group Holdings Limited (the "**Business Enterprise**") and its subsidiaries (collectively, the "**Group**"). It is our understanding that the Group is principally engaged in the provision of information technology consultancy services in Hong Kong, Malaysia, Singapore and the United Kingdom. We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Group as at 31 January 2019 (the "**Valuation Date**").

The following report states the purpose of valuation and basis of value, sources of information, identifies the business valued, describes the methodology of our valuation, investigation and analysis, assumptions and limiting conditions, and presents our opinion of value.

1.0 PURPOSE OF VALUATION

This report is being prepared for the use of the directors and management (together, the "**Management**") of Nan Nan Resources Enterprise Limited (the "**Company**") for internal reference and incorporation into the circular of the Company. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. As advised, the Company is considering the proposed acquisition of 8,000 shares of the issued shares of the Business Enterprise (the "**Proposed Acquisition**") and to subscribe 450 new shares of the Business Enterprise (the "**Proposed Subscription**"), representing a total equity interest of approximately 80.86% of the Business Enterprise after the completion of the Proposal Acquisition and the Proposed Subscription (together, the "**Proposed Transactions**").

Peak Vision Appraisals Limited ("**Peak Vision Appraisals**") acknowledges that this report may be used by the Company as one of the sources of information for the Proposed Transactions. The Proposed Transactions, if materialised, and the corresponding transaction price would be the result of negotiations between the transacting parties. The Management should be responsible for determining the consideration of the Proposed Transactions, in which Peak Vision Appraisals is not involved in the negotiation and has no comment on the agreed consideration. Peak Vision Appraisals assumes no responsibility whatsoever to any person other than the Management in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report, they do so entirely on their own risk.

2.0 BASIS OF VALUE

Our valuation has been prepared in accordance with the HKIS Valuation Standards 2017 (the "**HKIS Valuation Standards**") published by the Hong Kong Institute of Surveyors and the International Valuation Standards 2017 (the "**IVS**") published by the International Valuation Standards Council.

Our valuation of the 100% equity interest of the Group is based on the going concern premise and conducted on a market value basis. *Market Value* is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

3.0 SOURCES OF INFORMATION

In the course of our valuation, we have conducted company visit of the Business Enterprise in November 2018 and had discussions with the Management on the development of the Group. We have also relied on the following major documents and information in the valuation analysis. Some of the information and materials have been provided by the Management. Other information is extracted from public sources such as government sources, Thomson Reuters, Duff & Phelps, LLC, etc.

The major documents and information include the following:

- Company profile of the Group;
- Copies of certificate(s) or licence(s) and other relevant information of the Group provided by the Management or extracted from public sources;
- Historical financial information such as income statements and balance sheets and the audited financial statements of the Group for the year ended 31 December 2018;

- Copies of agreements and contracts entered into by the Group;

- Operational information of the Group as discussed with the Management; and

- Industry and economic data.

We consider that we have obtained adequate information from the sources described above to provide a reliable opinion of market value.

4.0 LIMITATIONS AND RELIANCE ON INFORMATION

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

This report is based upon financial, business and other information provided by the Management. We have made reference to or reviewed the above information and data and assumed such information and data are true and accurate without independent verification except as expressly described herein. We have made reasonable enquiries and exercised our judgment on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Preparation of this report does not imply that Peak Vision Appraisals has audited in any way the financial information or other records of the Group. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and have been prepared in a manner which truly and accurately reflects the financial positions of the Group as at the respective financial statement dates.

5.0 THE GROUP

The business registration details of the Group are set out as follows:

5.1 Business Enterprise

Harbour Group Holdings Limited (the Business Enterprise) is a limited liability company incorporated in Hong Kong on 27 April 2006 with CR Number 1041272. The Business Enterprise is the holding company of the subsidiaries of the Group and is engaged in the provision of information technology (“**IT**”) consultancy services. As advised by the Management, the Business Enterprise had 39 technical consultants as at 31 December 2018.

5.2 Subsidiaries

Harbour Group (Singapore) Pte. Limited is a limited liability company incorporated in Singapore on 26 January 2015 with company number 201502466N. According to our understanding, the subsidiary is principally engaged in the provision of IT consultancy services in Singapore. As advised by the Management, the subsidiary had 6 technical consultants as at 31 December 2018.

Harbour Group Consulting (UK) Limited is a limited liability company incorporated in the United Kingdom on 4 June 2015 with company number 9624661. According to our understanding, the subsidiary is principally engaged in the provision of IT consultancy services in the United Kingdom. As advised by the Management, the subsidiary had 1 technical consultant as at 31 December 2018.

HGH Technology Sdn. Bhd. is a limited liability company incorporated in Malaysia on 12 July 2013 with company number 1054052-P. According to our understanding, the subsidiary is principally engaged in the provision of IT consultancy services in Malaysia. As advised by the Management, the subsidiary had 47 technical consultants as at 31 December 2018.

Vanguard Business Services Limited is a limited liability company incorporated in Hong Kong on 17 October 2007 with CR number 1176548. According to our understanding, the subsidiary is principally engaged in the provision of IT consultancy services in Hong Kong. As advised by the Management, the subsidiary had 9 technical consultants as at 31 December 2018.

Mountain Managed Cloud Consulting Limited is a limited liability company incorporated in Hong Kong on 20 December 2016 with CR number 2466713. According to our understanding, the subsidiary is principally engaged in the provision of IT consultancy services in Hong Kong. As advised by the Management, the subsidiary had 1 technical consultant as at 31 December 2018.

5.3 Shareholding Structure

As advised, the shareholding structure of the Group as at the Valuation Date is tabulated in the following figure:

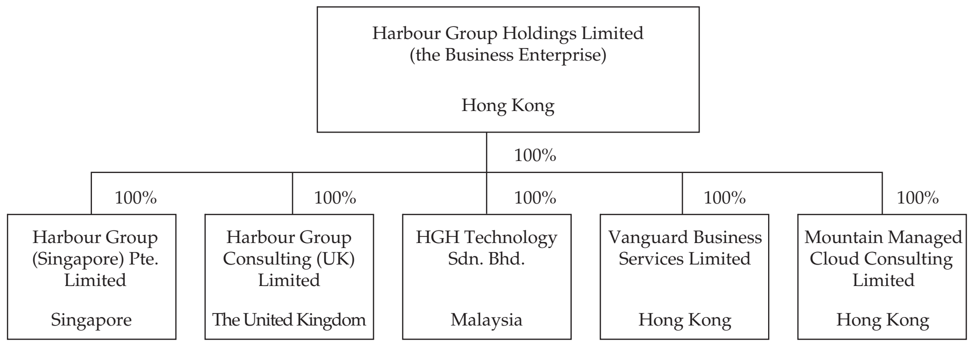

Figure 1: Shareholding structure of the Group

Source: Management

6.0 BUSINESS OVERVIEW

The Group is principally engaged in the provision of IT consultancy services in Hong Kong, Malaysia, Singapore and the United Kingdom.

6.1 IT Solutions

According to the company's website, the Group focuses on deploying state-of-the-art IT solutions and tailors computer vendor solutions for its customers including (i) system deployment; (ii) enterprise storage; and (iii) mission critical application:

6.1.1 System Deployment

The Group engages in the provision of system deployment services for its customers in which the Group will provide technical support services to its customers for migrating from an existing system to a new platform such as Windows, Linux, Unix, etc. The Group will be responsible for setting up user accounts as well as system customization.

Meanwhile, the Group will also provide service consolidation services by maximizing the server efficiency and thereby reduce the number of physical server needed.

6.1.2 Enterprise Storage

The Group provides Storage Area Network ("**SAN**") deployment services as part of its enterprise storage solutions. SAN is a storage and data protection network which comprises of a collection of computers and storage devices over long distance to be connected over a high speed network, allowing data sharing between different network services and provides a fast connection medium for data backup and restoration. SAN is often adopted by large corporations with many offices.

On the other hand, the Group also provides data backup solutions and data recovery services to its customers.

6.1.3 Mission Critical Application

The Group engages in the provision of mission critical application services including system resilient design. Mission critical application is a software that allows an enterprise to function continuously even when part of critical operating systems has been interrupted or failed to carry out its function.

6.2 IT Outsourcing

The Group provides a range of flexible system management and availability management services to assist IT departments of its corporate customers by assigning technical consultants to station onsite in the clients' offices. As advised, the assignment duration is usually 12 months during which the consultants will deliver various technical services to the customers pursuant to the respective services contracts. The services provided by the consultants include support and delivery of server, network, and operating system, assistance on daily network administration, etc.

As advised by the Management, the Group had a total of 103 technical consultants as at 31 December 2018.

6.3 Customers

As advised by the Management, major customers of the Group in 2018 include Hitachi Data Systems, Hitachi Vantara, Hitachi Data Systems Pte., Dimension Data China/Hong Kong, NetApp (Hong Kong), Timeway Technology, N2N-AFE (Hong Kong), Multi-tech (China) Telecom System, etc.

6.4 Historical Financial Performance and Financial Position

For the year ended 31 December 2018, the total revenue of the Group was approximately HK$69.0 million with a net profit of approximately HK$7.3 million, representing a net profit margin of approximately 10.6%. As at 31 December 2018, the Group had a net asset value of approximately HK$6.6 million.

6.5 Future Development Plan

According to the future plan provided by the management of the Group, the Group will focus on expansion with major clients by assigning dedicated account managers to better understand their needs and to better serve them. Also, the Group will continue to expand in foreign markets, including Singapore and Malaysia, and to commence its business in Australia.

The Group will also continue its brand building process by adding more marketing and sales workforce to better service the Group's customers, launching and attending marketing campaigns and seminars to promote its brand, and participating in local and regional outsourcing organizations to increase its brand awareness. The Group will also employ various social media, including Facebook, Instagram, Twitter, LinkedIn, etc. to promote its services and to increase its exposure.

Furthermore, the Group will partner with third party services providers to further expand its business into IT maintenance and support services, including repair and maintenance services for the hardware and software, to the customers of the Group.

7.0 INVESTIGATION AND ANALYSIS

Our investigation included discussions with the Management in relation to the IT consultancy services industry, and the development, operations and other relevant information of the Group. In addition, we have made relevant inquiries and obtained such further information including financial and business information, and statistical figures from other sources as we consider necessary for the purpose of this valuation. As part of our analysis, we have made reference to the financial information and other pertinent data concerning the Group provided to us by the Management.

The valuation of the Group requires consideration of all pertinent factors, which affect the operations of the business and its ability to generate future investment returns. The factors considered in this valuation include the following:

- Nature and operations of the Group;
- Historical information of the Group;
- Financial condition of the Group;
- Proposed business development of the Group;
- Regulations and rules of the IT consultancy services industry;
- Economic and industry data affecting the IT consultancy services and other dependent industries;
- Market-derived investment return(s) of similar business; and
- General global economic outlook.

8.0 GENERAL VALUATION APPROACHES AND METHODS

There are three generally accepted approaches to obtain the market value of the Group, namely the Market Approach, the Asset Approach and the Income Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the specific characteristics of the subject of the valuation.

8.1 Market Approach

The Market Approach values a business entity by comparison of the prices at which other similar business nature companies or interests changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to pay for an equally desirable alternative. By adopting this approach, we will first look for an indication of value from the prices of other similar companies or equity interest in companies that were sold recently.

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

The derived multiples (most commonly used are: price to earnings, price to revenues and price to book multiple) based on the analysis of those transactions are then applied to the fundamental financial variables of the subject business entity and to arrive an indication of value.

8.2 Asset Approach

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

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

From a valuation perspective, we will restate the values of all types of assets of a business entity from book values, i.e. historical cost minus depreciation to appropriate standards of value. After the restatement, we can identify the indicated value of the business entity, or, by applying the accounting principle "assets minus liabilities", to arrive at the value of the equity interest of the business entity.

8.3 Income Approach

The Income Approach focuses on the economic benefits generated by the income producing capability of a business entity. The underlying theory of this approach is that the value of a business entity can be measured by the present worth of the economic benefits to be received over the life of the business entity.

Based on this valuation principle, the Income Approach estimates the future economic benefits and discounts these benefits to its present value using a discount rate appropriate for the risks associated with realizing those benefits.

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

9.0 VALUATION ANALYSIS

9.1 Methodology

In the process of valuing the business subject, we have considered the nature of the Group, specialty of its operations and the industry it is participating. Having considered the three general valuation methodologies, we consider the Market Approach would be appropriate and reasonable in the valuation of the market value of the Group.

In this valuation, the Income Approach is not adopted as long-term forecasts would involve a high level of uncertainty in estimates and underlying assumptions. The Asset Approach is not applied as the valuation of the Group is conducted on a going concern basis, and the summation of its assets is inappropriate as such method ignores the future economic benefits of the business as a whole. We have therefore relied solely on the Market Approach in determining our opinion of value.

Under the Market Approach, we have considered two commonly used methods of valuation, the Guideline Public Company Method and the Comparable Transaction Method. The Guideline Public Company Method is applied as there are a certain number of public traded companies engaged in the same or similar line of business as the Group that can be identified. The shares of these publicly traded companies are actively traded in free and open markets and provide valid indicators of value to permit meaningful comparison. The application of Comparable Transaction Method is limited as there are limited comparable transactions to form a reliable opinion of value.

For the valuation of the Group, we have employed the enterprise value to earnings before interest and taxes ("**EV/EBIT**") ratio and price to earnings ("**P/E**") ratio. We consider EV/EBIT and P/E are more representative than other commonly adopted multiples such as price to sales ("**P/S**") and price to book ("**P/B**") ratios due to the following reasons:

- P/S ratio does not account for the profitability of the business, and fails to reflect the true earnings power and value of the business; and

- Book value of equity does not account for different capital/asset structures of the comparable companies and therefore P/B ratio may not be useful when comparing companies with different capital/asset levels. As the operations of the Group do not require significant account of tangible assets (i.e. asset-light), the P/B ratio fails to reflect the true earnings power and value of the business. Therefore, P/B ratio is not representative in valuing the Group.

Due to the above, we have therefore employed EV/EBIT and P/E ratios. EV/EBIT and P/E ratios are considered to be the most appropriate multiples in valuing the Group for the following reasons:

- EV and EBIT measurements are useful for comparisons across comparable companies with different capital/asset structures because they exclude the distorting effects of individual companies' capital/asset levels; and

- Earnings is the primary determinant of value.

9.2 Comparable Companies

The Group is principally engaged in the provision of IT consultancy services in Hong Kong, Malaysia, Singapore and the United Kingdom, and there are no perfect match of comparable companies with exactly the same financial performance, business operations and risk profile as the Group. However, the comparable companies we gathered are mainly engaged in the IT consultancy business, and therefore we consider they are subject to similar business, industry, economic risks and rewards as the Group.

Selection criteria of comparable companies are listed as follows:

a. Companies that are actively traded and publicly listed in Hong Kong; and

b. Majority of the revenue is derived from the IT consultancy business.

Based on our exhaustive search of the Thomson Reuters database using the criteria above, we have identified 12 comparable companies which are set out as follows:

9.2.1 Chinasoft International Limited (Thomson Reuters Ticker: 0354.HK)

Chinasoft International Limited is a Hong Kong-based investment holding company principally engaged in the provision of information technology related services including development and provision of solutions, emerging services and IT outsourcing services.

9.2.2 Inspur International Limited (Thomson Reuters Ticker: 0596.HK)

Inspur International Limited is a Hong Kong-based investment holding company principally engaged in IT businesses including software development and the provision of solutions of financial cloud, procurement cloud, e-commerce cloud and human resource services cloud. The company is also engaged in the provision of IT outsourcing services, business process outsourcing services, data analysis services, infrastructure maintenance services and cloud services, among others.

9.2.3 ICO Group Limited (Thomson Reuters Ticker: 1460.HK)

ICO Group Limited is principally engaged in the design and implementation of IT application solutions and procurement of third party hardware and software, provision of IT infrastructure solutions and sale of IT infrastructure solution related hardware and software, IT secondment services as well as maintenance and support services.

9.2.4 Microware Group Limited (Thomson Reuters Ticker: 1985.HK)

Microware Group Limited is principally engaged in the provision of IT infrastructure solutions services and information technology managed services in Hong Kong. The company provides assessment of its clients' needs and existing IT infrastructure, design of solutions and integration of the hardware and software procured from a number of manufacturers or authorised distributors.

9.2.5 Nexion Technologies Limited (Thomson Reuters Ticker: 8420.HK)

Nexion Technologies Limited is principally engaged in the provision of system integration, threat management and cloud infrastructure services and internet content management services. The company mainly provides services for telecommunication service providers, IT companies and manufacturing companies, among others.

9.2.6 Vodatel Networks Holdings Limited (Thomson Reuters Ticker: 8033.HK)

Vodatel Networks Holdings Limited is principally engaged in network and systems infrastructure and applications businesses. It provides services on design, sale and implementation of network and systems infrastructure, customer data automation, customization and integration and customer network management system as well as technical support.

9.2.7 Expert Systems Holdings Limited (Thomson Reuters Ticker: 8319.HK)

Expert Systems Holdings Limited is primarily engaged in the provision of IT infrastructure solutions for its customers by integrating different hardware and software sourced from third party suppliers to satisfy various IT requirements and needs of its customers. The IT infrastructure solutions provided by the company cover various aspects including data centre, networking, private, public and hybrid cloud, high performance computing, directory service, e-mail service, network infrastructure and information security.

9.2.8 Future Data Group Limited (Thomson Reuters Ticker: 8229.HK)

Future Data Group Limited is a Korea-based investment holding company principally engaged in the provision of integrated system with network connectivity, cloud computing and security elements and maintenance service.

9.2.9 Edvance International Holdings Limited (Thomson Reuters Ticker: 8410.HK)

Edvance International Holdings Limited is principally engaged in the provision of procurement services for network security products, system security products and application and data security products. It is also engaged in the provision of technical implementation, maintenance and support and consultancy services to customers.

9.2.10 Mindtell Technology Limited (Thomson Reuters Ticker: 8611.HK)

Mindtell Technology Limited is a Malaysia-based company that provides IT services. The company designs, installs and maintains customized system applications for corporate customers. It operates through three segments: system integration and development services, IT outsourcing services, and maintenance and consultancy services.

9.2.11 Kinetix Systems Holdings Limited (Thomson Reuters Ticker: 8606.HK)

Kinetix Systems Holdings Limited is principally engaged in the provision of analyses services of customers' existing IT infrastructure, procurement services of hardware and software, installation and testing and integration services, and designing services of IT development solutions including system analysis and design, software development and technology consultancy. It is also engaged in the provision of IT maintenance and support services to systems developed by the group, maintenance and support services on hardware and software purchased or developed from third party suppliers.

9.2.12 Computer And Technologies Holdings Limited (Thomson Reuters Ticker: 0046.HK)

Computer And Technologies Holdings Limited is a Hong Kong-based company principally engaged in the provision of enterprise applications software and related operation outsourcing, business process outsourcing, e-business services and related maintenance services. It is also engaged in the sales of computer networks and system platforms, the provision of system and network integration services, the development and implementation of IT solutions.

The above comparable companies, together with the Group, are similarly subject to fluctuations in the economy and performance of the IT consultancy services industry, among other factors. Thus, we consider they are confronted with similar risks and rewards.

9.3 Multiple Ratios

A number of studies were conducted in the United States which concludes that the risk premium associated with a small company is over and above the amount that would be warranted. An investor would demand more in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. Thus, in the course of our valuation, the comparable company multiples are size-adjusted with reference to "Adjusting Guideline Multiples for Size" by Mattson, Shannon and Drysdale published in September/October 2001 Valuation Strategies, with the following formula adopted in deriving the size adjustment:

$$\text{Adjusted Multiple} = \frac{1}{\dfrac{1}{\text{Multiple}} + \text{Size differentials*}}$$

* *We have made referenced to 2018 Valuation Handbook Guide to Cost of Capital by Duff & Phelps for the size differentials*

The size differentials of each of the comparable companies for EV/EBIT and P/E are listed as follows:

Thomson Reuters Ticker	Name	EV/EBIT Size Differential	P/E Size Differential
0354.HK	Chinasoft International Limited	38.7%	44.7%
0596.HK	Inspur International Limited	51.9%	60.4%
1460.HK	ICO Group Limited	N/A	N/A
1985.HK	Microware Group Limited	3.0%	16.6%
8420.HK	Nexion Technologies Limited	1.2%	16.3%
8033.HK	Vodatel Networks Holdings Limited	14.3%	N/A
8319.HK	Expert Systems Holdings Limited	N/A	19.3%
8229.HK	Future Data Group Limited	N/A	22.4%
8410.HK	Edvance International Holdings Limited	30.5%	38.2%
8611.HK	Mindtell Technology Limited	7.3%	8.3%
8606.HK	Kinetix Systems Holdings Limited	21.5%	40.5%
0046.HK	Computer And Technologies Holdings Limited	16.0%	21.8%

Table 1: Size differentials of the Group and the comparable companies

Source: Thomson Reuters, Peak Vision Appraisals

The unadjusted and adjusted multiples are presented as follows:

Thomson Reuters Ticker	Name	Multiple Ratio EV/ EBIT	Adjusted EV/EBIT	P/E	Adjusted P/E
0354.HK	Chinasoft International Limited	10.92	6.69	13.98	7.73
0596.HK	Inspur International Limited	22.14	10.65	31.34	12.41
1460.HK	ICO Group Limited	N/A	N/A	N/A	N/A
1985.HK	Microware Group Limited	1.55	1.50	9.98	8.32
8420.HK	Nexion Technologies Limited	0.60	0.60	9.76	8.17
8033.HK	Vodatel Networks Holdings Limited	8.34	7.15	N/A	N/A
8319.HK	Expert Systems Holdings Limited	N/A	N/A	11.97	9.66
8229.HK	Future Data Group Limited	N/A	N/A	14.42	11.19
8410.HK	Edvance International Holdings Limited	21.96	15.26	30.86	19.08
8611.HK	Mindtell Technology Limited	3.96	3.67	4.51	4.13
8606.HK	Kinetix Systems Holdings Limited	13.70	10.75	34.10	20.27
0046.HK	Computer And Technologies Holdings Limited	9.52	8.00	13.91	10.89
	Mean		7.14		11.18
	Median		7.15		10.27
	Standard deviation		4.73		5.03
	Applied ratio		7.15		10.27

* *N/A means negative or extreme value which is not applicable for comparable analysis*

Table 2: Multiple ratios of the comparable companies

Source: Thomson Reuters, Peak Vision Appraisals

Based on the above table, the adjusted EV/EBIT ratios of the comparable companies ranged from the minimum of 0.60x to the maximum of 15.26x, resulting in a mean of approximately 7.14x and median of approximately 7.15x. The adjusted P/E ratios of the comparable companies ranged from the minimum of 4.13x to the maximum of 20.27x, resulting in a mean of approximately 11.18x and median of approximately 10.27x. To avoid distortions from outliers, for each multiple, we have adopted the medians as our multiples since medians are not influenced by extreme values, resulting in lower EV/EBIT and P/E ratios than their respective averages. We then applied the multiples to the corresponding measurement bases, which is based on the latest available financial information of the Group.

Based on the financial information of the Group provided by the Management, the earnings before interest and taxes (EBIT) for the year ending 31 December 2018 was approximately HK$8,925,000; the net profit of the Group for the year ending 31 December 2018 was approximately HK$7,299,000.

9.4 Non-Operating Assets and Liabilities

In computing the market value of the Group, we have adjusted the assessed value for the other net non-operating assets and liabilities, cash and cash equivalents and interest bearing debt of the Group as at 31 December 2018, where applicable. Based on the latest available financial statements as at 31 December 2018 provided by the Management, the cash and cash equivalents, interest bearing debts, other net non-operating assets and liabilities adjusted were as follows:

	HK$'000
Cash and cash equivalents	4,546
Interest bearing debts	(5,800)
Other net non-operating assets and liabilities[1]	–

* *Figures above are subject to rounding*

(1) The other net non-operating assets and liabilities are not directly related to the day to day operations of the Group. As at 31 December 2018, the amount of the other net non-operating assets and liabilities was nominal.

Table 3: Non-operating assets and liabilities of the Group

Source: Management

9.5 Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The published market price of the identified comparable companies represents the market transaction of minority interests, therefore adjustment has been made to reflect the degree of control associated with a 100% equity interest of the Group. Based on research published by Mergerstat Control Premium Study[(1)], the median control premium as of the Valuation Date was approximately 18.40%.

Note:

(1) Mergerstat Control Premium Study is a study examining transactions whereby 50.01% or more of a company was acquired. Mergerstat Control Premium Study is published by Factset, a multinational financial data and Software Company founded in 1978, went public in 1996 and currently dual listed on the New York Stock Exchange and the NASDAQ. Factset provides financial information and analytic software for investment professionals. According to Factset website, data of Factset was used by AP Associated Press, Barrons's, CNNMoney.com, The Wall Street Journal, MarketWatch from DowJones, etc.

9.6 Lack of Marketability Discount

We have adopted a lack of marketability discount of 35.00% for the Group as ownership interest in closely held companies are typically not readily marketable compared to a similar interest in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Lack of marketability discounts for ownership interest in private companies generally range from approximately 3% to 35% according to empirical research[(1)].

Note:

(1) The empirical research is based on the Business Valuation Discounts and Premiums written by Shannon P. Pratt. Shannon P. Pratt, CFA, FASA, ARM, ABAR, MCBC, CM&AA, is a well-known authority in the field of business valuation. Shannon P. Pratt holds an undergraduate degree in business administration from the University of Washington and a doctorate in business administration, majoring in finance, from Indiana University. He is a Fellow of the American Society of Appraisers, a Master Certified Business Appraiser, a CFA charterholder, a Master Certified Business Counselor, and is certified in mergers and acquisitions. Dr. Pratt develops and teaches business valuation courses for the American Society of Appraisers and the American Institute of Certified Public Accountants, and frequently speaks on business valuation at national legal, professional, and trade association meetings. He also developed and often teaches a full-day seminar (sometimes divided into two partial days) on business valuation for judges and lawyers.

9.7 Valuation Summary

Under the EV/EBIT ratio, we have determined a multiple of 7.15x and earnings before interest and taxes (EBIT) of approximately HK$8,925,000 of the Group for the year ended 31 December 2018, resulting in an indicative value of approximately HK$63,782,000 before adjustments for control premium, other net non-operating assets and liabilities, lack of marketability discount, cash and cash equivalents, and interest bearing debts. After the adjustments, the indicated value of the Group as at the Valuation Date under the EV/EBIT ratio was approximately **HK$47,832,000 (HONG KONG DOLLARS FORTY SEVEN MILLION EIGHT HUNDRED AND THIRTY TWO THOUSAND ONLY)**. Our calculation is tabulated as follows:

	(HK$)
Applied EV/EBIT ratio	7.15x
Multiplication factor (earnings before interest and taxes)	8,925,000
	63,782,000
Adjustments:	
Add: Control premium	11,736,000
Add: Other net non-operating assets and liabilities	–
	75,518,000
Less: Lack of marketability discount	(26,432,000)
	49,086,000
Add: Cash and cash equivalents	4,546,000
Less: Interest bearing debts	(5,800,000)
Indicated value under EV/EBIT	47,832,000

Under the P/E ratio, we have determined a multiple of 10.27x and net profit of approximately HK$7,299,000, resulting in an indicative value of approximately HK$74,965,000 before adjustments for control premium, other net non-operating assets and liabilities, and lack of marketability discount. After the adjustments, the indicated value of the Group as at the Valuation Date under the P/E ratio was approximately **HK$57,693,000 (HONG KONG DOLLARS FIFTY SEVEN MILLION SIX HUNDRED AND NINETY THREE THOUSAND ONLY).** Breakdown of our calculation is tabulated as follows:

	HK$
Applied P/E ratio	10.27x
Multiplication factor (net profit)	7,299,000
	74,965,000
Adjustments:	
Add: Control premium	13,794,000
Add: Other net non-operating assets and liabilities	–
	88,759,000
Less: Lack of marketability discount	(31,066,000)
Indicated value under P/E	57,693,000

By taking average of the indicated values above, we are of the opinion that the market value of 100% equity interest in the Group as at the Valuation Date was in the sum of **HK$52,760,000 (HONG KONG DOLLARS FIFTY TWO MILLION SEVEN HUNDRED AND SIXTY THOUSAND ONLY).**

10.0 VALUATION ASSUMPTIONS

- As agreed with the Management, we have performed this valuation based on the audited financial statements of the Group as at 31 December 2018, and assumed that there is no material change in the financial performance and financial position of the Group during the period from 31 December 2018 to the Valuation Date;

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

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

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

- The unaudited financial statements of the Group as supplied to us have been prepared in a manner which truly and accurately reflect the financial performance and positions of the Group as at the respective financial statement dates;

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

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

- Interest rates and exchange rates in the localities for the operations of the Group will not differ materially from those presently prevailing;

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

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

11.0 LIMITING CONDITIONS

Our conclusion of the market value is derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. This valuation reflects facts and conditions existing as at the Valuation Date. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report is reasonable and accurately determined. The data, opinions, or estimates as identified or being furnished by others, which have been used in formulating this analysis, are gathered from reliable sources, however, no guarantee is made nor liability assumed for their accuracies.

We have relied to a considerable extent on the information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibility for operational and financial information that has not been provided to us is accepted.

Certain facts, information, statistics and data relating to the economic and industry overview that are presented in this report are derived from publicly available official government sources as well as industry reports prepared by external independent market researchers. We are of the view that the sources of this information are appropriate sources for such information and have exercised reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, and thus no representation is given as to its accuracy or correctness, and accordingly, it should not be unduly relied on.

We have not investigated the title to or any legal liabilities against of the Group and have assumed no responsibility for the title to the Group. In forming our opinion, we have assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Peak Vision Appraisals assumes no responsibility and offers no legal opinion or interpretation on any issue.

In accordance with our standard practices, we must state that this report is for the exclusive use of the party to whom it is addressed and for the specific purpose stated above. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration based on information furnished by the Company/engagement parties and other sources. No responsibility is accepted to any third party for the whole or any part of its contents.

Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.

12.0 REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HK$).

The management of the Group has reviewed and confirmed the factual content and has agreed to any limiting conditions of this report.

We hereby confirm that we have no material connection or involvement with the Group, the Company and its subsidiaries and associated companies, or the value reported herein and that we are in a position to provide an objective and unbiased valuation.

13.0 OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, we are of the opinion that the market value of the 100% equity interest of the Group as at the Valuation Date was in the sum of **HK$52,760,000 (HONG KONG DOLLARS FIFTY TWO MILLION SEVEN HUNDRED AND SIXTY THOUSAND ONLY).**

Yours faithfully,
For and on behalf of
Peak Vision Appraisals Limited

Nick C. L. Kung
MRICS, MHKIS, RPS (G.P.), RICS Registered Valuer, MCIREA
Director
Corporate Valuations

Lee Chern Sung
CFA,CPA
Associate Director
Corporate Valuations

Note:

(a) Mr. Nick C. L. Kung is a member of Royal Institution of Chartered Surveyors and member of the Hong Kong Institute of Surveyors, Registered Professional Surveyor, RICS Registered Valuer and Registered Business Valuer of the Hong Kong Business Valuation Forum (HKBVF) and has more than 10 years of experience in the valuation of business assets and business enterprises in Hong Kong and overseas.

(b) Mr. Lee Chern Sung is a CFA® charterholder and a member of the Hong Kong Institute of Certified Public Accountants and has extensive experience in valuation of businesses and intangible assets for the purposes of corporate advisory, merger & acquisition and public listing.

APPENDIX I – INDUSTRY OVERVIEW

Since the use of computer and information technology has become increasingly popular, the computer and IT services domain is playing an important role in the local economy.

According to HKTDC, Hong Kong's role as a leading business center in the Asia-Pacific region owes much to its advanced telecommunications infrastructure. The role of telecommunications is especially important to Hong Kong's competitiveness in the age of electronic commerce. In 2016, the industry of information and communications generated HK$84.1 billion of value added, contributing to 3.5% of GDP.

Hong Kong has a large pool of skilled ICT professionals, providing services to clients spanning a wide range of businesses. According to the 2016 Manpower Survey Report conducted by the Vocational Training Council (VTC), 87,794 persons were employed in principal jobs of the IT sector. IT products and services suppliers were the largest category of IT users, accounting for 34.2% of total IT employment, followed by the wholesale, retail, import/export, restaurants and hotels sector (28.8%), the financing, insurance, real estate and business services sector (17.9%), and the community, social and personal services sector (11.4%).

According to the Statistical Digest of the Services Sector 2018 by Census and Statistical Department, HKSAR, the IT related services industry is one of the industries closely related to the computer and information domain. In 2017, there were about 9,380 establishments and 51,000 persons engaged in the IT related services industry. In terms of economic contribution, this industry generated value added of HK$25.8 billion in 2016, which accounted for 1.1% of Hong Kong's GDP in the year. The number of establishments, persons engaged and value added have been increasing throughout 2007 to 2017.

Year	**Number of Establishments**	**Number of persons engaged**	**Value added**
			$ million
2007	5,452	34,604	12,636
2013	7,726	44,431	23,212
2014	8,231	47,530	23,760
2015	8,589	48,888	24,525
2016	8,749	49,506	25,777
2017	9,377	50,968	N/A

Table 4: ***Number of establishments, persons engaged and value added of the IT related services***

Source: *Census and Statistics Department, HKSAR*

Types of Services	2015	% Change	2016	% Change
Basic connection services	9,951.8	+23.2%	11,146.1	+12.0%
Advertising and website hosting services	1,620.5	–25.3%	2,292.5	+41.5%
Other services	3,467.8	–28.2%	4,377.3	+26.2%
Total	**15,040.2**	**–0.2%**	**17,816.0**	**+18.5%**

Table 5: Business Receipts by Type of Internet Services (HK$ million) in Hong Kong

Source: HKTDC

Usage and Penetration of Information Technology in Hong Kong

According to HKTDC, business transactions via internet (or e-commerce) are on the rise. In 2017, 33.6% of Hong Kong companies had their own websites, up from 26.4% in 2013. The proportion varied from 88% for large companies (those employing more than 100 persons) to 28% for small companies (those employing less than 10 persons). These websites were mainly for disseminating company information, integrating with social media and collecting customer's feedback. Further information of the usage and penetration of information technology in the business sector of Hong Kong in 2017 are tabulated as follows:

	2017
Computer Usage	
– Establishments using computer	79.6%
Internet Usage	
– Establishments using the Internet	87.7%
Website Usage	
– Establishments having webpages/websites	33.6%
Electronic Business	
– Establishments with delivery of goods, services or information online	87.0%
E-commerce Sales and Purchase	
– Proportion of establishments receiving orders online	7.5%
– Proportion of establishments placing orders online	21.2%

Table 6: Usage and Penetration of Information Technology in the Business Sector in Hong Kong

Source: HKTDC

Moreover, according to Census and Statistics Department, HKSAR, it is estimated 72% of the business establishments used cloud computing services in 2017. Hong Kong ranked second in the 2018 Cloud Readiness Index published by the Asia Cloud Computing Association. According to HKTDC, the Office of the Government Chief Information Officer established the Expert Group on Cloud Computing Services and Standards in 2012 to encourage Hong Kong's cloud computing adoption in Hong Kong. The Government Cloud Platform was launched to further facilitate cost effective delivery of e-government services in December 2013.

Exports

According to HKTDC, in terms of exports of telecommunication, computer, information services, local dealers are growing in terms of size, scope of operations and sophistication. Many services that were once performed by computer vendors are now done by dealers. Proprietary software companies also enter overseas markets through local dealers.

On the other hand, software houses undertake software development projects for Hong Kong companies expanding overseas. They help Hong Kong companies to install the same computer systems which they used in their Hong Kong headquarters in their overseas offices. Hong Kong software firms also export services, such as designing websites and developing "secure software" for electronic trading, to other Asian countries.

IT services	**2013**	**2014**	**2015**	**2016**
Computer services	7,293	7,380	7,156	7,132
Information services	760	726	701	719
Telecommunication services	12,401	13,766	14,169	14,283
Total	**20,454**	**21,872**	**22,026**	**22,134**

Table 7: Export of Telecommunication, Computer and Information Services (HK$ million)

Source: HKTDC

(HK$ million)	**2014**	**Share** %	**2015**	**Share** %	**2016**	**Share** %
China	6,294	30.8%	6,465	29.4%	6,152	27.8%
USA	2,249	11.0%	2,442	11.1%	2,053	9.3%
UK	2,404	11.8%	2,479	11.3%	2,731	12.3%
Japan	694	3.4%	603	2.7%	595	2.7%
Singapore	1,655	8.1%	1,637	7.4%	1,696	7.7%

Table 8: Major Trading Partners of Telecommunication, Computer and Information Services of Hong Kong

Source: HKTDC

APPENDIX II – ECONOMIC OVERVIEW

Hong Kong Economic Overview

According to the research conducted by Hong Kong Trade Development Council ("**HKTDC**"), Hong Kong's economy expanded by 2.9% year-on-year in real terms in the third quarter of 2018, after the growth of 3.5% in the preceding quarter, marking the eighth consecutive quarter of growth above the trend growth rate of 2.7% per annum in the past decade. With the continued momentum in global economic expansion and strength in domestic demand, as well as the increased external headwinds, the Government forecasts Hong Kong's real GDP to grow by 3.2% in 2018, within the range forecast of 3-4% in the August round of review. Overall consumer prices rose by 2.6% in November 2018 over the same month a year earlier, slightly smaller than 2.7% in October 2018. Looking ahead, consumer prices are expected to subject to some mild upward pressure. The Government forecasts Hong Kong's consumer price to increase by 2.4% in 2018, slightly revised upwards from 2.2% in the August round of review. The value of retail sales, in nominal terms, increased by 5.9% year-on-year in October 2018, compared to 2.4% in September 2018. The labour market conditions remain tight, with the seasonally adjusted unemployment rate stood at 2.8% for the three months ending November 2018, the lowest level in more than 20 years. Merchandise exports decreased by 0.8% in November 2018 over the same month a year earlier, after a year-on-year increase of 14.6% in October 2018.

Hong Kong is the world's freest economy. It is the world's most services-oriented economy, with services sectors accounting for more than 90% of GDP. According to World Trade Organization (WTO), Hong Kong is the world's 7th largest exporter of merchandise trade and the world's 15th largest exporter of commercial services in 2017. According to the UNCTAD World Investment Report 2018, global FDI inflows to Hong Kong amounted to US$104 billion in 2017, ranked 3rd globally, behind only the Chinese mainland (US$136 billion) in Asia. In terms of outflows, Hong Kong ranked 3rd in Asia with US$83 billion, after Japan (US$160 billion) and the Chinese mainland (US$125 billion). In terms of FDI stock, Hong Kong was the world's 2nd largest investor and host, after the United States, in 2017. According to the Bank for International Settlements, Hong Kong is the 2nd largest foreign exchange market in Asia and the 4th largest in the world in 2016, with the net daily average turnover of forex transactions reaching US$437 billion. Hong Kong is a global offshore RMB business hub. According to SWIFT, Hong Kong is the largest RMB clearing centre in 2017, sharing about 76% of the world's RMB clearing activities. As at the end of December 2017, Hong Kong's stock market ranked the 3rd largest in Asia and the 6th largest in the world in terms of market capitalisation. There were 2,118 companies listed on HKEx and the total market capitalisation of Hong Kong's stock market reached US$4.35 trillion. Hong Kong is an important banking and financial centre in the Asia Pacific. Hong Kong is the 3rd leading global financial centre, only after London and New York, according to the Global Financial Centre Index.

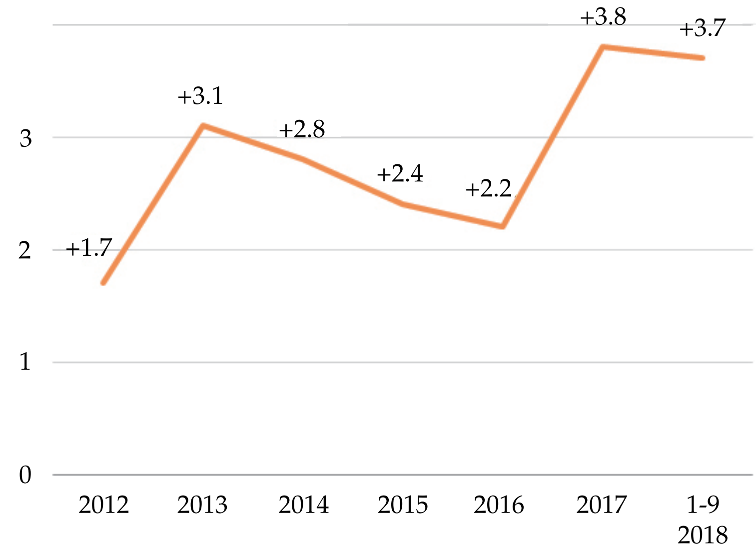

Figure 2: Real GDP growth (Year-on-year % change)

Source: HKTDC

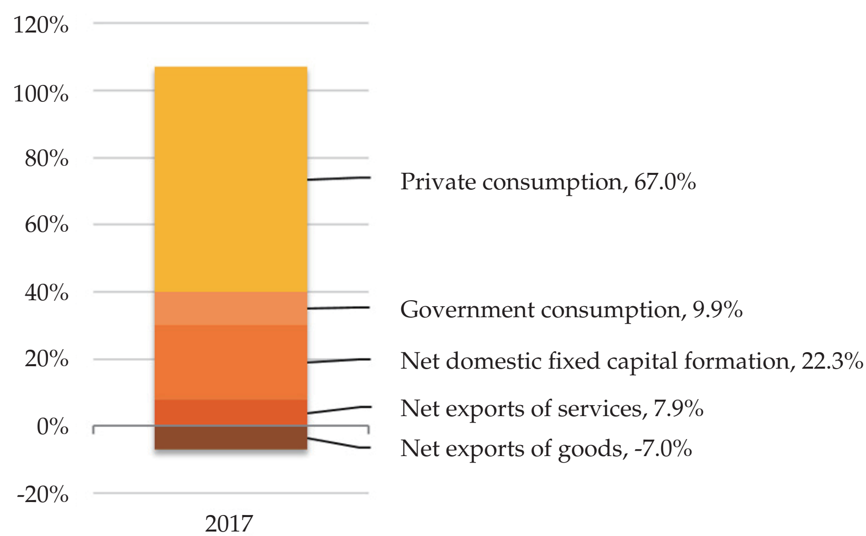

Figure 3: GDP composition (% share of GDP)

Source: ***HKTDC***

	2016	2017	Latest
Population, Mid-year (mn)	7.34	7.39	7.45 [a]
Gross Domestic Product (US$ bn)	319.3	341.2	267.9 [b]
GDP Per Capita (US$)	43,500	46,200	
Real GDP Growth (%)	+2.2	+3.8	+3.7 [c]
Inflation (% Change in Composite CPI)	+2.4	+1.5	+2.4 [d]
Unemployment Rate (%)	3.4	3.1	2.8 [e]
Retail Sales Growth (%)	-8.1	+2.2	+10.6 [f]
Number of Visitors (mn)	56.7	58.5	52.6 [g]
Visitor Arrivals Growth (%)	-4.5	+3.2	+9.7 [f]

[a] mid-2018; [b] January-September 2018;
[c] year-on-year change, January-September 2018;
[d] year-on-year change, January-November 2018;
[e] seasonally adjusted, September-November 2018.
[f] year-on-year change, January-October 2018; [g] January-October 2018.

Table 9: ***Major economic indicators***

Source: *HKTDC*

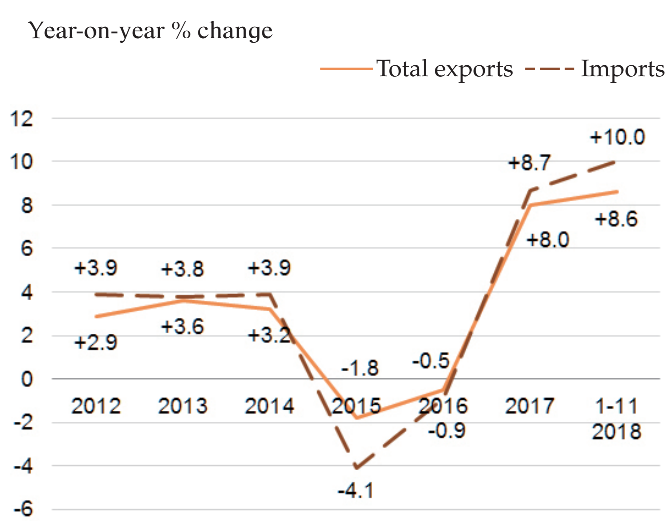

Figure 4: ***Merchandise trade growth***

Source: *HKTDC*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executives' Interests and Short Positions

As at the Latest Practicable Date, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have taken under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares of an associated corporation of the Company

Name of director	Name of associated corporation	Capacity	Number of shares interested	Approximate percentage of the issued share capital of the associated corporation
Mr. Wang Xiangfei	New Bright International Development Limited ("**New Bright**")	Interest of spouse	3,000(L)	30%

(L) denotes as long position

Note:

Mr. Wang Xiangfei is deemed to be interested in 3,000 shares of New Bright under the SFO, as he is the husband of Ms. Lo Fong Hung, who is interested in 3,000 shares in New Bright, representing 30% of the issued share capital of New Bright, which currently owns 70% shareholding interests in China Sonangol International Limited ("**China Sonangol**"). China Sonangol is the holding company of Ascent Goal Investments Limited ("**Ascent Goal**"), the controlling shareholder of the Company. The shareholding interests of Ascent Goal in the Company is set out in the section headed "Substantial Shareholders' Interests" of this circular.

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

(b) Interests in Share Options of the Company

The Group has not adopted any share option scheme after the expiration of the old share option scheme on 27 August 2013. There was no outstanding share option under the share option scheme as at the Latest Practicable Date.

(c) Substantial Shareholders' Interests

As at the Latest Practicable Date, the following persons (other than directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares or underlying shares of the Company

Name of shareholder	Notes	Nature of interest	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Approximate percentage of the total number of shares of the Company in issue *(Note 6)*
Ascent Goal	1,4	Beneficial owner	569,616,589	1,000,000,000	1,569,616,589	205.08%
China Sonangol	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
New Bright	2,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Ms. Fung Yuen Kwan Veronica	3,4	Interests of controlled corporation	569,616,589	1,000,000,000	1,569,616,589	205.08%
Mr. Lev Leviev	5	Beneficial owner	1,000,000	–	1,000,000	0.13%
	5	Interests of controlled corporation	66,542,000	–	66,542,000	8.69%

Notes:

1. Ascent Goal was directly interested in 569,616,589 shares and further 1,000,000,000 underlying shares which may be fully allotted and issued if the convertible bond was converted at the conversion price of HK$0.20 per share. These 1,569,616,589 shares were held by Ascent Goal directly as beneficial owner. They include (i) interests in 569,616,589 shares and (ii) the convertible bond giving rise to an interest in 1,000,000,000 underlying shares.

2. Since Ascent Goal is a wholly-owned subsidiary of China Sonangol which is beneficially owned as to 70% by New Bright, the interests of Ascent Goal are deemed to be the interests of China Sonangol and in turn the interests of New Bright under the SFO.

3. Ms. Fung Yuen Kwan Veronica is deemed to have interests in the shares and underlying shares through her 70% interests in New Bright.

4. The 569,616,589 shares and 1,000,000,000 underlying shares under the convertible bond represent approximately 74.42% and approximately 130.66% of the total number of issued shares of the Company respectively, thus the total of 569,616,589 shares and 1,000,000,000 underlying shares represents approximately 205.08% of the total number of issued shares of the Company. The conversion rights attaching to the convertible bond will not be exercised and the Company will not issue the conversion shares if, immediately following the conversion, the Company would be unable to meet the public float requirement under the Listing Rules.

5. For the shares held by Mr. Lev Leviev, of these shares, 37,580,000 shares were held by Africa Israel Investments Ltd., a company controlled by Mr. Lev Leviev through his approximately 48.13% interests in Africa Israel Investments Ltd.; 28,962,000 shares were held by Memorand Management (1998) Ltd., a company controlled by Mr. Lev Leviev through his 100% interests in Memorand Ltd. which holds 100% interest in Memorand Management (1998) Ltd.; and 1,000,000 shares were held by Mr. Lev Leviev directly.

6. The approximate percentage of shareholdings is based on 765,373,584 shares as at the Latest Practicable Date, not the enlarged number of issued shares of the Company upon full conversion of the convertible bond.

Save as disclosed above, the directors of the Company are not aware of any other persons who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. INTERESTS OF DIRECTORS IN COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, whether directly or indirectly, with the business of the Group.

5. INTERESTS OF DIRECTORS IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant to the business of the Group taken as a whole.

6. LITIGATION

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

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the experts who have given opinions or advices which are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
Peak Vision Appraisals Limited	Registered Valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter(s), report(s), certificate(s) and/or opinion(s) (as the case may be) and the references to their names included herein in the form and context in which it is respectively included.

Each of the experts named above confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have since 31 March 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

8. MATERIAL CONTRACT

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

the sale and purchase agreement dated 10 August 2018 entered into between Radiant Day Holdings Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, NEFIN Holding Limited, as Vendor, and Mr. Lim Hong Teo, as personal guarantor in relation to the acquisition of 90% of the issued share capital of NEFIN Leasing Technologies Limited and the shareholders' loans at a total consideration of US$1,350,000.

9. GENERAL

(a) The company secretary of the Company is Mr. Li Chun Fung, who is a member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(c) The head office and principal place of business of the Company in Hong Kong is 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(e) The English text of this circular shall prevail over the Chinese translation in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection from 9:00 a.m. to 5:00 p.m. on any weekday (except Saturdays, Sundays and public holidays) at the Company's principal place of business in Hong Kong at 8/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong for a period of 14 days commencing from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the Sale and Purchase Agreement;

(c) the Subscription Agreement;

(d) the annual reports of the Company for each of the two financial years ended 31 March 2017 and 2018;

(e) the interim report of the Company for the six months ended 30 September 2018;

(f) the accountants' report on the financial information of the Target Group issued by Mazars CPA Limited, the text of which is set out in Appendix II to this circular;

(g) the valuation report on the Target Group prepared by Peak Vision Appraisals Limited, the text of which is set out in Appendix V to this circular;

(h) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Apprndix IV to this circular;

(i) the written consents referred to in the paragraph headed "Qualifications and Consents of Experts" of this appendix;

(j) the material contract referred to in the paragraph headed "Material Contract" of this appendix; and

(k) this circular.