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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Group Sense (International) Limited (the “Company”), you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

**(1) MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF XINJIANG TENGXIANG
MAGNESIUM PRODUCTS COMPANY LIMITED; AND
(2) NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



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

A letter from the Board is set out on pages 5 to 31 of this circular.

A notice convening the SGM to be held at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Wednesday, 14 October 2015 (or so soon thereafter as the special general meeting of the shareholders of the Company convened to be held at 10.00 a.m. on the same date and at the same place shall have been concluded or adjourned) is set out on page SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or adjourned meeting thereof should you so wish.

25 September 2015

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Appendix I — Financial Information of the Group	I-1
Appendix II — Accountants' Report on the Target Company	II-1
Appendix III — Management discussion and analysis on the Target Company	III-1
Appendix IV — Unaudited Pro Forma Financial Information of the Enlarged Group	IV-1
Appendix V — General Information	V-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“Acquisition”	the acquisition of Sale Interest by the Purchaser from the Vendors upon the terms and conditions of the Share Transfer Agreement;
“Announcements”	the joint announcement of the Company and Century Sunshine dated 12 August 2015 and the supplemental announcement dated 13 August 2015 in relation to, amongst others, the Acquisition and the transactions contemplated thereunder;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“BVI”	the British Virgin Islands;
“Company”	Group Sense (International) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 601);
“Century Sunshine”	Century Sunshine Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on Main Board of the Stock Exchange (Stock Code: 509);
“Century Sunshine Group”	Century Sunshine and its subsidiaries;
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Share Transfer Agreement;
“Completion Date”	the third business day after the Conditions having been fulfilled or waived or at a later date being agreed by the Purchaser and the Vendors;
“Condition(s)”	the conditions precedent of the Completion, details of which are set out in the sub-heading of the “Conditions precedent” in the letter from the Board of this circular;

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration for the Acquisition payable by the Purchaser to the Vendors, being RMB72.28 million (equivalent to approximately HK\$88.59 million);
“Director(s)”	the director(s) of the Company;
“Dr. Tam”	Dr. Tam Wai Ho, Samson, JP, a non-executive Director and the director of Earnmill Holdings;
“Earnmill Holdings”	Earnmill Holdings Limited, a company incorporated in the BVI with limited liability on 10 November 1992 and is beneficially owned by Dr. Tam and Mr. Tam in equal shares;
“Enlarged Group”	the Company and the Target Company;
“Framework Agreement”	the framework agreement dated 14 May 2015 entered into by the Company and the Vendors in relation to the proposed acquisition of the Target Company;
“Gansu Tengda”	甘肅騰達西鐵資源控股集團有限公司 (transliterated as “Gansu Tengda West Iron Resources Holding Group Co., Ltd.*”), a shareholder holding 45.72% interest in the Target Company;
“Group”	the Company and its subsidiaries;
“Hangzhou Boiler”	杭州鍋爐集團股份有限公司 (transliterated as “Hangzhou Boiler Group Co., Ltd.*”), a shareholder holding 45.46% interest in 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 and not connected with Century Sunshine and the Company and their connected persons;

DEFINITIONS

“Latest Practicable Date”	23 September 2015, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ming Xin Developments”	Ming Xin Developments Limited, a company incorporated in the BVI with limited liability on 31 July 2014 which is beneficially and indirectly wholly-owned by Century Sunshine;
“Mrs. Tam”	Mrs. Tam Mui Ka Wai, Vivian, the wife of Dr. Tam;
“Mr. Tam”	Mr. Tam Wai Tong, Thomas, a director of Earnmill Holdings;
“Octal Capital”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, who has been appointed as the financial adviser to the Company;
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Purchaser”	Hong Kong New Materials Industry Investment Company Limited (“香港新材料產業投資有限公司”), an indirect wholly-owned subsidiary of the Company;
“Sale Interest”	the entire equity interest in the Target Company;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	the holders of the Shares;

DEFINITIONS

“Share Transfer Agreement”	the conditional Share Transfer Agreement dated 12 August 2015, entered into between the Vendors and the Purchaser in relation to the Acquisition;
“SGM”	the special general meeting to be convened and held by the Company to consider and approve the Share Transfer Agreement and the transactions contemplated thereunder;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	新疆騰翔鎂製品有限公司 (transliterated as “Xinjiang Tengxiang Magnesium Products Company Limited*”), a company established in the PRC with limited liability;
“Track Record Period”	the three years ended 31 December 2014 and the four months ended 30 April 2015;
“Vendors”	甘肅騰達西鐵資源控股集團有限公司 (transliterated as “Gansu Tengda West Iron Resources Holding Group Co., Ltd.*”), 杭州鍋爐集團股份有限公司 (transliterated as “Hangzhou Boiler Group Co., Ltd.*”) and Wang Jian Min (王建民);
“%”	per cent.;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC.

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of HK\$1 = RMB0.81583 (being the RMB central parity rate by the People’s Bank of China as at 12 August 2015). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

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LETTER FROM THE BOARD



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

Executive Directors:

Shum Sai Chit (*Chairman*)

Chi Bi Fen

Non-executive Directors:

Professor Meng Jian

Tam Wai Ho, Samson

Independent non-executive Directors:

Kwong Ping Man

Cheung Sound Poon

Chen Gang

Registered Office:

Clarendon House

Church Street

Hamilton HM11

Bermuda

Principal Place of Business:

Room 2606A, 26th Floor

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

25 September 2015

To the Shareholders and for information only.

Dear Sir/Madam,

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF XINJIANG TENGXIANG
MAGNESIUM PRODUCTS COMPANY LIMITED**

INTRODUCTION

Reference is made to the Announcements of the Company in relation to the Acquisition.

On 12 August 2015 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Share Transfer Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Interest, representing the entire equity interest of the Target Company, at a total consideration of RMB72.28 million (equivalent to approximately HK\$88.59 million) in cash.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) the financial information relating to the Group, the Target Company and the Enlarged Group; and (iii) general information of the Company.

SHARE TRANSFER AGREEMENT

Set out below are the principal terms of the Share Transfer Agreement::

Date: 12 August 2015

Parties:

Purchaser: Hong Kong New Materials Industry Investment Company Limited (“香港新材料產業投資有限公司”)

Vendors: 甘肅騰達西鐵資源控股集團有限公司 (transliterated as “Gansu Tengda West Iron Resources Holding Group Co., Ltd.”), 杭州鍋爐集團股份有限公司 (transliterated as “Hangzhou Boiler Group Co., Ltd.”) and Wang Jian Min, (王建民)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are Independent Third Parties and are independent of each other.

Assets to be acquired

Pursuant to the Share Transfer Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Interest, representing the entire equity interest of the Target Company.

Consideration

The Consideration is RMB72.28 million (equivalent to approximately HK\$88.59 million) which is payable to the Vendors, being approximately RMB33.05 million, RMB32.86 million and RMB6.37 million to Gansu Tengda, Hangzhou Boiler and Wang Jian Min, respectively, in cash in the following way:

- RMB21.68 million (equivalent to approximately HK\$26.58 million), being 30% of the Consideration, within five business days upon fulfillment of the Conditions (c), (d), (e), (g), (k) and (m) which is expected to be around early October 2015;

LETTER FROM THE BOARD

- RMB21.68 million (equivalent to approximately HK\$26.58 million), being 30% of the Consideration, within five business days upon conclusion of all completion matters and completion procedures for the transfer of the Target Company and having obtained a modified business registration and licence of the Target Company which is expected to be around mid October 2015;
- RMB21.68 million (equivalent to approximately HK\$26.58 million), being 30% of the Consideration, within five business days after commencement of production of the Target Company and having obtaining certain approval, authorisation and certification in relation to production safety, precaution measures against risk of occupational hazards and (where applicable) sewage as specified under the Share Transfer Agreement (such approval, authorisation and certification have to be obtained within six months after the date of first installment payment) which is expected to be around December 2015; and
- RMB7.24 million (equivalent to approximately HK\$8.85 million), being 10% of the Consideration, as retention money within six months after obtaining of the abovementioned approval, authorisation and certification and completion of transfer which is expected to be before May 2016.

The Consideration shall be adjusted in accordance with the gain or loss financial figures as revealed from the completion accounts of the Target Company for the period from 1 May 2015 to the Completion Date. As the Consideration has been initially determined with reference to the audited financial information of the Target Company as at 30 April 2015, it has been mutually agreed between the Company and the Target Company that, any subsequent gain or loss arising from the Target Company during the period from 1 May 2015 up to the Completion Date will directly increase or reduce the Consideration for the corresponding amount. Based on the audited financial information of the Target Company for the four months ended 30 April 2015 and the fact that the Target Company has suspended production since May 2015, the Company believes that no profit will be generated from the Target Company during the period from 1 May 2015 to the Completion Date. The Company therefore expected a downward adjustment (if any) on the Consideration and the maximum adjustment to the Consideration will not be more than RMB10.0 million (equivalent to approximately HK\$12.26 million).

If any of the Vendors violate the terms of the Share Transfer Agreement (or any other agreements as required to be entered into pursuant to the Share Transfer Agreement) or is required to indemnify the Purchaser under the terms of the Share Transfer Agreement, the Consideration shall be adjusted by and deducted with the amount payable by the defaulting party.

LETTER FROM THE BOARD

The Consideration was agreed between the Vendors and the Purchaser after arm's length negotiations on normal commercial terms based on approximately 9% discount on the net asset value of the Target Company as at 30 April 2015 of RMB78.88 million (equivalent to HK\$96.68 million). Notwithstanding the consecutive loss and net current liabilities of the Target Company, having considered (i) the Consideration being based on a discount of net asset value of the Target Company as at 30 April 2015; (ii) the expected further downward adjustment to the Consideration to reflect any further loss during the period between 1 May 2015 and the Completion Date; (iii) the existing production lines, facilities and authorised production capacity of semi coke, magnesium ingot and ferroalloy of the Target Company which is in-line with the future development of industry chain model of circular economy in magnesium and magnesium product related business of the Group as disclosed in the annual report of the Group for the year ended 31 March 2015 which can integrate semi coke processing, energy generation, magnesium smelting and production of magnesium related products and ferroalloy; (iv) geographical advantage with abundant supply of raw coal and dolomite, being the raw material of magnesium ingot, in Xinjiang region of the PRC; and (v) the promulgation of policies supporting the development of magnesium industry as mentioned in the section headed "Reasons for and benefits of the Acquisition" in this circular, the Directors consider that the Consideration (taking into account the adjustment) is fair and reasonable and the Acquisition is in the interests of the Company and Shareholders as a whole and in long run.

The Consideration will be funded by the internal resources of Group Sense.

The Purchaser agreed to pay the Vendors any recovered amount from the written-off bad debts of RMB12.96 million (equivalent to HK\$15.88 million) as at 30 April 2015.

Advance to the Target Company

Pursuant to the Share Transfer Agreement, the Purchaser also agreed to make the following advances to the Target Company before Completion:

- Within five business days after the date of the Share Transfer Agreement, a deposit for the transaction in the amount of 10% of the Consideration of the Share Transfer, that is, RMB7.23 million (equivalent to HK\$8.86 million), has been paid to the Target Company and must be retained in the account of the Target Company before completion of the transaction; and
- Subject to the prerequisite of having registered with the Administration for Industry and Commerce for the transfer of the equity interest to the Purchaser, the Purchaser will pay in advance RMB20.00 million (equivalent to HK\$24.51 million) for the repayment of a pledged bank loan of the Target Company. The Vendors shall within

LETTER FROM THE BOARD

5 business days of the date of the repayment of such pledged bank loan of the Target Company, release the pledge over the equity interest in the Target Company and cancel the relevant pledge registration at the Administration for Industry and Commerce.

The above advances to the Target Company is for general working capital purpose which are interest free, unsecured and with no fixed terms of repayment. The Target Company shall refund the above advances to the Purchaser if the Share Transfer Agreement is terminated by any of the parties.

Conditions Precedent

Completion of the Acquisition is conditional upon the fulfillment of the following Conditions:

- (a) the due diligence on, among the others, the financial, legal and commercial aspects of the Target Company having been completed;
- (b) the Purchaser having obtained the relevant approvals including (i) the approval by the Shareholders at the SGM or the approval of over 50% Shareholders by way of written resolutions' approval in accordance with the requirement of the Listing Rules in relation to the Share Transfer Agreement and the transactions contemplated thereunder, (ii) the approval by the board of directors of the Purchaser in relation to the Share Transfer Agreement and the transactions contemplated thereunder, and (iii) other approvals (if any) required to be obtained by the Company or the Purchaser;
- (c) the Vendors as the shareholders of the Target Company having unanimously passed the shareholders' resolution in respect of the Share Transfer Agreement and the transactions contemplated therein;
- (d) the Vendors having obtained the following approvals on the transfer of their equity interests in the Target Company: (i) the approval by the board of directors and the shareholders of Gansu Tengda in relation to the transfer of its shareholding interest in the Target Company, (ii) the approval by the board of directors and the shareholders of Hangzhou Boiler in relation to the transfer of its equity interest in the Target Company and the release of the share pledge of Gansu Tengda on the equity interest of Hangzhou Boiler, and (iii) the consent of the spouse of Wang Jian Min in relation to the transfer of his equity interest in the Target Company;
- (e) the Target Company having obtained the following approval in relation to its current business activities: approval given by safety supervision and administration department of the report on deferred experimental production;

LETTER FROM THE BOARD

- (f) the Target Company having entered into the necessary trading agreements with Gansu Tengda pursuant to which Gansu Tengda will continue to trade with the Target Company for semi coke and ferrosilicon based on market price after Completion;
- (g) in respect of the government approval on the transfer of the Sale Interest:
 - (i) the Target Company having obtained the approval authority and all other relevant PRC government departments all necessary approval in relation to the Share Transfer Agreement, the transfer of the Sale Interest and the amended articles of association of the Target Company, and the terms in relation to the rights and obligations of any party in the Share Transfer Agreement and the amended articles of association of the Target Company not having been amended in any manner by such approval; and
 - (ii) the acquisition of the Sale Interest of the Target Company by the Purchaser having been approved by the National Development and Reform Commission;
- (h) after the advance of RMB20.00 million by the Purchaser to the Target Company for the repayment of the respective pledged bank loan, the Vendors having within 5 business days after such advancement released the pledge over the equity interest of the Target Company and cancelled the respective pledge registration with the relevant government authority;
- (i) the mortgage of land of the Target Company having been released and the respective mortgage registration with the relevant government authority having been cancelled;
- (j) the Purchaser having obtained the latest management accounts of the Target Company for the period between 1 May 2015 to the Completion Date;
- (k) the Target Company having appointed the persons designated by the Purchaser as new directors of the Target Company;
- (l) the representations and warranties given by the Vendors in the Share Transfer Agreement being true, accurate and not misleading in all material respects as at the date of the Share Transfer Agreement and at all times up to and on Completion and there having been no breach of any of the warranties made by the Vendors;
- (m) the Purchaser having obtained (and confirmed receipt in writing of) all seals, usernames, passwords, or Ukey etc, for e-banking and e-reporting and relevant documents and information of the Target Company;

LETTER FROM THE BOARD

- (n) the Purchaser having obtained a certification of Completion (signed by the Vendors (or its authorised representative) and the representative of the Purchaser) confirming that all Conditions have been fulfilled or waived through mutual agreement;
- (o) the Purchaser being satisfied that no material adverse change to the Target Company's financial condition and prospect or business to perform their obligations under the Share Transfer Agreement has occurred before Completion or will occur as a result of Completion; and
- (p) any other matters as agreed between the Purchaser and the Vendors.

The Vendors shall use their best endeavours to fulfill Conditions (c) to (o) above. The Purchaser shall use its best endeavours to fulfill Conditions (b) and (h) above. The Purchaser shall have the right to waive any of the Conditions applicable to the Vendors at its discretion. If any of the Conditions have not been fulfilled or waived (as the case may be) within three months from the date of the Share Transfer Agreement (or such later date as the Vendors and the Purchaser may agree in writing), the Share Transfer Agreement may be terminated by any of the party in writing and the Share Transfer Agreement shall be void and of no effect subject to the liability of the party to the others in respect of any breach of their obligations to use their best endeavours to fulfill the relevant conditions.

Up to the Latest Practicable Date, condition (a), b(ii), (e) and (f) of the above have been fulfilled.

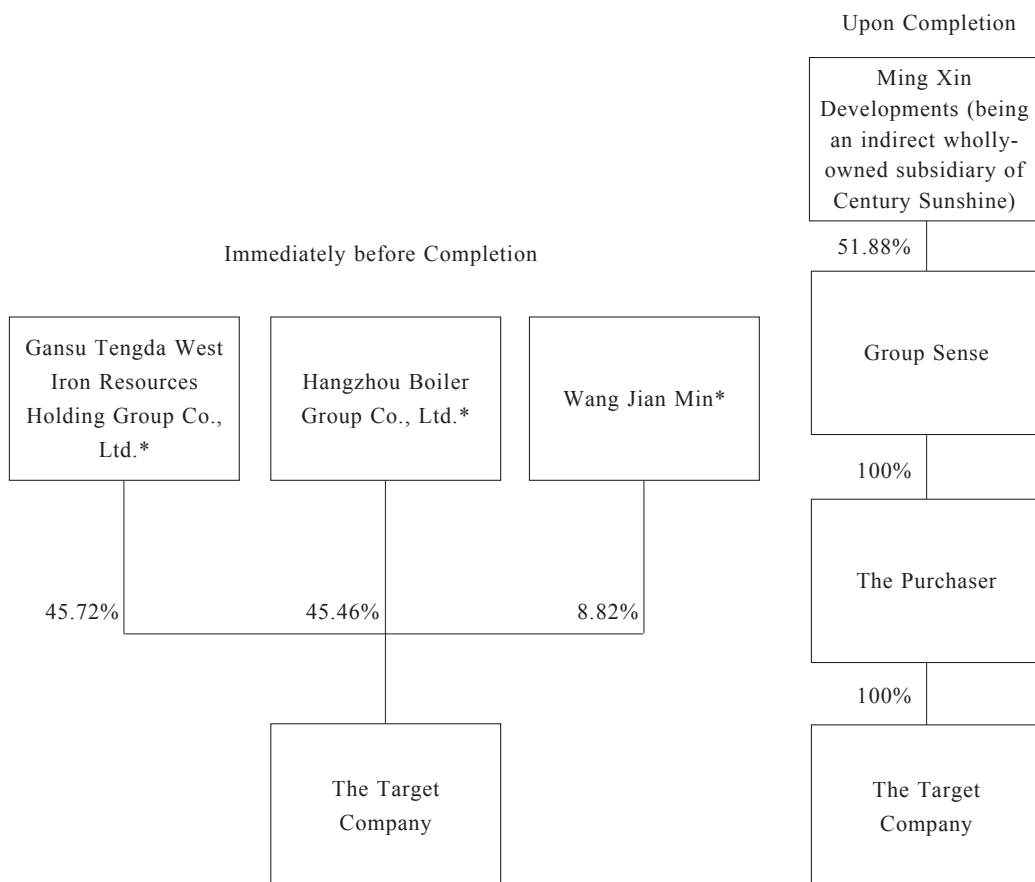
Completion

Completion shall take place on the third business day after all the Conditions having been fulfilled or waived or on such other date as the parties to the Share Transfer Agreement may agree.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's financial information upon Completion.

LETTER FROM THE BOARD

THE SHAREHOLDING STRUCTURE OF THE TARGET COMPANY



INFORMATION OF THE TARGET COMPANY

The Target Company is beneficially held as to 45.72% by Gansu Tengda, 45.46% by Hangzhou Boiler and 8.82% by Mr. Wang Jian Min, which are, to the best knowledge, information and belief of Directors, having made all reasonable enquiries, Independent Third Parties. Hangzhou Boiler is a company established in the PRC with limited liability and its shares are listed on the Shenzhen Stock Exchange (stock code: 002534).

The Target Company was established on 23 April 2008 with existing registered capital of RMB171.80 million. It is principally engaged in the production and sale of magnesium ingot and semi coke. The Target Company's production premises, including administration, research and development, and housing facilities are located at Hami Heary Industrial Park, Hami City, Xinjiang Uygur Autonomous Region, the PRC with total area of approximately 679,121m². As at 30 April 2015, the Target Company had over 280 employees. The authorised production capacity of the Target Company comprises 1,200,000 tons of semi coke, 60,000 tons of magnesium ingots and 100,000 tons of ferroalloy per annum. As at 30 April 2015, the Target Company has installed two major production lines,

LETTER FROM THE BOARD

being the processing and production of magnesium ingot and semi coke with existing production capacity of 15,000 tons and 900,000 tons respectively. The Target Company commenced trial production of magnesium ingot and semi coke in July 2011 and October 2008 respectively under valid licences and permits issued by the PRC governmental authority. Although the government authorities granted an authorised production capacity 100,000 tons of ferroalloy per annum, due to lack of capital of the Target Company, the production line of ferroalloy has not yet been constructed. For each of the three years ended 31 December 2014 and four months ended 30 April 2015, the Target Company sold (i) approximately 7,660 tons, 6,796 tons, 8,333 tons and 2,007 tons of magnesium ingots at an average selling price of approximately RMB14,132, RMB13,082, RMB12,138 and RMB10,922 per ton respectively; and (ii) approximately 128,203 tons, 122,184 tons, 113,602 tons and 40,888 tons of semi coke at an average selling price of approximately RMB570, RMB527, RMB409 and RMB354 per ton respectively.

The Target Company has suspended production since May 2015 due to (i) the routine maintenance of its production facilities in which the Company will provide assistance on the maintenance of the production lines to ensure the production lines can restart and maintain normal operation, and the related maintenance cost of the production lines including the replacement of parts and labour costs being borne by the Vendors; and (ii) lack of capital to maintain its current operation. The Target Company intends to restart the production around December 2015 subject to the Completion. During the suspension of the production lines of the Target Company and up to the Completion, the Vendors are responsible for the work arrangement of the staff. The Directors confirm that during the suspension of the production lines and up to the Latest Practicable Date, there are no material adverse issues relating to the suspension of the production of the Target Company and no issue which needs to be addressed before the restart of the production.

The commercial production of magnesium and semi coke is subject to the issuance of permits and licences by the PRC government authorities, namely the acceptance of safety protection facilities and occupational disease protection facilities upon completion by the safety production supervision authority and the safe production permit, which are expected to be obtained in December 2015. As at the Latest Practicable Date, the Target Company has obtained and is currently holding a number of valid permits, approvals and licences in relation to its construction, production and operation, including but not limited to: (i) the investment project filings at the Hami Development and Reform Commission; (ii) the environmental impact assessment approval and the environmental protection facilities inspection opinions from the Hami Environmental Protection Bureau; (iii) the state-owned land use right certificate from the Hami Land Resources Bureau; (iv) the construction land planning permit and the construction project planning permit from the Hami Planning Administrative Bureau; (v) the construction project safety conditions and design approvals from the Xinjiang Safety Production Supervision Department; (vi) the occupational

LETTER FROM THE BOARD

diseases filing at the Hami Safety Production Supervision Bureau; (vii) the fire prevention facilities design and completion inspection approvals from the Hami Public Security Bureau; and (viii) the safety production approval for the trial production stage from the Hami Safety Production Supervision Bureau.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The accountants' report of the Target Company for the Track Record Period contained (i) the disclaimer of opinion of the reporting accountant in relation to being unable to properly reconcile the inventory records as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 as a result of the reporting accountant being unable to satisfy with alternative means concerning the inventory quantities held and the carrying value of the inventories at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 and thus being unable to determine whether adjustment might have been necessary in respect of the loss for the period/years reported in the statements of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statements of cash flows for the year ended 31 December 2012, 31 December 2013 and 31 December 2014 and four months ended 30 April 2015; (ii) emphasis of matter in relation to net current liabilities of the Target Company as at 30 April 2015, a net loss incurred during the four months ended 30 April 2015 and operations of the Target Company being currently suspended which indicate the existence of a material uncertainty and may cast significant doubt about the Target Company's ability to continue as a going concern; and (iii) unmodified opinion on the statement of financial position as at 30 April 2015. A summary of the audited financial information of the Target Company for the three years ended 31 December 2014 and the four months period ended 30 April 2015, which are prepared in accordance with Hong Kong Financial Reporting Standards and accounting policies that are materially consistent with the Company's accounting policies, is set out below:

	For the year ended 31 December			For the four months period ended
	2012	2013	2014	30 April
	(RMB'000)	(RMB'000)	(RMB'000)	2015
	(Audited)	(Audited)	(Audited)	(Audited)
Revenue	181,312	153,341	147,588	36,401
Loss before tax	(10,248)	(30,124)	(43,163)	(23,900)
Loss for the year/period	(10,248)	(30,124)	(43,163)	(23,900)

LETTER FROM THE BOARD

	As at 30 April 2015 <i>(RMB'000)</i> (Audited)
Current assets	34,527
Non-current assets	179,667
Total assets	214,194
Current liabilities	135,319
Non-current liabilities	—
Total liabilities	135,319
Net current liabilities	(100,792)
Net assets	78,875

During the Track Record Period, sales of magnesium ingots accounted for approximately 60%, 58%, 69% and 60% of total revenue respectively for each period and sales of semi coke accounted for the remaining. The Target Company also sold semi coke to the affiliates of Gansu Tengda, one of the Target Company's shareholders, which accounted for 12%, 17%, 13% and 12% of total revenue respectively for each period during the Track Record Period. Pursuant to condition (f) of the Share Transfer Agreement, the Target Company will continue to sell semi coke to Gansu Tengda and is expected to contribute approximately 18% of the total revenue of the Target Company upon Completion. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and is independent and not connected to Gansu Tengda. During the Track Record Period, the Target Company sold approximately 7,660 tons, 6,796 tons, 8,333 tons and 2,007 tons of magnesium ingot respectively and approximately 128,203 tons, 122,184 tons, 113,602 tons and 40,888 tons of semi coke respectively.

Major materials of magnesium ingots and semi coke include raw coal, dolomite and ferrosilicon, which in aggregate accounted for over 70% of the cost of sales for the three years ended 31 December 2014. Raw coal and dolomite were with abundant supply and were sourced from suppliers in Xinjiang region of the PRC whilst ferrosilicon was mainly sourced from Gansu Tengda during the Track Record Period.

The sales of semi coke accounted for 40%, 42%, 31% and 40% of total revenue respectively for each period during the Track Record Period, whilst its market price was adversely affected by the decelerating economic growth in the PRC and the weak market sentiment in the steel and other metal alloy industry in the PRC. The average sales price of semi coke has decreased from approximately RMB570 per ton for the year ended 31 December 2012 to approximately RMB354 per ton for the four months period ended 30 April 2015, representing a decrease of 38%.

LETTER FROM THE BOARD

The sales of magnesium ingot accounted for 60%, 58%, 69% and 60% of total revenue respectively for each period during the Track Record Period. The existing production technology in terms of magnesium products only enabled the Target Company to produce magnesium ingot with low purity. In addition, in the PRC, due to eco-friendly nature of magnesium alloys, the demand for magnesium alloys is fuelled by the promotion of energy savings and emission reduction measures and the promulgation of policies supporting the development of related industries. The magnesium alloy, as compared with magnesium ingot, is with higher technological barriers to entry and higher selling price. Given that the economic growth in the PRC is decelerating and the Target Company was unable to re-engineer its magnesium production lines to improve product purity and variety to meet the market needs, the average sales price of magnesium ingots has decreased from approximately RMB14,132 per ton for the year ended 31 December 2012 to approximately RMB10,922 per ton for the four months period ended 30 April 2015, representing a decrease of 23%. In light of the authorised production capacity of 1,200,000 tons, 60,000 tons and 100,000 tons per annum for semi coke, magnesium ingots and ferroalloys, the Target Company, subject to the limitation of its current productions lines and technology, was unable to fully utilised the above-mentioned production capacity and the highest annual production amounts for semi coke and magnesium ingots were approximately 139,933 tons and 7,433 tons respectively during the Track Record Period. The production for ferroalloys has not yet commenced.

For the year ended 31 December 2014 and four months ended 30 April 2015, the major customers of the Target Company are mainly engaged in the manufacturing, wholesale and retail of magnesium, magnesium alloy, magnesium related products and other metal products and the provision of resource storage services in the north-west region of the PRC. The products of the Target Company's major customers consist of calcium carbide, silicon alloy, chromium alloy, semi coke powder, high purity magnesium ingots, magnesium rod, magnesium sheet, magnesium alloy and other customised magnesium forging, casting and extrusion made from semi coke and magnesium ingots.

For the year ended 31 December 2014 and four months ended 30 April 2015, the major suppliers of the Target Company are mainly engaged in the supply of raw coal, ferrosilicon, dolomite and recovery cylinder and the provision of transportation services in the north-west region of the PRC.

As a result of (a) the decrease in the sales price of semi coke and magnesium ingot during the Track Record Period; (b) the existing management not being able to re-engineer its magnesium production lines to meet the market need during the Track Record Period; and (c) the authorised production capacity not being fully utilised based on the existing production lines and technology, the Target Company incurred consecutive losses during the Track Record Period.

LETTER FROM THE BOARD

Despite the abovementioned disclaimer of opinion and emphasis of matter of the reporting accountant due to the fact that: (i) no perpetual inventory counts were performed and the Target Company's management did not implement any standardised inventory count procedure guidance; and (ii) no proper inventory record system was built up by the Target Company's management and the regular reconciliation between the inventory and accounting records was not properly performed and maintained during the Track Record Period, an unmodified opinion on the statement of financial position as at 30 April 2015 was issued as proper inventory count was performed after the Track Record Period and the inventory records and inventory quantities as at 30 April 2015 were properly reconciled and adjusted based on the inventory count results. The Directors expect that the Group's financial statements will not be qualified or disclaimed by the Group's auditors upon Completion as the Company will implement safeguards including, (i) before the Completion, the Vendors will procure the sale or disposal of all the semi coke of the Target Company amounted to 24,427 tons as at 30 April 2015, which accounted for approximately 50% of the inventory as at 30 April 2015 (the remaining inventory mainly comprises of small volume of magnesium ingots at 389 tons and spare parts), in exchange of cash and cash equivalents to be maintained in the accounts of the Target Company as a result to clear off slow turn-over inventories before suspension; (ii) arrange the counting of the physical inventories on the Completion Date and at each of the Group's financial year end with the Group's auditors attendance to ensure inventory counts are properly performed and maintained; and (iii) upon technological re-engineering of the Target Company's production lines and facilities together with improvement of management systems, the Directors believe the Target Company will achieve growth in profit. Given the above, the Directors believe that the deficiencies in inventory and accounting records can be mitigated upon Completion and future growth in profit of the Target Company upon completion of technological re-engineering can be achieved, the Directors are of the view that the Acquisition, despite the disclaimer of opinion and emphasis of matter in the accountants' report, is fair and reasonable.

Given that the Consideration was based on approximately 9% discount on the net asset value of the Target Company as at 30 April 2015 and having considered (i) the existing production lines, facilities and authorised production capacity of semi coke, magnesium ingots and ferroalloys of the Target Company which is in-line with the future development of chain model of circular economy in magnesium and magnesium product related business of the Group; (ii) raw coal and dolomite, being the raw material of magnesium alloy, are with abundant supply in Xinjiang region of the PRC ; (iii) before the Completion, the Vendors under the Share Transfer Agreement will liquidated all its semi coke inventories based on the audited inventory record as at 30 April 2015 in exchange of cash and cash equivalent to be maintained in the accounts of the Target Company; and (iv) the Group will provide sufficient capital for the Target Company's operation through fund raising activities such as open offer, the Board consider the terms of the Share Transfer Agreement and the Acquisition are in the interest of the Company and Shareholders as a whole and in long run.

LETTER FROM THE BOARD

Given that the disclosure of (i) information of the Target Company; (ii) financial information of the Target Company; (iii) reporting accountants' opinion of the Target Company; (iv) risk relating to the financial reporting and internal control procedures of the Target Company; (v) rectification and improvement of the Target Company's internal control which to be implemented; (vi) reasons for and benefits of the Acquisition as mentioned below; (vii) regional differentiation of the product nature and sales between the Enlarged Group and Century Sunshine Group; (viii) the business plan of the Target Company upon Completion; and (ix) financial effects of the Acquisition, the Board is of the view that this circular complies with the requirements under Rule 2.13 to provide sufficient information for Shareholders to make an informed decision notwithstanding the disclaimer of opinion in the accountants' report of the Target Company.

RISK RELATING TO THE FINANCIAL REPORTING AND INTERNAL CONTROL PROCEDURES OF THE TARGET COMPANY

The disclaimer of opinion on the financial report of the Target Company for the Track Record Period is mainly due to reporting accountant of the Target Company being unable to properly reconcile the inventory records as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 as there is internal control weakness in the Target Company's inventory records due to the following failure:

- (i) no perpetual inventory counts were performed and the Target Company's management did not implement any standardised inventory count procedure guidance; and
- (ii) no proper inventory record system was built up by the Target Company's management and the regular reconciliation between the inventory and accounting records was not properly performed and maintained.

Upon Completion, the Company will allocate more resources and implement a set of internal control and financial system such that the financial statement of the Target Company will prepare in accordance with the Hong Kong Financial Reporting Standards and apply an accurate inventory counting method, corporate governance and management standards used by the Group. Immediately upon Completion, the Company will engage the auditors of the Company to perform inventory count of the Target Company to ensure inventory records and accounting records are properly performed and maintained. In addition, the Company will leverage on its experience to set up standardised inventory count procedure guidance to carry out perpetual inventory counts. At each reporting period/year end, the auditors of the Company will attend the inventory count of the Target Company and any material deficiencies will be communicated immediately. The Directors consider the risks relating to internal control weakness in inventory records could be addressed and mitigated after Completion. The audit committee of the Company will also oversee the financial reporting and internal control procedures in accounting and

LETTER FROM THE BOARD

financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations. The Directors are of the opinion that there is no other identified material risk or discrepancies relating to the financial reporting and internal control procedures of the Target Company.

Besides internal control in inventory records of the Target Company, the Directors will monitor the management performance at all levels regularly and establish management appraisal system which will be reviewed annually to increase the overall performance of the Target Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal business activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services. The Company is an indirectly owned subsidiary of Century Sunshine which holds 51.88% shareholding interests in the Company.

Magnesium alloys are mixtures of magnesium with other metals, such as aluminium, zinc, manganese, silicon, copper and zirconium. Magnesium alloys are a lighter structural metal to be developed, being a third lighter than aluminium and only a quarter of the weight of steel. Their other properties include:

- anti-radiation properties;
- resistance to creep;
- recyclable;
- high strength to weight ratios;
- high thermal stability, which means that, even when exposed to high temperatures in production processes, magnesium alloys remain stable materials;
- excellent machinability, which means that, as a material, magnesium alloys require little power to cut, can be cut quickly and can easily obtain a good finish; and
- high resistance to corrosion.

LETTER FROM THE BOARD

These advantages cause magnesium alloys to be in demand by different industries such as the automotive, aerospace, aviation, defense, computers, consumer electronics, communications, biomedical chemical and packaging industries. Magnesium alloys are commonly utilised in engineering design particularly due to their light weight, which results in improved fuel efficiency, and aids in reducing carbon dioxide emissions.

In the PRC, due to the eco-friendly nature of magnesium alloys, the demand for magnesium alloys is also fuelled by the promotion of energy savings and emission reduction measures and the promulgation of policies supporting the development of related industries. According to projections in the PRC government's "Twelfth Five-Year Plan of the New Material Industry", demand for magnesium will grow by a compound annual growth rate of 26.7%, which is 19.3% higher than the average growth rate of ten nonferrous metals (7.4%), ranking the first in annual growth rate among nonferrous metals. Under the "Thirteenth Five-year Plan", the industry targets for magnesium output is expected to exceed 800,000 tonnes by 2015 and 1,300,000 tonnes by 2020, with an average annual growth rate of over 10 per cent. According to the China Non-Ferrous Metals News, with the rapid development in the automobile, computers, consumer electronics, communications pharmaceutical chemicals and aerospace industries, global demand for magnesium is expected to reach six million tonnes by 2015.

Pursuant to "U.S. – China Joint Announcement on Climate Change" and "China's National Plan on Climate Change (2014-2020)" announced in November 2014, the PRC government and relevant regulatory entities imposed strict control and applied high standard and entry barrier to the newly initiated metallurgical projects in the PRC.

Reference is made to the composite document of the Company, Century Sunshine and Ming Xin Developments dated 5 March 2015 in relation to the unconditional mandatory cash general offer and the annual report of the Company for the year ended 31 March 2015. It is the intention of the Company to explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance long-term growth potential of the Company. The Group will proactively pursue magnesium and its ancillary investment or business opportunities, and explore the development of magnesium and its ancillary business as an industry chain business model of circular economy which can integrate semi coke processing, energy generation, magnesium smelting and production of magnesium related products and ferroalloy.

LETTER FROM THE BOARD

The possible unconditional mandatory cash general offer was closed on 26 March 2015. After the Board meeting on 31 March 2015 in relation to the review of the Company's existing business and future development, the Board decided and authorised the Directors to search for investment opportunities in magnesium and magnesium related products. Subsequently, the Target Company was identified through the efforts of Mr. Shum who initiated the Acquisition by making a site visit to the Target Company for the purpose of meeting the management and understanding the business operation of the Target Company. On 14 May 2015, the Company entered into the Framework Agreement and began the due diligence of the Target Company.

The Group performed due diligence in relation to the Acquisition, including:

- review of audited financial information of the Target Company for the three years ended 31 December 2014 and the four months ended 30 April 2015;
- analysed and evaluated financial performance and financial position of the Target Company;
- review of constitutional documents, licences and permits of the Target Company;
- reviewed and evaluated the legal opinion in relation to the Target Company prepared by PRC legal advisor engaged by the Company;
- conducted site visit of the Target Company and interview for its management;
- reviewed the business model, management structure and business operation of the Target Company; and
- deployed its own engineers and engaged an external senior engineer to examine the production facilities of the Target Company.

Along with the due diligence, the Directors are of the view that the consecutive losses for the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015 incurred by the Target Company were probably attributable to the inefficient corporate management. The Directors consider that, based on the extensive management knowledge of the Directors and the management team, the Group is competent to raise the corporate governance and management standards of the Target Company by adopting the corporate management system of the Group. In addition, the suspension of production of the Target Company was mainly due to the routine maintenance of its production facilities and lack of capital to maintain its current operation as a result of the consecutive losses for

LETTER FROM THE BOARD

the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015. As a result of the lack of capital, the production for ferroalloys has not yet commenced.

After the signing of the Framework Agreement and completion of due diligence, the Directors have considered that, notwithstanding the Target Company has incurred consecutive losses for each of the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015, the Target Company (i) has existing authorised production capacity of semi coke, magnesium ingots and ferroalloys; (ii) has its existing production lines with production capacity of magnesium ingot and semi coke of 15,000 tons and 900,000 tons respectively which requires three to four years to set-up; (iii) has existing production facilities which are in good quality and provide a good condition for technological reform; (iv) will only require around two months to reform the production facilities and production lines upon Completion and restart the production with higher production efficiency, product quality and product nature; (v) has a large industrial premises with total area of 679,121m² which is sufficient for future expansion and development.

The Board is of the view that the Target Company is an ideal candidate for the investment in magnesium product business as it can offer the benefits of avoiding long application period for the permits, licenses and authorised production capacity of new projects as well as saving considerable time on construction of production lines. With this perspective, on 12 August 2015, all the Directors approved and endorsed the Acquisition in the Directors' meeting and the Purchaser entered into the Share Transfer Agreement with the Vendors.

The production base of the Target Company is located in Xinjiang region of the PRC, whereas the production base of the Century Sunshine Group is located in Jilin region of the PRC. Century Sunshine commenced its production of magnesium products in July 2011. According to the annual report of Century Sunshine for the year ended 31 December 2014, the magnesium product business contributed HK\$696.90 million to the Century Sunshine Group's revenue of HK\$2.07 billion, which accounted for above 30% of the revenue of the Century Sunshine Group with a year-on-year increase of 27.3%. For the year ended 31 December 2014, Century Sunshine recorded a gross segment profit of magnesium product business of HK\$224.54 million with a gross margin of 32.2%. For the six months ended 30 June 2015, the magnesium product business contributed HK\$379.47 million to Century Sunshine Group's revenue of HK\$1.20 billion, which accounted for approximately 31.5% of the total revenue of the Century Sunshine Group with an increase of 21.1%. For the six months ended 30 June 2015, Century Sunshine recorded a gross segment profit of magnesium product business of HK\$135.43 million with a gross margin of 35.7%. Given the successful track record of Century Sunshine in the technological development and production of magnesium products, the Company believes that, in the aspects of leveraging on the extensive knowledge in business operation and environment, experience of personnel and technology know-how of Century Sunshine Group in the magnesium sector, the Company can diversify the business and source of income of the Group into magnesium product and its ancillary business.

LETTER FROM THE BOARD

Upon Completion and technology reform of the Target Company, the Enlarged Group, being the Company together with the Target Company will be positioned to (i) produce and sell mainly the basic magnesium products, including higher purity of magnesium ingots, magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products in the north-west region in the PRC and in particular future development of chain model of circular economy in magnesium and magnesium product related business by leveraging on the extensive knowledge in business operation and environment, experience of personnel and technology know-how of the Century Sunshine Group in the magnesium product sector, and (ii) to diversify the business and income source and to enhance the Company's potential growth. Upon Completion, the Company will focus on the development and production of magnesium and magnesium related products and the Directors will consider the construction of the production line and production of ferroalloys after Completion, whereas Century Sunshine Group is positioned to produce and sell mainly rare earth magnesium alloys and magnesium alloy ingots in the north-east region in the PRC. Century Sunshine did not participate in the negotiation of the Acquisition. The geographical differentiation between the Enlarged Group and the Century Sunshine Group in production and sale of magnesium and magnesium related products is mainly due to the weight of raw materials and magnesium products and transportation cost. There will be no change in the board composition of the Company and none of the Vendors and/or the ultimate beneficial owners will be appointed as the director of the Company and/or the Target Company upon Completion.

The Board considers that the Acquisition can facilitate the business development of the Group and diversify the business and sources of income of the Group.

Given (i) the existing production lines and facilities which are in good quality and provide a good condition for technology reform; (ii) authorised production capacity of semi coke, magnesium ingots and ferroalloys of the Target Company; (iii) the existing industrial premises is sufficient for future development and expansion in the magnesium and magnesium related product business; (iv) the abundant supply of raw coal and dolomite, being the raw materials of magnesium alloys, in Xinjiang region of the PRC; (v) the anticipated improvement in the operational efficiency of the business operation by leveraging on the extensive knowledge in business operation and environment experience of personnel and technology know-how of the Century Sunshine Group in the magnesium products sector; (vi) the promulgation of policies supporting the development of magnesium industry; the Directors are of the view that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

BUSINESS PLAN

Immediately upon Completion, the Group plans to invest a total of approximately RMB45 million (equivalent to HK\$56 million) to technical reform and restart of the production

LETTER FROM THE BOARD

facilities of the Target Company. Firstly, the Company will reform and upgrade smelting workshop and production lines, increase alloy equipment and vacuum furnaces and other facilities to enhance the product quality and wider product variety of the Target Company. In addition, the Group intends to technologically reform part of the production facilities of the Target Company including installing additional ventilation, conveyor and injection equipment of the smelting systems to increase the temperature of the materials in the preheater which in turn produce higher purity of magnesium ingots, reduce fuel consumption and production cost and increase productivity. The Company expects to complete the reform of the smelting workshop, production lines and production facilities in around two months after Completion.

Secondly, the Company will then expand the production facilities and production lines to produce new products of the Target Company including magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products. The Company expects to complete the second stage of reform within six months after Completion.

In light of the above technology reform of the Target Company, the Directors target to achieve:

- (a) a substantial reduction of production cost of magnesium ingots by at least 20%;
- (b) production of high purity magnesium ingots which are selling at a price representing RMB1,200 to RMB1,500 higher than the price of low end magnesium ingots and improve the profit margin of the Target Company; and
- (c) expansion of the current product lines of the Target Company by producing new products including magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products to further improve the Target Company's profitability.

While carrying out the technology reform, the Group will enhance corporate governance and management standard by (i) strengthening the accountability of the production manager and assessment system on the production cost; (ii) establishing management appraisal system of procurement and sales and standardising the management of production process and control to ensure consistent product quality; and (iii) providing various incentives to retain and attract technical and management talents. The Company also plans to engage Professor Meng Jian, being the non-executive Director and the research analyst of Changchun Institute of Applied Chemistry, Chinese Academy of Sciences, as a consultant of the Target Company. Professor Meng Jian has extensive experience and knowledge in magnesium alloy technology and applications.

LETTER FROM THE BOARD

The Directors believe that by reforming the production lines and raising the technical level, management efficiency of the Target Company could be improved and the Target Company will be able to enhance the quality of magnesium ingots and commence the production of electrolyte magnesium, magnesium alloy rods and other magnesium ancillary products to meet the current market need in terms of product quality and variety. The proposed board composition of the Target Company upon Completion will comprise three members, two members of which will be Mr. Shum Sai Chit, being the Chairman and executive Director, and Ms. Chi Bi Fen, being the Chief Executive Officer and executive Director. Professor Meng Jian, being the non-executive Director, will be engaged as a consultant of the Target Company. Below are the biographies of the proposed new board members and consultant of the Target Company:

Mr. Shum Sai Chit, age 57, Chairman of the Group. Prior to joining the Group, Mr. Shum was the Managing Director of Go Modern Limited which was principally engaged in manufacturing of textile products and trading activities. In 1984, Mr. Shum joined Fujian Textiles Import and Export Corporation as a Manager to oversee importing and exporting of textile products. Mr. Shum is a graduate of Consumer Product Pricing and Statistics. Mr. Shum is currently an executive director of Century Sunshine (stock code: 509).

Ms. Chi Bi Fen, age 56, chief executive officer of the Group. Prior to joining the Group, Ms. Chi was the Deputy General Manager of an electronics equipment company over 17 years. She has an extensive experience in accounting, taxation and finance in the PRC for more than 15 years. She is a graduate of Accounting and Finance. Ms. Chi is currently an executive director of Century Sunshine (stock code: 509).

Please refer to section headed “Management Independence” below for the biography of Professor Meng Jian,

By applying stringent control on cost of production, comprehensive corporate governance and management standards of the Company, being a Hong Kong listing company, the cost and working capital management of the Target Company will be substantially improved and the Target Company will be well-positioned to meet the market demand for magnesium alloys.

Having considered (a) the research and development capability and technological edges of Century Sunshine Group in the field of magnesium products; (b) proposed board composition and its expertise in magnesium and magnesium related product; (c) the technological level and management efficiency of the Target Company to be enhanced; and (d) the comprehensive corporate governance and management to be applied to the Target Company, the Directors are confident that the business model, results of operations and financial condition of the Target Company will be improved which will create value to the shareholders of the Company.

LETTER FROM THE BOARD

Having considered the reasons for and benefits as detailed above and in particular the following :

- (i) the Target Company possesses existing production lines, facilities and authorised production capacity of semi coke, magnesium ingots and ferroalloys which are in-line with the future development of industry chain model of circular economy in magnesium and magnesium product related business of the Group as disclosed in the annual report of the Group for the year ended 31 March 2015;
- (ii) the existing production lines and facilities are in good quality and provide a good condition for technology reform which allow the Target Company to produce and sell a wide range of higher end products including higher purity magnesium ingots, magnesium alloy rods, electrolyte magnesium and other magnesium ancillary products and accordingly to increase its profitability;
- (iii) the Consideration was based on a discount of net asset value of the Target Company as at 30 April 2015;
- (iv) the Target Company has a large industrial premises which is sufficient for future expansion and development;
- (v) the geographical advantage of enjoying abundant supply of raw coal and dolomite, being the raw materials of magnesium ingots, in Xinjiang region of the PRC;
- (vi) the promulgation of policies in the PRC supporting the development of magnesium industry;
- (vii) the business plan as described above; and
- (viii) despite that the Target Company has been loss making in the past, the Directors are confident that they have the ability to improve the operational efficiency of the Target Company and achieve profitability by leveraging on the extensive knowledge in the business operation and environment, experience of personnel and technological know-how of the management of Century Sunshine Group in the magnesium product sector,

the Board considers that the Acquisition is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and in long run.

LETTER FROM THE BOARD

MANAGEMENT INDEPENDENCE

The Board consists of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. Each Director is aware of his/her duties as a Director and his/her other interests. Under the memorandum of association and bye-laws and policies on conflict of interest of the Company, all transactions concerning conflicts of interest must be disclosed to and approved by the Board with due care and consideration. A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he/she or any of his/her associates is materially interested.

Mr. Shum is the Chairman and Ms. Chi is the Chief Executive Officer, and they are also the executive Directors. Mr. Kwong Ping Man is the independent non-executive Director. Given that Mr. Shum, Ms. Chi and Mr. Kwong have positions both in the Company and Century Sunshine Group and in the event that there is a potential conflict of interest arising out of any transaction to be entered into among the Group and Century Sunshine Group and/or its subsidiaries, they shall abstain from voting (nor be counted in the quorum) during the Directors' meetings of the Company on the resolution to approve such transactions.

The Board confirms that in any event where Mr. Shum, Ms. Chi and Mr. Kwong are required to abstain from voting (nor be counted in the quorum) during the Directors' meetings of the Company on the resolution to approve such transactions, Professor Meng Jian, Mr. Tam Wai Ho, Samson, Mr. Cheung Sound Poon and Mr. Chen Gang, being the remaining members of the Board (the "**Remaining Board**"), have sufficient experience and competency to manage the operation of the Company and will not materially affect the decision of the Board. Please refer to the Remaining Board's biographies below:

Professor Meng Jian, age 58, is a non-executive Director. He has extensive experience in research and development of magnesium and rare earth magnesium alloys products. He is a professor and deputy officer of State Key Laboratory for Rare Earth Resource Utilisation, Changchun Institute of Applied Chemistry of Chinese Academy of Science. He is a deputy officer of Professional Committee of Solid Science and New Materials of Chinese Society of Rare Earth. He is also a director of Chinese Society of Rare Earth and Nonferrous Metals Society of China. He is an expert of the Association of China Rare Earth Industry and China Magnesium Association. Professor Meng has been engaging in research and development of rare earth magnesium alloys and new materials. He has contributed to the development and application of rare earth magnesium alloys in China. Professor Meng majored in semiconducting from Jilin University, and holds a master's degree from the chemistry department of Chinese Academy of Science. He holds a degree of doctor of Engineering from Toyohashi University of Technology, Japan. Professor Meng is currently a senior consultant of Century Sunshine for rare earth magnesium alloys projects. Professor

LETTER FROM THE BOARD

Meng's role is to mainly focus on the development and operation of magnesium product and magnesium related product business of the Company.

Dr. Tam Wai Ho, Samson JP, aged 51, is a non-executive Director. He has extensive experience in electronics and technology development. He graduated from The Chinese University of Hong Kong in 1986 with a Bachelor degree of Science (Hons), and later was awarded the degree of Doctor of Philosophy from The Hong Kong Polytechnic University. In 1992, Dr. Tam was awarded the “Young Industrialist Award of Hong Kong” and was named one of the “Ten Outstanding Young Persons” in 1997. He was an elected member of Legislative Council of Hong Kong (Information Technology, 2008-2012) and is now Chairman of the Hong Kong Business Angel Network, Chairman of the Hong Kong Industry-University-Research Collaboration Association, a member of the China Association for Science and Technology (CAST), Chairman of the Technology Development Committee of Federation of Hong Kong Industries (FHKI) and Council Member of The Open University of Hong Kong. Dr. Tam's role is to mainly focus on the design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services of the Company.

Mr. Cheung Sound Poon, age 54, is an independent non-executive Director. He is currently a senior audit manager at Chui & Kwok (CPA). He was an audit senior at Gary W. K. Yam & Co. (CPA). Mr. Cheung has over 35 years of experience in accounting and auditing. He was an independent non-executive director and the chairman of audit committee of Century Sunshine Group Holdings Limited (stock code: 509) between February 2004 and May 2007. Mr. Cheung's role is to mainly focus on the review of overall accounting and financial of the Company.

Mr. Chen Gang, aged 39, is an independent non-executive Director. He is the chief executive officer of Weloan Inc in China. He has over 15 years of experience in venture capital, private equity investment and fund management. He was an investment director of China Everbright Assets Management Limited, a senior manager of Ajia Partners SSG (Hong Kong) Limited and a senior investment officer of Kheng Leong Company (Private) Limited. Mr. Chen took the role of financial advisor in initial public offering (IPO) of many Chinese enterprises. He is experienced in corporate restructuring, private equity, IPO and post-IPO capital appreciation. He obtained a bachelor degree of engineering from South China University of Technology, a master's degree of management from Sichuan University and a master's degree of Engineering from National University of Singapore. Mr. Chen's role is to mainly advise on the investment strategy of the Company.

LETTER FROM THE BOARD

In addition to the extensive experience and diversified role of each member of the Remaining Board, the Company will take measures to enhance the standard of the senior management of the Target Company. Other than reviewing and assessing the standards of the existing senior management of the Target Company, the Company has also identified potential candidates with specialised expertise and experience, including production management, cost control, risk management and internal control, quality control and research and development, who are suitable to be appointed as senior management of the Target Company. The existing and additional members of the senior management team of the Target Company will be independent of and not connected to the Century Sunshine Group. Further, the Company is in the process to enhance the diversity of the composition of Board by seeking suitable candidates with a view to increasing the independency of the Board from the Century Sunshine Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities of the Target Company will be consolidated with those of the Group.

Net Assets

Set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition assuming Completion had taken place on 31 March 2015. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 43.98% from approximately HK\$339.50 million to approximately HK\$488.81 million and its total liabilities would increase approximately 110.37% from approximately HK\$129.76 million to approximately HK\$272.98 million.

Earnings

The total estimated acquisition-related costs for the Acquisition of the Target Company of approximately HK\$2 million is to be incurred and to be charged to consolidated profit or loss upon Completion of the Acquisition. According to the accountants' report on the Target Company as set out in Appendix II to this circular, the Target Company recorded a net losses of approximately RMB10.25 million, RMB30.12 million, RMB43.16 million and RMB23.90 million during each of the three years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015 respectively.

Having considered (a) the Company will re-engineer the production line of the Target Company for quality enhancement and the production of magnesium alloys, (b) stringent cost control on production to be applied, (c) comprehensive corporate governance and management standards to be applied; and (d) fund raising activities by the Company to

LETTER FROM THE BOARD

provide sufficient capital for the Target Company, the Directors believe the business model, results of operations and financial condition of the Target Company will be improved after the Acquisition.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the Acquisition exceed 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition and the transactions contemplated thereunder are subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders has a material interest in the Acquisition and is required to abstain from voting at a general meeting to approve the Acquisition if such a general meeting were to be convened.

SGM

The SGM will be convened at which a resolution will be proposed to seek the approval of the Shareholders for, among other things, the transaction contemplated under the Share Transfer Agreement by way of a poll. Shareholders and their associates with a material interest in the Share Transfer Agreement and the transactions contemplated thereunder shall abstain from voting on the resolution approving the Share Transfer Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Vendors and their ultimate beneficial owners are third parties independent of the Company and its connected persons, and do not hold any shares of the Company and are independent of each other.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder is required to abstain from voting for the resolution to be proposed at the SGM to approve the Share Transfer Agreement.

A notice convening the SGM to be held at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Wednesday, 14 October 2015 (or so soon thereafter as the special general meeting of the shareholders of the Company convened to be held at 10.00 a.m. on the same date and at the same place shall have been concluded or adjourned) is set out on page SGM-1 to SGM-2 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible

LETTER FROM THE BOARD

but in any event not less than 48 hours before the time scheduled for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or adjourned meeting thereof should you so wish. Completion and return of the proxy form will not preclude you from attending and voting at the SGM or any adjournments thereof should you so wish. Delivery of an instrument appointing a proxy shall not preclude you from attending and voting in person at the SGM and in such event, the instrument appointing a proxy shall be deemed revoked.

RECOMMENDATION

Having considered the above, the Directors consider that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and the entering into of the Share Transfer Agreement and the Acquisition is in the interests of the Company and its Shareholders as a whole, and recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Share Transfer Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information contained in the appendices to this circular.

By Order of the Board
Group Sense (International) Limited
Shum Sai Chit
Chairman

1. THREE-YEAR AUDITED FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the financial years ended 31 March 2013 (pages 44 to 144), 31 March 2014 (pages 45 to 144), and 31 March 2015 (pages 35 to 136), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.gsl.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2015, being the latest practicable date prior to the printing of this circular for the purpose of this statement of indebtedness, the total indebtedness of Enlarged Group amounted to approximately HK\$220 million, and comprised of secured interest-bearing bank borrowings of approximately HK\$102 million, an unsecured loan from a shareholder of the Group of approximately HK\$110 million and an unsecured loan from a shareholder of the Target Company of approximately HK\$8 million.

The Enlarged Group's bank facilities are secured by (i) a mortgage over the Group's building with a carrying value of approximately HK\$7 million at 31 July 2015; (ii) pledges of certain of the Group's short term time deposits of approximately HK\$0.5 million at 31 July 2015; (iii) pledges of the Target Company's land use right with a carrying value of approximately HK\$6 million at 31 July 2015; (iv) guarantees from directors of the Target Company, corporate guarantee from a shareholder of the Target Company, corporate guarantee by the Company and guarantee from Hami Human Resources And Social Security Bureau for a total loan balance of approximately HK\$82 million. The secured interest-bearing bank borrowing of approximately HK\$20 million, an unsecured loan from a shareholder of the Group of approximately HK\$110 million, and an unsecured loan from a shareholder of the Target Company of approximately HK\$8 million are unguaranteed.

At the close of business on 31 July 2015, the Enlarged Group's contingent liabilities are set out below:

During the year ended 31 March 2008, an independent service provider (the "Plaintiff") issued a legal proceeding in Hong Kong against a subsidiary of the Group (the "Defendant") and a claim against the Defendant for a sum of US\$627,571 (approximately HK\$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the "Agreement") and failed to make payments in accordance with the Agreement (the "Claim"). In this

connection, the Defendant alleged that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement and made a counterclaim against the Plaintiff for liquidated damages in the sum of US\$100,000 and other damages to be assessed together with interest and costs (the “**Counterclaim**”).

Based on the available evidence and subject to discovery and expert evidence, the Defendant’s representing solicitor considered that there were valid defenses to the Claim and the Defendant had a good chance of success on the Claim and the Counterclaim. Up to the 31 July 2015, there was no further progress of the Claim and Counterclaim noted. Having considered the legal opinion and no further progress of the Claim and Counterclaim during the period, the directors of the Company are of the opinion that no provision is required to be made.

Saved as aforesaid and apart from intra-group liabilities, at the close of business on 31 July 2015, the Enlarged Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance creditors, or an guarantees, or other material contingent liabilities outstanding at the close of business on 31 July 2015.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present financial resources and the banking facilities presently available and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital to meet its requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The existing principal business activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services. There is a sliding trend in the financial performance of the Group since 2008. The persistent decline in its revenue and consecutive losses were due to the

persistent sluggishness in economy of Japan and Europe and the recent unfavorable currency depreciation in Japan which affected the demand of the Group's electronic manufacturing services and electronic products. According to the Company's annual report for the year ended 31 March 2015, Japan and Europe segments represented 55.08% and 7.13% of the Group's total revenue, respectively.

Reference is made to the composite document of the Company, Century Sunshine and Ming Xin Developments dated 5 March 2015 and the joint announcement by the Company and Ming Xin Developments dated 26 March 2015 in relation to the unconditional mandatory cash general offer. The Company is currently an indirectly owned subsidiary of Century Sunshine which holds 51.88% shareholding interest in the Company. The principal activity of Century Sunshine is investment holdings and its subsidiaries are principally engaged in magnesium business, fertiliser business and metallurgical flux business.

Due to the change in control of the Company, the new board of Directors was formed on 26 March 2015. The Directors are in the process of reviewing the Group's existing business activities and assets for the advance planning of future business developments and strategies. For the existing business, the Group has been depending on the existing management team to strengthen and improve its electronic products business. Further, the Group will put more resources on developing electronic products for the PRC market, continue to strengthen its research and development capabilities and improve its cost management. Meanwhile, the Group is in search of other business opportunities in order to explore new business and speed up the Group's development. In light of the increase in market demand for magnesium products as mentioned in the section headed "Reasons for and benefits of the Acquisition" in this circular, the Group targets to proactively pursue magnesium and its ancillary investment or business opportunities, and explore the future development of chain model of circular economy in magnesium and magnesium product related business in the aspects of leveraging on the extensive knowledge in business operation and environment, experience of personnel and technology know-how of the Century Sunshine Group in the magnesium product sector. The Company entered into the Share Transfer Agreement with the Target Company in order to facilitate the business development of the Group and diversify the business and sources of income of the Group to magnesium product and its ancillary business.

The Group will continue to put effort to improve and enhance its existing businesses. At the same time, the Group will actively explore and identify investment opportunities in relation to the magnesium product and its ancillary business, and exercise the predominance of the Group in fullest to diversify the business portfolio as to enhance the long-term growth potential of the Group and maximise the Shareholders' benefits.

EVENT AFTER 31 MARCH 2015 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED FINANCIAL STATEMENTS OF THE GROUP WERE MADE UP

As disclosed in the joint announcement issued by the Company and Century Sunshine dated 20 August 2015, the Company proposes to raise approximately HK\$287.44 million before expenses by issuing 1,437,195,029 Shares (the “**Offer Shares**”) to be offered to the Shareholder(s) whose names appear on the register of members of the Group Sense as at the close of business on Friday, 9 October 2015 or such other date as may be agreed between Group Sense and Ming Xin Developments and Earnmill Holdings, being the underwriters (the “**Underwriters**”) in accordance with the relevant regulations or requirements (the “**Record Date**”) (the “**Qualifying Shareholder(s)**”), on basis of one (1) Offer Share for every one (1) existing Share in issue held on the Record Date at the subscription Price of HK\$0.20 per Offer Share (the “**Open Offer**”). The Open Offer will not be extended to Shareholder(s) with registered address(es) (as shown in the register of members of the Company as at the close of business on the Record Date) which is/ are outside Hong Kong (the “**Overseas Shareholder(s)**”) whom the GS Directors, after making enquiries, consider it necessary or expedient not to offer the Offer Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place (the “**Excluded Shareholders**”). Qualifying Shareholders are entitled to apply for any Offer Shares not taken up by other Qualifying Shareholders under the Open Offer through excess application. However, excess application arrangement will not be made available to Underwriters, Mr. Tam, Dr. Tam and Mrs. Tam. The estimated net proceeds of the Open Offer will be approximately HK\$283.99 million. The Company intends to apply (i) approximately 70% of the net proceeds as funding for the expansion and business development of the Target Company; (ii) approximately 20% for investment activities of the the Group when such investment opportunities arise; and (iii) approximately 10% for the general working capital of the Group. The Board aims to identify equity interest investment opportunities with controlling rights in companies operating in magnesium and its related products industry that are in line with the development of the Group. On 20 August 2015 (after trading hours of the Stock Exchange), the Company and the Underwriters, entered into an underwriting agreement (the “**Underwriting Agreement**”). Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite such number equal to the number of the Offer Shares other than the 826,507,845 Offer Shares undertaken by Ming Xin Developments, Earnmill, Mr. Tam, Dr. Tam and Mrs. Tam (collectively, the “**Undertaken Shareholders**”) subject to the terms and conditions set out in the Underwriting Agreement. The Undertaken Shareholders have irrevocably undertaken to the Company that (i) they will not dispose of an aggregate of 826,507,845 Shares beneficially owned by them from the date of the Undertakings up to and including the Record Date; and (ii) they will procure the acceptance of the GS Offer Shares which will represent the assured allotment to them or their nominee(s) as holder(s) of such GS Shares under the GS Open Offer.

The following is the text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.



The Board of Directors
Group Sense (International) Limited

Dear Sirs,

We set out below our report on the financial information of 新疆騰翔鎂制品有限公司 (Xinjiang Tengxiang Magnesium Products Company Limited* or “XTMP”) comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of XTMP for each of the three years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2015 (the “Relevant Periods”), and the statements of financial position of XTMP as at 31 December 2012, 2013 and 2014 and 30 April 2015, together with the notes thereto (the “Financial Information”), and the comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of XTMP for the four months ended 30 April 2014 (the “Comparative Financial Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the circular of Group Sense (International) Limited (the “Company”) dated 25 September 2015 (the “Circular”) in connection with the proposed acquisition of the entire equity interests of XTMP at a cash consideration of RMB72.28 million (equivalent to approximately HK\$88.59 million) (the “Acquisition”).

XTMP was incorporated in the People’s Republic of China (the “PRC”) with limited liability on 23 April 2008 and is engaged in the production and distribution of magnesium ingot and semi coke.

The statutory financial statements of XTMP for the years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”) and were audited by 新疆瑞豐有限責任會計師事務所 (Xinjiang Ruifeng Certified Public Accountants), certified public accountants registered in the PRC.

* *English translation name for identification only.*

For the purpose of this report, the directors of XTMP have prepared the financial statements of XTMP (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared based on the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The directors of XTMP are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the directors of XTMP determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Comparative Financial Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Comparative Financial Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures as we consider necessary on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Comparative Financial Information.

Because of the matter described in the Basis for disclaimer of opinion and the Basis for disclaimer of review conclusion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of financial position as at 31 December 2012, 2013 and 2014 and the financial performance and cash flows for each of the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 or a review conclusion on the Comparative Financial Information.

BASIS FOR DISCLAIMER OF OPINION

We were not appointed as the reporting accountants of XTMP until May 2015 and thus did not observe the counting of the physical inventories at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014. Furthermore, the inventory records to support the inventory balances as at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 could not be properly reconciled to the accounting records. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held and the carrying value of the inventories at 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014. Since the opening inventories enter into the determination of the loss and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the period/years reported in the statements of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statements of cash flows for the year ended 31 December 2012, 31 December 2013 and 31 December 2014 and four months ended 30 April 2015.

DISCLAIMER OF OPINION IN RESPECT OF THE FINANCIAL STATEMENTS FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2012, 2013 AND 2014

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, we do not express an opinion on the financial statements for each of the three years ended 31 December 2012, 2013 and 2014.

DISCLAIMER OF OPINION ON THE FINANCIAL PERFORMANCE AND CASH FLOWS FOR THE FOUR MONTHS ENDED 30 APRIL 2015

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on XTMP's financial performance and cash flows for the four months ended 30 April 2015. Accordingly, we do not express an opinion on XTMP's financial performance and cash flows for the four months ended 30 April 2015.

OPINION ON THE FINANCIAL POSITION AS AT 30 APRIL 2015

In our opinion, the statement of financial position of XTMP gives a true and fair view of the state of affairs of XTMP as at 30 April 2015.

BASIS FOR DISCLAIMER OF REVIEW CONCLUSION

We were not appointed as the reporting accountants of XTMP until May 2015 and thus did not observe the counting of the physical inventories at 31 December 2013 and 30 April 2014 and the inventory records to support the inventory balances as at 31 December 2013 and 30 April 2014 could not be properly reconciled to the accounting records. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held and the carrying value of the inventories at 31 December 2013 and 30 April 2014. Since the opening inventories enter into the determination of the loss and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the loss for the period reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows for the four months ended 30 April 2014.

DISCLAIMER OF REVIEW CONCLUSION IN RESPECT OF THE COMPARATIVE FINANCIAL INFORMATION

Due to the significance of the matter described in the Basis for disclaimer of review conclusion paragraph, we were unable to obtain sufficient appropriate evidence to form a review conclusion on the Comparative Financial Information. Accordingly, we do not express a conclusion on the Comparative Financial Information.

EMPHASIS OF MATTER

Without further modifying our opinion, we draw attention to note 2.1 to the Financial Information which indicates that XTMP had net current liabilities of RMB100,792,000 as at 30 April 2015 (year ended 31 December 2014: RMB76,746,000; 2013: RMB22,696,000; 2012: RMB41,296,000), incurred a net loss of RMB23,900,000 (year ended 31 December 2014: RMB43,163,000; 2013: RMB30,124,000; 2012: RMB10,248,000) during the four months ended 30 April 2015 and its operations are currently suspended. These conditions indicate the existence of a material uncertainty which may cast significant doubt about XTMP's ability to continue as a going concern. As explained in note 2.1 to the Financial Information, the Financial Information has been prepared on a going concern basis, the validity of which depends on the on going availability of debt facilities; the financial support from the existing shareholders before the Acquisition and from the new shareholder after the Acquisition to meet XTMP's financial obligations as and when they fall due, and the resumption of XTMP's operations in the foreseeable future.

I. FINANCIAL INFORMATION

Statements of profit or loss and other comprehensive income

	Notes	Year ended 31 December			Four months ended 30 April	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
REVENUE	5	181,312	153,341	147,588	45,539	36,401
Cost of sales		<u>(159,638)</u>	<u>(156,724)</u>	<u>(163,342)</u>	<u>(39,875)</u>	<u>(55,987)</u>
Gross profit		21,674	(3,383)	(15,754)	5,664	(19,586)
Other income and gains	5	27	1,011	34	11	74
Selling and distribution expenses		(10,472)	(9,127)	(4,627)	(525)	(463)
Administrative expenses		(8,196)	(6,236)	(5,957)	(1,719)	(1,956)
Other operating expenses		(683)	(3,720)	(10,257)	(4,683)	(40)
Finance costs	6	<u>(12,598)</u>	<u>(8,669)</u>	<u>(6,602)</u>	<u>(1,391)</u>	<u>(1,929)</u>
LOSS BEFORE TAX	7	(10,248)	(30,124)	(43,163)	(2,643)	(23,900)
Income tax	9	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
LOSS FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		<u>(10,248)</u>	<u>(30,124)</u>	<u>(43,163)</u>	<u>(2,643)</u>	<u>(23,900)</u>

Statements of financial position

		As at 31 December			As at
		2012	2013	2014	30 April
	Notes	RMB'000	RMB'000	RMB'000	2015
					RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	10	172,760	173,215	174,223	174,409
Prepaid land lease payments	11	5,540	5,419	5,298	5,258
Available-for-sale investment	12	—	—	—	—
Deposit	15	4,500	—	—	—
		<u>182,800</u>	<u>178,634</u>	<u>179,521</u>	<u>179,667</u>
Total non-current assets					
CURRENT ASSETS					
Inventories	13	45,002	37,748	34,329	19,576
Trade and bills receivables	14	33,192	24,993	15,031	11,407
Prepayments, deposits and other receivables	15	14,412	10,644	2,744	623
Tax recoverable		1,260	1,260	1,260	1,260
Due from related companies	16	291	8,237	3,586	646
Due from a director	17	1,059	1,059	—	—
Restricted bank balances	18	—	—	250	50
Cash and bank balances	18	5,730	2,311	1,275	965
		<u>100,946</u>	<u>86,252</u>	<u>58,475</u>	<u>34,527</u>
Total current assets					
CURRENT LIABILITIES					
Trade payables	19	18,413	22,011	25,992	25,898
Other payables and accruals	20	41,554	36,827	37,729	37,421
Due to a shareholder	21	20,452	—	—	—
Interest-bearing bank and other borrowings	22	61,823	50,110	71,500	72,000
		<u>142,242</u>	<u>108,948</u>	<u>135,221</u>	<u>135,319</u>
Total current liabilities					

		As at 31 December			As at
		2012	2013	2014	30 April
	Notes	RMB'000	RMB'000	RMB'000	2015
					RMB'000
NET CURRENT LIABILITIES		<u>(41,296)</u>	<u>(22,696)</u>	<u>(76,746)</u>	<u>(100,792)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>141,504</u>	<u>155,938</u>	<u>102,775</u>	<u>78,875</u>
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	22	<u>48,110</u>	<u>40,000</u>	<u>—</u>	<u>—</u>
Net assets		<u><u>93,394</u></u>	<u><u>115,938</u></u>	<u><u>102,775</u></u>	<u><u>78,875</u></u>
EQUITY					
Paid-up capital	23	100,000	141,800	171,800	171,800
Reserves		<u>(6,606)</u>	<u>(25,862)</u>	<u>(69,025)</u>	<u>(92,925)</u>
Total equity		<u><u>93,394</u></u>	<u><u>115,938</u></u>	<u><u>102,775</u></u>	<u><u>78,875</u></u>

Statements of changes in equity

		Paid-up capital	Capital reserve*	Acc- umulated losses*	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012		100,000	—	3,642	103,642
Loss for the year and total comprehensive loss for the year		—	—	(10,248)	(10,248)
At 31 December 2012 and 1 January 2013		100,000	—	(6,606)	93,394
Loss for the year and total comprehensive loss for the year		—	—	(30,124)	(30,124)
Capital injection	23	41,800	10,868	—	52,668
At 31 December 2013 and 1 January 2014		141,800	10,868	(36,730)	115,938
Loss for the year and total comprehensive loss for the year		—	—	(43,163)	(43,163)
Capital injection	23	30,000	—	—	30,000
At 31 December 2014 and 1 January 2015		171,800	10,868	(79,893)	102,775
Loss for the period and total comprehensive loss for the period		—	—	(23,900)	(23,900)
At 30 April 2015		171,800	10,868	(103,793)	78,875

	Paid-up capital	Capital reserve*	Acc- umulated losses*	Total
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2013 and 1 January 2014	141,800	10,868	(36,730)	115,938
Loss for the period and total comprehensive loss for the period (unaudited)	—	—	(2,643)	(2,643)
At 30 April 2014 (unaudited)	<u>141,800</u>	<u>10,868</u>	<u>(39,373)</u>	<u>113,295</u>

* These reserve accounts comprise the debit reserves of RMB6,606,000, RMB25,862,000, RMB69,025,000 and RMB92,925,000 in the statements of financial position as at 31 December 2012, 2013, 2014 and 30 April 2015, respectively.

Statements of cash flows

	Notes	Year ended 31 December			Four months ended 30 April	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(10,248)	(30,124)	(43,163)	(2,643)	(23,900)
Adjustments for:						
Finance costs	6	12,598	8,669	6,602	1,391	1,929
Gain on disposal of items of property, plant and equipment	5	—	—	—	—	(72)
Depreciation	7	12,175	13,341	13,724	4,575	4,807
Recognition of prepaid land lease payments	7	121	121	121	40	40
Write-down of inventories to net realisable value	7	—	—	—	—	7,938
Provision for impairment of trade and bills receivables	7	394	3,633	8,851	4,683	39
		15,040	(4,360)	(13,865)	8,046	(9,219)
Decrease/(increase) in inventories		8,057	7,254	3,419	(10,002)	6,815
Decrease/(increase) in trade and bills receivables		(17,592)	4,566	1,111	(9,736)	3,585
Decrease in prepayments, deposits and other receivables		11,907	8,268	7,900	5,868	2,121
Decrease/(increase) in amounts due from related companies	27(i),(iii)	1,000	(12,060)	19,651	8,236	2,940
Decrease/(increase) in an amount due from a director		(3)	—	1,059	1,059	—
Increase/(decrease) in trade payables		5,662	3,598	3,981	10,421	(94)

	Notes	Year ended 31 December			Four months ended 30 April	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Increase/(decrease) in other payables and accruals	27(ii)	16,733	1,360	4,008	(7,496)	(2,679)
Increase/(decrease) in an amount due to a shareholder	27(iii)	15,654	(16,338)	—	—	—
Net cash flows from/(used in) operating activities		56,458	(7,712)	27,264	6,396	3,469
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment	10, 27(ii)	(15,297)	(19,954)	(17,838)	(2,914)	(2,774)
Proceeds from disposal of items of property, plant and equipment		—	71	—	—	224
Net cash flows used in investing activities		(15,297)	(19,883)	(17,838)	(2,914)	(2,550)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital injection	23, 27 (i)	—	52,668	15,000	—	—
Interest paid		(12,598)	(8,669)	(6,602)	(1,391)	(1,929)
New bank loans		31,000	42,000	32,000	2,000	30,000
Repayment of bank loans and other loans		(58,806)	(61,823)	(50,610)	(5,610)	(29,500)
Net cash flows from/(used in) financing activities		(40,404)	24,176	(10,212)	(5,001)	(1,429)

APPENDIX II
ACCOUNTANTS' REPORT ON THE TARGET COMPANY

	<i>Note</i>	Year ended 31 December			Four months ended 30 April	
		2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2014 <i>RMB'000</i> (unaudited)	2015 <i>RMB'000</i>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		757	(3,419)	(786)	(1,519)	(510)
Cash and cash equivalents at beginning of year/ period		<u>4,973</u>	<u>5,730</u>	<u>2,311</u>	<u>2,311</u>	<u>1,525</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD		<u><u>5,730</u></u>	<u><u>2,311</u></u>	<u><u>1,525</u></u>	<u><u>792</u></u>	<u><u>1,015</u></u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Cash and bank balances and cash and cash equivalent as stated in the statement of financial position	<i>18</i>	5,730	2,311	1,275	792	965
Restricted bank balances	<i>18</i>	<u>—</u>	<u>—</u>	<u>250</u>	<u>—</u>	<u>50</u>
Cash and cash equivalent as stated in the statement of cash flows		<u><u>5,730</u></u>	<u><u>2,311</u></u>	<u><u>1,525</u></u>	<u><u>792</u></u>	<u><u>1,015</u></u>

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

XTMP was incorporated as a company with limited liability in the PRC on 23 April 2008. The registered office of XTMP is in Hami Heavy Industrial Park District.

XTMP's principal activities consisted of the production and distribution of magnesium ingot and semi coke in the PRC.

2.1 BASIS OF PRESENTATION

As at 31 December 2012, 2013, 2014, and 30 April 2015, XTMP had net current liabilities of RMB41,296,000, RMB22,696,000, RMB76,746,000 and RMB100,792,000, respectively. In addition, XTMP recorded net losses of RMB10,248,000, RMB30,124,000, RMB43,163,000 and RMB23,900,000 for the years ended 31 December 2012, 2013 and 2014, and for the four months ended 30 April 2015, respectively, and its operations are currently suspended.

In preparing the Financial Information, the directors of XTMP have given careful consideration to the future liquidity of XTMP and have taken into account the following:

- (a) pursuant to the sales and purchase agreement entered into between Hong Kong New Materials Industry Investment Company Limited, a subsidiary of the Company and the existing shareholders for the Acquisition, all existing shareholders have confirmed their intention to provide continuing financial support to XTMP before the completion of the Acquisition so as to enable XTMP to meet its liabilities as and when they fall due;
- (b) upon the completion of the Acquisition, the Company will provide financial support to XTMP to enable it to meet its financial liabilities as and when they fall due, resume its operations and to enable XTMP to continue operating as a going concern in the foreseeable future; and
- (c) the directors of XTMP are of the opinion that XTMP will be able to renew/refinance the bank borrowings upon their expiry.

Consequently, the directors of XTMP are satisfied that XTMP will be able to obtain necessary funding so as to meet its liabilities when they fall due in the foreseeable future. Accordingly, the Financial Information has been prepared on a going concern basis.

Should XTMP be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

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

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

For the purpose of preparation of the Financial Information, XTMP has adopted all the revised standards and new interpretations applicable throughout the Relevant Periods.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

XTMP has not applied the following revised standards and new interpretations, that have been issued but are not yet effective, in this Financial Information.

HKFRS 9	<i>Financial Instruments</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual Improvements 2012-2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to XTMP

XTMP is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, XTMP considers that these new and revised HKFRSs are unlikely to have a significant impact on XTMP's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

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

Related parties

A party is considered to be related to XTMP if:

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

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and XTMP are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and XTMP 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 XTMP or an entity related to XTMP;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, XTMP recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Buildings	3% — 10%
Plant and machinery	5% — 33 ¹ / ₃ %
Motor vehicles	10% — 16 ² / ₃ %
Office equipment	10% — 20%

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

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

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale investment carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Financial liabilities include other payables and accruals, amount due to a shareholder, and interest-bearing bank borrowing. All financial liabilities are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in profit or loss.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to XTMP and when the revenue can be measured reliably. The sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that XTMP maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Employee benefits

The employees of XTMP are required to participate in a central pension scheme operated by the local municipal government. XTMP is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs 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 capitalized as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of items of property, plant and equipment

XTMP's management estimates the recoverable amounts of items of property, plant and equipment when an indication of impairment exists. This requires an estimation of the value in use of the cash-generating units. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade and bills receivables

XTMP maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. XTMP makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, XTMP would be required to revise the basis of making the allowance and its future results would be affected.

4. SEGMENT INFORMATION

In the opinion of the management, XTMP has one operating segment which is production and distribution of magnesium ingot and semi coke.

No geographical information is presented as all of XTMP's assets are located in the PRC.

Information about major customers

Revenue from each of the major customers, which individually amounted to 10% or more of XTMP's revenue, is set out below:

	Year ended 31 December			Four months ended 30 April	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Customer A	21,306	21,394	18,929	11,623	4,478
Customer B	—	—	14,005	—	5,607
Customer C	—	—	3,989	—	4,179
Customer D	12,304	12,802	20,420	4,792	6,177
Customer E	—	11,343	18,395	4,186	3,563
Customer F	19,036	8,204	6,772	—	1,684
Customer G	—	3,383	20,562	4,323	—
Customer H	79,008	30,480	—	—	—

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also XTMP's turnover, represents the net invoiced valued of goods sold, after allowances for returns and trade discounts during the Relevant Periods.

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

	Year ended 31 December			Four months ended 30 April	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
				(unaudited)	
Revenue					
Sales of goods	<u>181,312</u>	<u>153,341</u>	<u>147,588</u>	<u>45,539</u>	<u>36,401</u>
Other income and gains					
Gain on disposal of items of property, plant and equipment	—	—	—	—	72
Others	<u>27</u>	<u>1,011</u>	<u>34</u>	<u>11</u>	<u>2</u>
	<u>27</u>	<u>1,011</u>	<u>34</u>	<u>11</u>	<u>74</u>

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
				(unaudited)	
Interest on bank loans, wholly repayable within five years	8,990	6,031	5,547	987	1,629
Interest on other loan, wholly repayable within five years	2,441	1,385	192	192	—
Other finance costs	<u>1,167</u>	<u>1,253</u>	<u>863</u>	<u>212</u>	<u>300</u>
	<u>12,598</u>	<u>8,669</u>	<u>6,602</u>	<u>1,391</u>	<u>1,929</u>

7. LOSS BEFORE TAX

Loss before tax is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Cost of inventories sold	159,638	156,724	163,342	39,875	55,987
Depreciation (<i>note 10</i>)	12,175	13,341	13,724	4,575	4,807
Amortisation of prepaid land lease payments (<i>note 11</i>)	121	121	121	40	40
Auditors' remuneration	20	81	53	53	44
Employee benefit expense (excluding directors' remuneration – <i>note 8</i>):					
Wages and salaries	17,120	17,463	18,838	5,973	5,444
Pension scheme contributions	2,886	2,717	3,009	970	867
	<u>20,006</u>	<u>20,180</u>	<u>21,847</u>	<u>6,943</u>	<u>6,311</u>
Impairment of trade and bills receivables*	394	3,633	8,851	4,683	39
Write-down of inventories to net realisable value	—	—	—	—	7,938
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,938</u>

* included in "Other operating expenses" of the statements of profit and loss and other comprehensive income

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance (Cap 32) is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
Fee	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	297	403	504	207	96
Pension scheme contributions	7	8	10	3	2
	<u>304</u>	<u>411</u>	<u>514</u>	<u>210</u>	<u>98</u>

The remuneration of each for the year ended 31 December 2012 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Dou Weiquan	—	161	4	165
Mr. Yu Cuntang	—	136	3	139
	<u>—</u>	<u>297</u>	<u>7</u>	<u>304</u>

The remuneration of each for the year ended 31 December 2013 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Dou Weiquan	—	223	4	227
Mr. Yu Cuntang	—	180	4	184
	<u>—</u>	<u>403</u>	<u>8</u>	<u>411</u>

The remuneration of each for the year ended 31 December 2014 is set out below:

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Mr. Dou Weiquan	—	207	5	212
Mr. Yu Cuntang	—	198	5	203
Mr. Cai Mingjian	—	99	—	99
	—	504	10	514

The remuneration of each for the four months ended 30 April 2014 is set out below:

	Fees <i>RMB'000</i> (unaudited)	Salaries, allowances and benefits in kind <i>RMB'000</i> (unaudited)	Pension scheme contributions <i>RMB'000</i> (unaudited)	Total remuneration <i>RMB'000</i> (unaudited)
Mr. Dou Weiquan	—	107	2	109
Mr. Yu Cuntang	—	100	1	101
	—	207	3	210

The remuneration of each for the four months ended 30 April 2015 is set out below:

	Fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Mr. Yu Cuntang	—	45	2	47
Mr. Cai Mingjian	—	51	—	51
	—	96	2	98

(b) Five highest paid employees

The five highest paid employees during the Relevant Periods included two directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration of the remaining three non-director, highest paid employees for the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	330	517	482	215	125
Pension scheme contributions	3	8	9	3	7
	<u>333</u>	<u>525</u>	<u>491</u>	<u>218</u>	<u>132</u>

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nil to RMB1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

9. INCOME TAX

No provision for profits tax has been made as XTMP did not generate any assessable profits during the Relevant Periods.

A reconciliation of the tax credit applicable to loss before tax at the statutory rates of the jurisdictions in which XTMP operates, and a reconciliation of the applicable rates (i.e., the statutory tax rate) to the effective tax rates, are as follows:

	Year ended 31 December						Four months ended 30 April			
	2012 RMB'000	%	2013 RMB'000	%	2014 RMB'000	%	2014 RMB'000 (unaudited)	%	2015 RMB'000	%
Loss before tax	<u>(10,248)</u>		<u>(30,124)</u>		<u>(43,163)</u>		<u>(2,643)</u>		<u>(23,900)</u>	
Tax at the statutory tax rate of 25%	(2,562)	25.0	(7,531)	25.0	(10,791)	25.0	(661)	25.0	(5,975)	25.0
Expenses not deductible for tax	1,673	(16.3)	4,322	(14.4)	8,737	(20.2)	2,369	(89.6)	3,679	(15.4)
Tax losses not recognised	889	(8.7)	3,209	(10.6)	2,054	(4.8)	—	—	2,296	(9.6)
Tax losses utilised from prior period	—	—	—	—	—	—	(1,708)	64.6	—	—
Tax position	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

XTMP has estimated tax losses arising in Mainland China of RMB3,556,000, RMB16,392,000, RMB24,608,000 and RMB33,792,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 April 2015, respectively, that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as XTMP has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2012						
At 1 January 2012:						
Cost	66,161	88,631	2,799	2,012	11,744	171,347
Accumulated depreciation	(2,058)	(5,809)	(700)	(225)	—	(8,792)
Net carrying amount	<u>64,103</u>	<u>82,822</u>	<u>2,099</u>	<u>1,787</u>	<u>11,744</u>	<u>162,555</u>
At 1 January 2012, net of accumulated depreciation						
depreciation	64,103	82,822	2,099	1,787	11,744	162,555
Additions	15,677	2,174	—	214	4,315	22,380
Depreciation provided during the year	(3,413)	(8,209)	(272)	(281)	—	(12,175)
Transfers	10,518	50	—	—	(10,568)	—
At 31 December 2012, net of accumulated depreciation	<u>86,885</u>	<u>76,837</u>	<u>1,827</u>	<u>1,720</u>	<u>5,491</u>	<u>172,760</u>
At 31 December 2012:						
Cost	92,356	90,855	2,799	2,226	5,491	193,727
Accumulated depreciation	(5,471)	(14,018)	(972)	(506)	—	(20,967)
Net carrying amount	<u>86,885</u>	<u>76,837</u>	<u>1,827</u>	<u>1,720</u>	<u>5,491</u>	<u>172,760</u>
31 December 2013						
At 31 December 2012 and 1 January 2013:						
Cost	92,356	90,855	2,799	2,226	5,491	193,727
Accumulated depreciation	(5,471)	(14,018)	(972)	(506)	—	(20,967)
Net carrying amount	<u>86,885</u>	<u>76,837</u>	<u>1,827</u>	<u>1,720</u>	<u>5,491</u>	<u>172,760</u>
At 1 January 2013, net of accumulated depreciation						
depreciation	86,885	76,837	1,827	1,720	5,491	172,760
Additions	240	1,205	224	310	11,888	13,867
Disposals	—	—	(71)	—	—	(71)
Depreciation provided during the year	(4,397)	(8,370)	(268)	(306)	—	(13,341)
Transfers	5,500	1,618	—	—	(7,118)	—
At 31 December 2013, net of accumulated depreciation	<u>88,228</u>	<u>71,290</u>	<u>1,712</u>	<u>1,724</u>	<u>10,261</u>	<u>173,215</u>

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 December 2013:						
Cost	98,096	93,678	2,925	2,536	10,261	207,496
Accumulated depreciation	(9,868)	(22,388)	(1,213)	(812)	—	(34,281)
Net carrying amount	<u>88,228</u>	<u>71,290</u>	<u>1,712</u>	<u>1,724</u>	<u>10,261</u>	<u>173,215</u>
31 December 2014						
At 31 December 2013 and 1 January 2014:						
Cost	98,096	93,678	2,925	2,536	10,261	207,496
Accumulated depreciation	(9,868)	(22,388)	(1,213)	(812)	—	(34,281)
Net carrying amount	<u>88,228</u>	<u>71,290</u>	<u>1,712</u>	<u>1,724</u>	<u>10,261</u>	<u>173,215</u>
At 1 January 2014, net of accumulated depreciation						
	88,228	71,290	1,712	1,724	10,261	173,215
Additions	2,093	232	224	10	12,173	14,732
Depreciation provided during the year	(4,558)	(8,541)	(292)	(333)	—	(13,724)
Transfers	5,671	—	—	—	(5,671)	—
At 31 December 2014, net of accumulated depreciation	<u>91,434</u>	<u>62,981</u>	<u>1,644</u>	<u>1,401</u>	<u>16,763</u>	<u>174,223</u>
At 31 December 2014:						
Cost	105,860	93,910	3,149	2,546	16,763	222,228
Accumulated depreciation	(14,426)	(30,929)	(1,505)	(1,145)	—	(48,005)
Net carrying amount	<u>91,434</u>	<u>62,981</u>	<u>1,644</u>	<u>1,401</u>	<u>16,763</u>	<u>174,223</u>
30 April 2015						
At 31 December 2014 and 1 January 2015:						
Cost	105,860	93,910	3,149	2,546	16,763	222,228
Accumulated depreciation	(14,426)	(30,929)	(1,505)	(1,145)	—	(48,005)
Net carrying amount	<u>91,434</u>	<u>62,981</u>	<u>1,644</u>	<u>1,401</u>	<u>16,763</u>	<u>174,223</u>
At 1 January 2015, net of accumulated depreciation						
	91,434	62,981	1,644	1,401	16,763	174,223
Additions	3,425	372	—	2	1,346	5,145
Disposals	—	—	(147)	(5)	—	(152)
Depreciation provided during the period	(1,683)	(2,916)	(98)	(110)	—	(4,807)
Transfers	2,283	14,453	—	—	(16,736)	—
At 30 April 2015, net of accumulated depreciation	<u>95,459</u>	<u>74,890</u>	<u>1,399</u>	<u>1,288</u>	<u>1,373</u>	<u>174,409</u>

	Buildings	Plant and machinery	Motor vehicles	Office equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 30 April 2015:						
Cost	111,568	108,735	2,921	2,540	1,373	227,137
Accumulated depreciation	<u>(16,109)</u>	<u>(33,845)</u>	<u>(1,522)</u>	<u>(1,252)</u>	<u>—</u>	<u>(52,728)</u>
Net carrying amount	<u>95,459</u>	<u>74,890</u>	<u>1,399</u>	<u>1,288</u>	<u>1,373</u>	<u>174,409</u>

At 31 December 2012 and 2013, XTMP's machinery with net carrying amount of approximately RMB18,903,000 and RMB16,536,000, respectively, were pledged to secure XTMP's interest-bearing other borrowings (note 22).

11. PREPAID LAND LEASE PAYMENTS

	As at 31 December			As at 30 April 2015
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Carrying amount at the beginning of year/period	5,782	5,661	5,540	5,419
Recognised during the year/period	<u>(121)</u>	<u>(121)</u>	<u>(121)</u>	<u>(40)</u>
Carrying amount at the end of year/period	5,661	5,540	5,419	5,379
Current portion classified as current assets (included in prepayment)	<u>(121)</u>	<u>(121)</u>	<u>(121)</u>	<u>(121)</u>
Non-current portion	<u>5,540</u>	<u>5,419</u>	<u>5,298</u>	<u>5,258</u>

The leasehold land is situated in Mainland China and is held under a medium term lease.

At 31 December 2012, 2013 and 2014, and 30 April 2015, XTMP's prepaid land lease payments with aggregate carrying amount of approximately RMB5,661,000, RMB5,540,000, RMB5,419,000 and RMB5,379,000, respectively, were pledged to secure XTMP's interest-bearing bank borrowings (note 22).

12. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December			As at 30 April 2015
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted equity investment, at cost	500	500	500	500
Less: impairment	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>	<u>(500)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. XTMP does not intend to dispose of them in the near future.

13. INVENTORIES

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
Raw materials	7,979	11,814	11,228	5,402
Finished goods	37,023	25,934	23,101	14,174
	<u>45,002</u>	<u>37,748</u>	<u>34,329</u>	<u>19,576</u>

14. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
Trade and bills receivables	33,626	29,060	27,949	24,364
Impairment	(434)	(4,067)	(12,918)	(12,957)
	<u>33,192</u>	<u>24,993</u>	<u>15,031</u>	<u>11,407</u>

XTMP's trading terms with its customers are mainly on credit, except for some customers where payment in advance is required. The credit period is generally one month. Each customer has a maximum credit limit. XTMP seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that XTMP's trade and bills receivables related to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest bearing.

The movements in the provision for impairment of trade and bills receivables are as follows:

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
At beginning of year/period	40	434	4,067	12,918
Impairment losses recognised (note 7)	394	3,633	8,851	39
At end of year/period	<u>434</u>	<u>4,067</u>	<u>12,918</u>	<u>12,957</u>

Included in the above provision for impairment of trade and bills receivables is a provision for individually impaired trade and bills receivables as at 31 December 2012, 2013 and 2014, and 30 April 2015, of RMB434,000, RMB4,067,000, RMB12,918,000 and RMB12,957,000, respectively, with the same carrying amounts before provision.

The individually impaired trade and bills receivables relate to customers that were in financial difficulties or were in default in principal payment and the receivables is not expected to be recovered. XTMP does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Neither past due nor impaired	15,942	14,628	8,510	10,230
Less than 1 month past due	6,595	747	43	—
1 to 2 months past due	3,260	3,895	—	782
2 to 3 months past due	6,272	136	862	—
Over 3 months past due	1,123	5,587	5,616	395
	<u>33,192</u>	<u>24,993</u>	<u>15,031</u>	<u>11,407</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track of record with XTMP. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. XTMP does not hold any collateral or other credit enhancements over these balances.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Prepayments	3,212	5,811	2,373	392
Deposits	4,560	4,560	60	60
Other receivables	11,441	574	612	472
Impairment	(301)	(301)	(301)	(301)
	<u>18,912</u>	<u>10,644</u>	<u>2,744</u>	<u>623</u>
Less: Deposit, non-current portion	<u>(4,500)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current portion	<u>14,412</u>	<u>10,644</u>	<u>2,744</u>	<u>623</u>

The impaired other receivables relate to advances to individuals were in financial difficulties or were in default in principal payment. XTMP does not hold any collateral or other credit enhancements over these balances.

Except for the balances which were impaired, the financial assets included in the above balances related to receivables for which there was no recent history of default.

16. DUE FROM RELATED COMPANIES

Particulars of amounts due from related companies are as follows:

Year ended 31 December 2012

Name	31 December 2012 <i>RMB'000</i>	Maximum amount outstanding during the year <i>RMB'000</i>	1 January 2012 <i>RMB'000</i>
Gansu New Western Furnace Charge Co., Ltd.	291	1,291	1,291

Year ended 31 December 2013

Name	31 December 2013 <i>RMB'000</i>	Maximum amount outstanding during the year <i>RMB'000</i>	1 January 2013 <i>RMB'000</i>
Gansu New Western Furnace Charge Co., Ltd.	2,957	3,774	291
Tengda Northwestern Ferroalloys Co., Ltd.	5,280	11,850	—
	<u>8,237</u>		<u>291</u>

Year ended 31 December 2014

Name	31 December 2014 <i>RMB'000</i>	Maximum amount outstanding during the year <i>RMB'000</i>	1 January 2014 <i>RMB'000</i>
Gansu New Western Furnace Charge Co., Ltd.	1,617	3,218	2,957
Tengda Northwestern Ferroalloys Co., Ltd.	1,969	11,773	5,280
	<u>3,586</u>		<u>8,237</u>

Period ended 30 April 2015

Name	30 April 2015 <i>RMB'000</i>	Maximum amount outstanding during the period <i>RMB'000</i>	1 January 2015 <i>RMB'000</i>
Gansu New Western Furnace Charge Co., Ltd.	638	1,617	1,617
Tengda Northwestern Ferroalloys Co., Ltd.	<u>8</u>	<u>6,568</u>	<u>1,969</u>
	<u>646</u>		<u>3,586</u>

Gansu New Western Furnace Charge Co., Ltd. is controlled by a director of XTMP.

Tengda Northwestern Ferroalloys Co., Ltd. ("Tengda Northwestern") is controlled by a substantial shareholder of the XTMP.

The balances with the related companies are unsecured, interest-free and repayable on demand.

17. DUE FROM A DIRECTOR

Particulars of an amount due from a director are as follows:

Year ended 31 December 2012

Name	31 December 2012 <i>RMB'000</i>	Maximum amount outstanding during the year <i>RMB'000</i>	1 January 2012 <i>RMB'000</i>
Mr. Dou Weiquan	<u>1,059</u>	<u>1,059</u>	<u>1,056</u>

Year ended 31 December 2013

Name	31 December 2013 <i>RMB'000</i>	Maximum amount outstanding during the year <i>RMB'000</i>	1 January 2013 <i>RMB'000</i>
Mr. Dou Weiquan	<u>1,059</u>	<u>1,059</u>	<u>1,059</u>

Year ended 31 December 2014

Name	31 December	Maximum amount outstanding during the	1 January
	2014	year	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Dou Weiquan	—	1,059	1,059

18. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	5,730	2,311	1,525	1,015
Less: Restricted bank balances	—	—	(250)	(50)
	<u>5,730</u>	<u>2,311</u>	<u>1,275</u>	<u>965</u>

At 31 December 2012, 2013 and 2014, and 30 April 2015, all cash and bank balances of XTMP denominated in RMB.

XTMP's cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

20. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2012	2013	2014	30 April
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	23,311	17,444	23,602	24,039
Accruals	5,923	9,227	11,593	10,847
Receipt in advance	12,320	10,156	2,534	2,535
	<u>41,554</u>	<u>36,827</u>	<u>37,729</u>	<u>37,421</u>

The other payables are non-interest-bearing and are normally settled on 30-day terms.

21. DUE TO A SHAREHOLDER

The amount due to a shareholder as at 31 December 2012 was unsecured, interest free and had no fixed terms of repayment.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2012			As at 31 December 2013			2014			As at 30 April 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current												
Bank loans, secured	5.76% to 11.15%	2013	52,000	5.76% to 9.00%	2014	42,000	5.76% to 9.00%	2015	71,500	5.76% to 8.60%	2015 — 2016	72,000
Current portion of long-term other loan, secured	11.54%	2013	9,823	11.54%	2014	8,110			—			—
			<u>61,823</u>			<u>50,110</u>			<u>71,500</u>			<u>72,000</u>
Non-Current												
Bank loans, secured	5.76%	2014 —2015	40,000	5.76% to 7.38%	2015	40,000			—			—
Other loan	11.54%	2014	8,110			—			—			—
			<u>48,110</u>			<u>40,000</u>			<u>—</u>			<u>—</u>
			<u>109,933</u>			<u>90,110</u>			<u>71,500</u>			<u>72,000</u>

Notes:

- (a) Certain of XTMP's bank and other borrowings are secured by:
- (i) XTMP's property, plant and equipment situated in Mainland China, which had net carrying amount of RMB18,903,000 and RMB16,536,000 as at 31 December 2012 and 31 December 2013, respectively (note 10); and
 - (ii) XTMP's prepaid land lease payments situated in Mainland China, which had aggregate carrying amount of RMB5,661,000, RMB5,540,000, RMB5,419,000 and RMB5,379,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 April 2015, respectively (note 11);

In addition, XTMP's shareholders and directors have guaranteed certain of XTMP's bank and other borrowings amounting to RMB30,000,000, RMB40,000,000, RMB59,500,000 and RMB62,000,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 April 2015, respectively. Hami Human Resources And Social Security Bureau has also guaranteed certain of XTMP's bank borrowings amounting to RMB2,000,000.

- (b) All the bank loans are denominated in RMB.

23. PAID-UP CAPITAL

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
Registered and fully paid	100,000	141,800	171,800	171,800

A summary of movements in XTMP's share capital is as follows:

	Paid-up capital RMB'000	Capital reserve RMB'000	Total RMB'000
At 1 January 2012, 31 December 2012 and 1 January 2013	100,000	—	100,000
Capital injection (<i>Note (a)</i>)	41,800	10,868	52,668
At 31 December 2013 and 1 January 2014	141,800	10,868	152,668
Capital injection (<i>Note (b)</i>)	30,000	—	30,000
At 31 December 2014, 1 January 2015 and 30 April 2015	171,800	10,868	182,668

Notes:

- (a) On 24 January 2013, two of the shareholders, Tengda Northwestern and Hangzhou Boiler Group Co., Ltd. ("Hangzhou Boiler") injected RMB12,668,000 and RMB40,000,000 into XTMP in form of cash to finance the daily operation of XTMP respectively.
- (b) On 30 December 2014, two of the shareholders, Gansu Tengda West Iron Resources Holding Group Co., Ltd. ("Gansu Tengda") conducted a capital injection of RMB15,000,000 to XTMP by capitalising accounts payables of RMB15,000,000 to a related company, Tengda Northwestern, which is a subsidiary of Gansu Tengda, and Hangzhou Boiler conducted a capital injection of RMB15,000,000 to XTMP by cash to finance the daily operation of XTMP.

24. PLEDGE OF ASSETS

Details of XTMP's bank loans and other loans, which are secured by the assets of XTMP, are included in note 10, 11 and 22 to the Financial Information.

25. COMMITMENTS

XTMP had the following commitments at the end of each of the Relevant Periods:

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Contracted, but not provided for:				
Buildings	—	2,110	3,148	—
Plant and machinery	3,841	2,181	682	582
	<u>3,841</u>	<u>4,291</u>	<u>3,830</u>	<u>582</u>

26. RELATED PARTY TRANSACTIONS

(a) In addition to those transactions disclosed elsewhere in the Financial Information, XTMP had the following material related party transactions during the Relevant Periods:

	Notes	Year ended 31 December			Four months	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
Sales of products to an ex-shareholder	(i)	21,306	3,322	—	—	—
Sales of products to related companies	(i)	—	22,726	19,321	11,623	4,478
Purchases of raw materials from a shareholder	(ii)	41,466	—	—	—	—
Purchases of raw materials from a related company	(ii)	—	37,171	44,421	14,069	8,960
Design fee charged by a related company	(iii)	—	—	513	—	—

- (i) The sales to an ex-shareholder and related companies were based on the actual costs of production by XTMP, plus margins which is mutually agreed between the parties.
- (ii) The purchases of raw materials from a shareholder and a related company were based on the actual costs of purchases by them, plus margins which is mutually agreed between the parties.
- (iii) Design fee charged by a related company was based on terms mutually agreed between the parties.

(b) Other transactions with related parties:

XTMP's shareholders and directors have guaranteed certain of XTMP's bank and other borrowings amounting to RMB30,000,000, RMB40,000,000, RMB59,500,000 and RMB62,000,000 as at 31 December 2012, 2013, 2014, and 30 April 2015, respectively, as further detailed in note 22 to the Financial Information.

(c) Outstanding balances with related parties:

(i) Details of XTMP's amount due from related companies are disclosed in note 16 to the Financial Information.

(ii) Details of XTMP's amount due from a director are disclosed in note 17 to the Financial Information.

(iii) As disclosed in the statement of financial position, XTMP had an outstanding balance due to a shareholder of RMB20,452,000 as at 31 December 2012. The balance was unsecured, interest-free and had no fixed terms of repayment.

(d) Compensation of key management personnel of XTMP:

Details of the directors' emoluments, who are the key management personnel of XTMP, are disclosed in note 8(a) to the financial statements

27. NOTES TO THE STATEMENTS OF CASHFLOW

Major non-cash transactions

(i) On 30 December 2014, Gansu Tengda made capital injection of RMB15,000,000 to XTMP by converting a payable from XTMP to a related company, Tengda Northwestern pursuant to the Three-party Debt-Equity Swap Agreement between XTMP, Gansu Tengda and Tengda Northwestern dated 15 December 2014.

(ii) Included in other payables and accruals are additions in respect of property, plant and equipment amounting to RMB15,354,000, RMB9,267,000, RMB6,161,000 and RMB8,532,000 as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 April 2015, respectively.

(iii) During the year ended 31 December 2013, Tengda Northwestern disposed all its interest in XTMP to its holding Company, Gansu Tengda, and became a related party to XTMP. A payable of RMB4,114,000 was transferred from an amount due to a shareholder to an amount due to a related company.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the each of the Relevant Periods are as follows:

Financial assets

	Loans and receivables			As at
	As at 31 December			30 April
	2012	2013	2014	2015
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Due from related companies	291	8,237	3,586	646
Due from a director	1,059	1,059	—	—
Trade and bills receivables	33,192	24,993	15,031	11,407
Financial assets included in prepayments, deposits and other receivables (<i>note 15</i>)	15,700	4,833	371	231
Restricted cash and cash and bank balances	5,730	2,311	1,525	1,015
	<u>55,972</u>	<u>41,433</u>	<u>20,513</u>	<u>13,299</u>

Financial liabilities

	Financial liabilities at amortised cost			
	As at 31 December			As at
	2012	2013	2014	30 April
	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>	<i>RMB '000</i>
Trade payables	18,413	22,011	25,992	25,898
Financial liabilities included in other payables and accruals	23,311	17,444	23,602	24,039
Due to a shareholder	20,452	—	—	—
Interest-bearing bank and other borrowings	109,933	90,110	71,500	72,000
	<u>172,109</u>	<u>129,565</u>	<u>121,094</u>	<u>121,937</u>

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, balance with related companies, a shareholder and a director and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

Fair value hierarchy

XTMP did not have any financial assets and liabilities measured at fair value as at 31 December 2012, 2013 and 2014, and 30 April 2015.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

XTMP's principal financial instruments comprise balances with group companies, interest-bearing bank and other borrowings and cash and bank balances. The main purpose of these financial instruments is to provide finance for XTMP's operations.

It is, and has been throughout the year under review, XTMP's policy that no trading in financial instruments shall be undertaken.

The main risks arising from XTMP's financial instruments are credit risk, interest rate risk and liquidity risk. The management reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

XTMP trades only with recognised and creditworthy third parties. It is the XTMP's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and XTMP's exposure to bad debts is not significant.

The credit risk of XTMP's other financial assets, which comprise cash and cash equivalents, amounts due from related companies and director, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since XTMP trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within XTMP as the customer bases of the XTMP's trade and bills receivables are widely dispersed in different locations.

Further quantitative data in respect of the XTMP's exposure to credit risk arising from trade and bills receivables are disclosed in note 14 to the financial statements.

Interest rate risk

XTMP's exposure to the risk of changes in market interest rates relates primarily to XTMP's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates at the end of each of the Relevant Periods, with all other variables held constant, of XTMP's loss after tax and XTMP's equity (through the impact on floating rate borrowings) for the years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2015, respectively.

	Increase/(decrease) in basis points	Increase/(decrease) in profit after tax and equity <i>RMB'000</i>
31 December 2012		
RMB	100	(1,238)
RMB	(100)	1,238
31 December 2013		
RMB	100	(1,000)
RMB	(100)	1,000
31 December 2014		
RMB	100	(808)
RMB	(100)	808
30 April 2015		
RMB	100	(239)
RMB	(100)	239

Liquidity risk

XTMP monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

XTMP's objective is to maintain a balance between continuity of funding and flexibility through the continuous financial support from shareholders and also through bank borrowings. XTMP will consistently maintain a prudent financing policy and ensure that it maintains sufficient liquid funds to meet its liquidity requirements.

The maturity profile of the financial liabilities of XTMP as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

30 April 2015

	On demand <i>RMB'000</i>	Less than 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	Over 2 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	—	25,898	—	—	25,898
Financial liabilities included in other payables and accruals	—	24,039	—	—	24,039
Interest-bearing bank and other borrowings	—	75,292	—	—	75,292
	—	125,229	—	—	125,229

31 December 2014

	On demand <i>RMB'000</i>	Less than 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	Over 2 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	—	25,992	—	—	25,992
Financial liabilities included in other payables and accruals	—	23,602	—	—	23,602
Interest-bearing bank and other borrowings	—	73,692	—	—	73,692
	<u>—</u>	<u>123,286</u>	<u>—</u>	<u>—</u>	<u>123,286</u>

31 December 2013

	On demand <i>RMB'000</i>	Less than 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	Over 2 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	—	22,011	—	—	22,011
Financial liabilities included in other payables and accruals	—	17,444	—	—	17,444
Interest-bearing bank and other borrowings	—	54,964	40,519	—	95,483
	<u>—</u>	<u>94,419</u>	<u>40,519</u>	<u>—</u>	<u>134,938</u>

31 December 2012

	On demand <i>RMB'000</i>	Less than 12 months <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	Over 2 years <i>RMB'000</i>	Total <i>RMB'000</i>
Trade payables	—	18,413	—	—	18,413
Financial liabilities included in other payables and accruals	—	23,311	—	—	23,311
Due to a shareholder	20,452	—	—	—	20,452
Interest-bearing bank and other borrowings	—	67,098	40,092	10,312	117,502
	<u>20,452</u>	<u>108,822</u>	<u>40,092</u>	<u>10,312</u>	<u>179,678</u>

Capital management

The primary objectives of XTMP's capital management are to safeguard XTMP's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

XTMP manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, XTMP may adjust the dividend payment to shareholders, return capital to shareholders or capital injection. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

XTMP monitors capital using a gearing ratio, which is net debt divided by the total equity plus net debt. Net debt includes trade payables, other payables and accruals, an amount due to a shareholder, and interest-bearing bank and other borrowings, less cash and bank balances. Capital includes the equity attributable to owners of XTMP.

	As at 31 December			As at
	2012	2013	2014	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	18,413	22,011	25,992	25,898
Other payables and accruals	41,554	36,827	37,729	37,421
Due to a shareholder	20,452	—	—	—
Interest-bearing bank and other borrowings	109,933	90,110	71,500	72,000
Less: Cash and bank balances	(5,730)	(2,311)	(1,275)	(965)
Net debt	<u>184,622</u>	<u>146,637</u>	<u>133,946</u>	<u>134,354</u>
Total equity	<u>93,394</u>	<u>115,938</u>	<u>102,775</u>	<u>78,875</u>
Total equity and net debt	<u><u>278,016</u></u>	<u><u>262,575</u></u>	<u><u>236,721</u></u>	<u><u>213,229</u></u>
Gearing ratio	<u>66%</u>	<u>56%</u>	<u>57%</u>	<u>63%</u>

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by XTMP in respect of any period subsequent to 30 April 2015.

Yours faithfully,

Ernst & Young
Certified Public Accountants
 22nd Floor
 CITIC Tower
 1 Tim Mei Avenue
 Central
 Hong Kong
 25 September 2015

Set out below is the management discussion and analysis on the Target Company for the Track Record Period. The following financial information is based on the audited financial information of the Target Company as set out in Appendix II to this circular.

PROSPECTS

The Group

The principal business activity of the Company is investment holding and its subsidiaries are principally engaged in design, manufacturing and sale of original design manufacturing products, electronic dictionary products and personal communication products, and the provision of electronic manufacturing services. The Company is an indirectly owned subsidiary of Century Sunshine which holds 51.88% shareholding interests in the Company. Reference is made to the composite document of the Company, Century Sunshine and Ming Xin Developments dated 5 March 2015 in relation to the unconditional mandatory cash general offer, the Company, in long term, will be positioned to conduct magnesium product business and in particular future development of chain model of circular economy in magnesium and magnesium product related business.

The Target Company

The Target Company is a limited company established in the PRC. It is principally engaged in the production and sale of magnesium ingot and semi coke. The authorised production capacity of the Target Company comprises 1,200,000 tons of semi coke, 60,000 tons of magnesium ingots and 100,000 tons of ferroalloy per annum.

BUSINESS AND FINANCIAL REVIEW

Revenue

The revenue of the Target Company represents revenue generated from the manufacturing and sale of semi coke and magnesium ingots. Revenue is recognized when goods are delivered at the customers' premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax and other sales taxes and is stated after deduction of returns and discounts.

Period to period comparisons**(i) Comparison for the four months period ended 30 April 2015 to the four months period ended 30 April 2014**

For the four months period ended 30 April 2015, the Target Company recorded a revenue of approximately RMB36.40 million, representing a decrease of 20.07% as compared with that of approximately RMB45.54 million for the four months period ended 30 April 2014. Such decrease was primarily due to: (i) decrease in sales of magnesium ingots by RMB10.23 million due to the combined effect of decrease in sales quantity and average selling price of magnesium ingots by 19% and 16% respectively, and; (ii) increase in sale of semi coke by RMB1.09 million due to the net effect of the increase in sales quantity by 36% and decrease in average selling price by 21%.

The Target Company has gross loss of RMB19.59 million for the four months period ended 30 April 2015 (for the period ended 30 April 2014: gross profit of RMB5.66 million). The gross loss is mainly due to the downfall of the market selling prices of magnesium ingot and semi coke which were adversely affected by the decelerating economic growth in the PRC.

The Target Company incurred operating expenses of approximately RMB4.39 million for the four months period ended 30 April 2015, representing an decrease of approximately 47.24% compared to approximately RMB8.32 million for the four months period ended 30 April 2014 mainly attributable to decrease in provision for impairment of trade and bills receivables by RMB4.64 million.

The net loss after taxation of the Target Company for the four months period ended 30 April 2015 was approximately RMB23.90 million, as compared with the net loss after taxation of approximately RMB2.64 million for the four months period ended 30 April 2014. Such change was primarily due to deterioration in gross margin as compared to prior period, netting off the effect of decrease in provision for trade and bills receivables.

(ii) Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

For the year ended 31 December 2014, the Target Company recorded a revenue of approximately RMB147.59 million, representing a decrease of 3.75% as compared with that of approximately RMB153.34 million for the year ended 31 December 2013. Such decrease was primarily due to: (i) increase in sales of magnesium ingots by RMB12.25 million due to the net effect of increase in sales quantity by 23% and decrease in average selling price by 7%, and; (ii) decrease in sale of semi coke by RMB18 million due to the combine effect of the decrease in sales quantity by 7% and decrease in average selling price by 22%.

The gross loss increased from approximately RMB3.38 million for the year ended 31 December 2013 to approximately RMB15.75 million for the year ended 31 December 2014 due to the sustained downfall of the market selling prices of magnesium ingots and semi coke which were adversely affected by the decelerating economic growth in the PRC.

The Target Company incurred operating expenses of approximately RMB27.44 million for the year ended 31 December 2014 remain at a similar level as compared to approximately RMB27.75 million for the year ended 31 December 2013. The effect of increase in other operating expenses of RMB6.54 million (which is mainly related to the increase in provision for impairment of trade and bills receivables by RMB5.22 million) is net-off by the decrease in RMB4.5 million of selling and distribution expenses (which is mainly related to decrease in transporting cost as such outgoing cost was borne by the customers commenced in 2014).

The net loss after taxation of the Target Company for the year ended 31 December 2014 was approximately RMB43.16 million, as compared with the net loss after taxation of approximately RMB30.12 million for the year ended 31 December 2013. Such change was primarily due to sustained deterioration in gross margin as compared to prior year.

(iii) Comparison for the year ended 31 December 2013 to the year ended 31 December 2012

For the year ended 31 December 2013, the Target Company recorded a revenue of approximately RMB153.34 million, representing a decrease of 15.43% as compared with that of approximately RMB181.31 million for the year ended 31 December 2012. Such decrease was primarily due to: (i) decrease in sales of magnesium ingots by RMB19.35 million due to the combined effect of decrease in sales quantity by 11% and decrease in average selling price by 7%, and (ii) decrease in sale of semi coke by RMB8.62 million due to the combine effect of the decrease in sales quantity by 5% and decrease in average selling price by 8%.

The Target Company turned gross loss of RMB3.38 million for the year ended 31 December 2013 (for the year ended 31 December 2012: gross profit of RMB21.67 million). The gross loss is mainly due to the downfall of the market selling prices of magnesium ingot and semi coke which were adversely affected by the decelerating economic growth in the PRC.

The Target Company incurred operating expenses of approximately RMB27.75 million for the year ended 31 December 2013, representing a decrease of approximately 13.15% compared to approximately RMB31.95 million for the year ended 31 December 2012 which was in line with the decrease in revenue during the year.

The net loss after taxation of the Target Company for the year ended 31 December 2013 was approximately RMB30.12 million, as compared with the net loss after taxation of approximately RMB10.25 million for the year ended 31 December 2012. Such change was primarily due to deterioration in gross margin as compared to prior year.

(iv) For the year ended 31 December 2012

For the year ended 31 December 2012, the Target Company recorded a revenue of approximately RMB181.31 million, which was derived from sales of semi coke and magnesium ingots. The gross profit was approximately RMB21.67 million. The Target Company incurred the operating expenses of approximately RMB31.95 million, which mainly comprised of selling and distribution expenses of RMB10.47 million, administrative expenses of RMB8.20 million and finance costs of RMB12.60 million. The Target Company incurred net loss after taxation of approximately

RMB10.25 million, which is mainly attributable to the finance costs of RMB12.60 million in respect of the interest-bearing bank and other borrowings to finance the infrastructure investment and operation of the Target Company.

Liquidity and financial resources

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Target Company had (i) trade and other payables and accruals of approximately RMB59.97 million, RMB58.84 million, RMB63.72 million and RMB63.32 million respectively; and (ii) cash and cash equivalents of approximately RMB5.73 million, RMB2.31 million, RMB1.28 million and RMB0.97 million respectively.

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Target Company's current ratio (calculated by current assets divided by current liabilities) was approximately 0.71 times, 0.79 times, 0.43 times and 0.26 times respectively.

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Target Company had borrowings of approximately RMB130.39 million, RMB90.11 million, RMB71.50 million and RMB72.00 million respectively other than normal trade debts and the gearing ratios (being total borrowings over the total assets) were approximately 0.46 times, 0.34 times, 0.30 times and 0.34 times respectively.

Foreign exchange management

The Target Company is a limited liability company incorporated in the PRC and most of its monetary assets, liabilities, incomes and expenses were denominated in RMB. The Target Company did not use any derivative financial instruments for hedging purposes.

Funding and treasury policy

The Target Company adopt a prudent funding and treasury policy towards their overall business operations with an aim to minimise financial risks. Future projects will be financed by cash flows from operations or capital raised by means of equity financing.

Capital commitment

As at 31 December 2012, 31 December 2013, 31 December 2014 and 30 April 2015, capital commitments of the Target Company were approximately RMB3.84 million, RMB4.29 million, RMB3.83 million and RMB0.58 million, respectively. The capital commitments during these periods were in relation to addition to property, plant and equipments.

Significant investment, material acquisition and disposals

Save for the addition to property, plant and equipment of RMB22.38 million, RMB13.87 million, RMB14.73 million and RMB5.15 million for the three years ended 31 December 2012, 2013 and 2014 and the four months period ended 30 April 2015 respectively, the Target Company did not have any significant investments, material acquisition or disposal for the period from 1 January 2012 to 30 April 2015.

Contingent liabilities

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

Charge on assets

As at 31 December 2012 and 2013, the Target Company's machinery with net carrying amount of approximately RMB18.90 million and RMB16.54 million respectively were pledged to secure the Target Company's interest-bearing other borrowings of RMB17.93 million and RMB8.11 million respectively. As at 31 December 2012, 2013 and 2014, and 30 April 2015, the Target Company's prepaid land lease payments with aggregate carrying amount of RMB5.66 million, RMB5.54 million, RMB5.42 million and RMB5.38 million respectively were pledged to secure the Target Company's interest-bearing bank borrowings of RMB60 million, RMB40 million, RMB10 million and RMB10 million respectively. Save for the above, the Target Company did not have any charge on assets as at 31 December 2012, 2013 and 2014, and 30 April 2015.

Employee information

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Target Company had 377, 346, 310 and 286 employees (including directors) respectively.

Remuneration policy

The Target Company recruit, employ, promote and remunerate their employees based on their qualification, experience, skills, performances and contributions. Remuneration is also determined with reference to, among others, the market trend. Other benefits include social insurance and allowance. Bonus to the employees of the Target Company was determined after taking into accounts the results of the Target Company and the performance of employees. During the year ended 31 December 2012, 2013, 2014 and the four months period ended 30 April 2015, remuneration paid to the employees of the Target Company were approximately RMB20.31 million, RMB20.59 million, RMB22.36 million and RMB6.41 million respectively.

The remuneration policy of the Target Company's senior management is also regularly monitored by the Company's remuneration committee.

The Company will provide training (whether in-house or out-sourced) to their employees when necessary.

The following is an illustrative and unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2015 (the “Unaudited Pro Forma Financial Information”) of Group Sense (International) Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) and 新疆騰翔鎂制品有限公司 (Xinjiang Tengxiang Magnesium Products Company Limited* or the “Target Company”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of the entire equity interest of the Target Company (the “Acquisition”) as if it had taken place on 31 March 2015.

The Unaudited Pro Forma Financial Information are prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2015 as set out in the Group’s published annual report dated 23 June 2015, the audited statement of financial position of the Target Company as at 30 April 2015 as set out in the Accountant’s Report on the Target Company set out in the appendix II to this Circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2015, nor purport to predict the Enlarged Group’s future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Group for the year ended 31 March 2015, the Accountant’s Report on the Target Company as set out in the Appendix II to this Circular, and other financial information included elsewhere in the Circular.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP**

									Proforma consolidated statement of assets and liabilities of the Enlarged Group after the Acquisition
	The Group 31.3.2015	The Target Company 30.4.2015	Sub-total	Unaudited pro forma adjustment	Unaudited pro forma adjustment	Unaudited pro forma adjustment	Unaudited pro forma adjustment	Unaudited pro forma adjustment	Group after the Acquisition
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>	<i>Note 4(a)</i>	<i>Note 4(b)</i>	<i>Note 4(c)</i>	<i>Note 5</i>	
Non-current assets									
Property, plant and equipment	128,465	213,781	342,246	—	—	—	—	—	342,246
Prepaid land lease payments	16,176	6,445	22,621	—	—	—	—	—	22,621
Deferred development costs	1,135	—	1,135	—	—	—	—	—	1,135
Investments in subsidiaries	—	—	—	—	88,591	(88,591)	—	—	—
Investments in joint ventures	3,363	—	3,363	—	—	—	—	—	3,363
Investments in associates	22	—	22	—	—	—	—	—	22
Available-for-sale investments	7,300	—	7,300	—	—	—	—	—	7,300
Long term deposits	55	—	55	—	—	—	—	—	55
Total non-current assets	156,516	220,226	376,742	—	88,591	(88,591)	—	—	376,742
Current assets									
Inventories	35,531	23,995	59,526	—	—	—	—	—	59,526
Trade receivables	21,121	13,982	35,103	—	—	—	—	—	35,103
Prepayment, deposits and other receivables	12,063	764	12,827	—	—	—	—	792	13,619
Tax recoverable	—	1,544	1,544	—	—	—	—	—	1,544
Amount due from related companies	—	792	792	—	—	—	—	(792)	—
Amounts due from joint ventures	1,201	—	1,201	—	—	—	—	—	1,201
Pledged/restricted deposits	1,012	61	1,073	—	—	—	—	—	1,073
Cash and cash equivalents	112,052	1,183	113,235	(24,515)	(88,591)	—	(2,000)	1,871	—
Total current assets	182,980	42,321	225,301	(24,515)	(88,591)	—	(2,000)	1,871	112,066

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The			Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Proforma
	The	Target		pro forma	pro forma	pro forma	pro forma	pro forma	consolidated
	Group	Company	Sub-total	adjustment	adjustment	adjustment	adjustment	adjustment	statement
	31.3.2015	30.4.2015							of assets
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	and
	<i>Note 1</i>	<i>Note 2</i>		<i>Note 3</i>	<i>Note 4(a)</i>	<i>Note 4(b)</i>	<i>Note 4(c)</i>	<i>Note 5</i>	liabilities
									of the
									Enlarged
									Group
									after the
									Acquisition
									<i>HKS'000</i>
Current liabilities									
Bank overdraft	—	—	—	—	—	—	—	1,871	1,871
Trade payables	18,053	31,744	49,797	—	—	—	—	—	49,797
Other payables and accruals	38,124	45,869	83,993	—	—	—	—	—	83,993
Interest-bearing bank borrowings	27,781	88,254	116,035	(24,515)	—	—	—	—	91,520
Provision	1,667	—	1,667	—	—	—	—	—	1,667
Due to a non-controlling shareholder of a subsidiary	2,002	—	2,002	—	—	—	—	—	2,002
Tax payable	129	—	129	—	—	—	—	—	129
Total current liabilities	87,756	165,867	253,623	(24,515)	—	—	—	1,871	230,979
Net current assets/(liabilities)	95,224	(123,546)	(28,322)	—	(88,591)	—	(2,000)	—	(118,913)
Total assets less current liabilities	251,740	96,680	348,420	—	—	(88,591)	(2,000)	—	257,829
Non-current liabilities									
Loan from shareholders	42,000	—	42,000	—	—	—	—	—	42,000
NET ASSETS	209,740	96,680	306,420	—	—	(88,591)	(2,000)	—	215,829
EQUITY									
Issued capital	143,719	210,583	354,302	—	—	(210,583)	—	—	143,719
Reserves	72,592	(113,903)	(41,311)	—	—	113,903	(2,000)	—	78,681
						8,089			
Non-controlling interests	(6,571)	—	(6,571)	—	—	—	—	—	(6,571)
TOTAL EQUITY	209,740	96,680	306,420	—	—	(88,591)	(2,000)	—	215,829

APPENDIX IV**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Notes

- (1) The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 March 2015 as set out in the Group's published annual report dated 23 June 2015.
- (2) The amounts are extracted from the Accountant's Report on the Target Company as set out in the Appendix II to this Circular, being translated to HK\$ at the rate of HK\$1= RMB0.81583 (being the RMB central parity rate by the People's Bank of China as at 12 August 2015).
- (3) Pursuant to the Share Transfer Agreement and subject to the prerequisite of having registered with the Administration for Industry and Commerce for the transfer of the equity interest to the Purchaser, the Purchaser will provide financial assistance in advance of RMB20.00 million (equivalent to HK\$24.51 million) for the repayment of a pledged bank loan of the Target Company. The Vendors shall within 5 business days of the date of the repayment of such pledged bank loan of the Target Company, release the pledge over the equity interest in the Target Company and cancel the relevant pledge registration at the Administration for Industry and Commerce. The advance to the Target Company will be unsecured, interest free and repayable on demand.
- 4(a) The investments costs for the acquisition is equivalent to the cash consideration of the Acquisition amounting to RMB72,280,000 (approximate to HK\$88,591,000).
- 4(b) The identifiable assets and liabilities of the Target Company acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business combinations" ("HKFRS 3") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). For the purpose of the Unaudited Pro Forma Financial Information, the allocation of the purchase price is determined based on the Directors' estimates of the fair values of the identifiable assets and liabilities of the Target Company as at 30 April 2015, and it is assumed that the fair values of the identifiable assets and liabilities of the Target Company approximate to their carrying amounts as at 30 April 2015. The consideration of the Acquisition is assumed to be the fair value as if the Acquisition had been completed on 31 March 2015.

Subject to the completion of the Acquisition, the Group will be interested in 100% shares of the Target Company. The issued share capital (credit amount of HK\$210,583,000) and reserves (debit amount of HK\$113,903,000) of the Target Company will be wholly eliminated against the investment costs for the Acquisition.

Furthermore, a pro forma gain on bargain purchase arising on the acquisition of the Target Company is credited to profit or loss and its calculation is as follows:

	<i>HK\$'000</i>
Pro forma gain on bargain purchase on the Acquisition	
Cash consideration	88,591
Less: Pro forma assumed fair value of the identifiable net assets of the Target Company	<u>(96,680)</u>
Gain on bargain purchase arising from the Acquisition	<u><u>8,089</u></u>

The gain on bargain purchase arising from the Acquisition is credited to profit or loss. Actual goodwill or gain on bargain purchase arising from the Acquisition depend on fair value of assets and liabilities of the Target Company at the completion date and shall be different to the amount calculated in the above table.

- 4(c) The adjustments included the direct expenses for the Acquisition and for the purpose of preparation of the Unaudited Proforma Information of the Enlarged Group, they are estimated to be approximately HK\$2 million and are charged to profit or loss.
- (5) The adjustment represents the reclassification of balances with related parties of HK\$792,000 to other receivable to reflect the results of the Acquisition and the reclassification of the bank overdraft of HK\$1,871,000 from current assets to current liabilities.

The following is the text of the report dated 25 September 2015, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, in respect of the unaudited pro forma financial information of the Group.



**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION
INCLUDED IN A CIRCULAR**

To the Directors of Group Sense (International) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Group Sense (International) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), and 新疆騰翔鎂製品有限公司 (Xinjiang Tengxiang Magnesium Products Company Limited) (the “Target Company”) (collectively referred to as the “Enlarged Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statements of assets and liabilities as at 31 March 2015 and related notes as set out in Appendix IV of the circular issued by the Company dated 25 September 2015 (“Circular”) (“Unaudited Pro Forma Financial Information”) in connection with the acquisition of the Target Company (“Acquisition”) by a wholly owned subsidiary of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group’s assets and liabilities as at 31 March 2015 as if the Acquisition had taken place at 31 March 2015. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s financial statements for the year ended 31 March 2015, on which an audit report has been published.

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" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition 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 Acquisition 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 Acquisition, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Acquisition 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

25 September 2015

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**Interest of Directors and chief executive in the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares or underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares, underlying shares and debenture of the Company

Director	Number of ordinary shares interested or deemed to be interested (long position)			Total	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests		
Dr. Tam	63,464,000 <i>(Note 1)</i>	4,600,000 <i>(Note 2)</i>	381,097,828 <i>(Note 3)</i>	449,161,828	31.25%

Director	Number of ordinary Shares interested or deemed to be interested (short position)				Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
	Personal interests	Family interests	Corporate interests	Total	
Dr. Tam	—	—	53,955,165 <i>(Note 4)</i>	53,955,165	3.75%

Notes:

- (1) Such Shares include the 25,732,000 Shares which are jointly owned by Dr. Tam and Mr. Tam. Dr. Tam directly owns 6,000,000 Shares and Mr. Tam directly owns 9,000,000 Shares. The aggregate amount of 34,032,000 Shares represent the number of offer Shares to be accepted by Dr. Tam and Mrs. Tam pursuant to the undertakings given by them dated 20 August 2015.
- (2) Mrs. Tam is the spouse of Dr. Tam and therefore Dr. Tam is deemed to be interested in the Shares owned by Mrs. Tam pursuant to Part XV of the SFO.
- (3) Of these shares, 37,877,118 Shares are beneficially owned by Earnmill Holdings, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam, in equal shares; 37,877,118 Shares represent the number of the offer shares under the open offer (which was announced by the Company on 20 August 2015) to be accepted by Earnmill Holdings pursuant to the undertaking given by it to the Company dated 20 August 2015; and 305,343,292 Shares represent the maximum amount of the offer Shares underwritten by Earnmill Holdings pursuant to the underwriting agreement for the open offer.
- (4) The short position in 53,955,165 Shares represents the offer shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Earnmill Holdings and Octal Capital.

Interests in the shares of associated corporations

Director	Name of associated corporation	Number of ordinary shares interested or deemed to be interested (long position)				Total	Approximate percentage of interests in the issued share capital of the associated corporation as at the Latest Practicable Date
		Personal interests	Family interests	Corporate interests			
Mr. Shum Sai Chit	Century Sunshine	26,166,766 (note 1)	—	—	26,166,766	0.57%	
Ms. Chi Bi Fen	Century Sunshine	31,519,934 (note 2)	—	—	31,519,934	0.69%	
Mr. Kwong Ping Man	Century Sunshine	6,389,145 (note 3)	—	—	6,389,145	0.14%	
Mr. Cheung Sound Poon	Century Sunshine	1,000,000 (note 4)			1,000,000	0.03%	

Note:

- (1) 14,666,305 shares in Century Sunshine are directly owned by Mr. Shum Sai Chit and 11,500,461 shares in Century Sunshine are the number of underlying shares which may be issued to Mr. Shum under the options held.
- (2) 12,352,499 shares in Century Sunshine are directly owned by Ms. Chi Bi Fen and 19,167,435 shares in Century Sunshine are the number of underlying shares which may be issued to Ms. Chi under the options held.
- (3) These shares in Century Sunshine are the number of underlying shares which may be issued to Mr. Kwong Ping Man under the options held.
- (4) Such shares include the 400,000 shares in Century Sunshine which are directly owned by Mr. Cheung Sound Poon and 600,000 shares in Century Sunshine which are jointly owned by Mr. Cheung and his spouse.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive or employee of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest/capacity	Number of Shares (long position)	Number of Shares (short position)	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Ming Xin Developments	Beneficial owner	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
New Bright Group Limited	Interest of controlled corporation (Note 1)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
Century Sunshine	Interest of controlled corporation (Note 2)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)

Name of Shareholder	Nature of interest/capacity	Number of Shares (long position)	Number of Shares (short position)	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Chi Wen Fu	Interest of controlled corporation (Note 3)	1,796,541,046 (Note 5)	53,955,165 (Note 6)	125% (long position) 3.75% (short position)
Earmill Holdings	Beneficial owner	381,097,828 (Note 4)	53,955,165 (Note 7)	26.52% (long position) 3.75% (short position)

Notes:

- (1) Ming Xin Developments is a wholly-owned subsidiary of New Bright Group Limited. As such, New Bright Group Limited is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (2) New Bright Group Limited is a wholly-owned subsidiary of Century Sunshine. As such, Century Sunshine is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (3) Mr. Chi Wen Fu controls more than one-third or more of the voting power at general meetings of Century Sunshine (the ultimate holding company of Ming Xin Developments). As such, Mr. Chi Wen Fu is deemed to be interested in all the Shares in which Ming Xin Developments is interested by virtue of the SFO.
- (4) Of these shares, 37,877,118 Shares are beneficially owned by Earmill Holdings, a company which is ultimately wholly owned by Dr. Tam and Mr. Tam in equal shares; 37,877,118 Shares represent the number of the offer shares under the open offer (which was announced by the Company on 20 August 2015) to be accepted by Earmill Holdings pursuant to the undertaking given by it to the Company dated 20 August 2015; and 305,343,292 Shares represent the maximum amount of the offer shares underwritten by Earmill Holdings pursuant to the underwriting agreement for the open offer.
- (5) Of these shares, 745,598,727 Shares are beneficially owned by Ming Xin Developments; 745,598,727 Shares represent the number of the offer shares under the open offer (which was announced by the Company on 20 August 2015) to be accepted by Ming Xin Developments pursuant to the undertaking given by it to the Company dated 20 August 2015; and 305,343,292 Shares represent the maximum amount of the offer shares underwritten by Ming Xin Developments pursuant to the underwriting agreement for the open offer.

- (6) The short position in 53,955,165 Shares represents the offer shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Ming Xin Developments and Octal Capital.
- (7) The short position in 53,955,165 Shares represents the offer shares which have been sub-underwritten by Octal Capital pursuant to the sub-underwriting arrangement between Earnmill Holdings and Octal Capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICES CONTRACTS

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

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Company.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

7. DIRECTORSHIP OR EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

Save for (i) Mr. Shum Sai Chit being an executive director of Century Sunshine and the sole director of Ming Xin Developments, (ii) Dr. Tam being a director of Earnmill Holdings; (iii) Ms. Chi Bi Fen being an executive director of Century Sunshine, and (iv) Mr. Kwong Ping Man being an independent non-executive director of Century Sunshine, none of the Directors is a director or employee of a company which had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

8. LITIGATION

In December 2007, an independent service provider (the “Plaintiff”) initiated legal proceeding in Hong Kong against a subsidiary of the Group (the “Defendant”) for a sum of US\$627,571 (approximately HK\$4,895,000). The Plaintiff alleged that the Defendant was in breach of a service agreement dated 3 December 2004 (the “Agreement”) and failed to make payments in accordance with the Agreement. The Defendant made a counterclaim against the Plaintiff for liquidated damages in the sum of US\$100,000 and other damages to be assessed on the ground that the Plaintiff was in breach of the Agreement in failing to design and develop the products in substantial conformance to the functional specification as defined in the Agreement. The case has remained dormant since May 2008. The Directors consider that the above litigation has no material impact to the Company’s operation and financial position and the Acquisition.

As at the Latest Practicable Date, save as disclosed above, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was pending or threatened against either the Company or any of its subsidiaries.

9. EXPERTS AND CONSENTS

The qualification of the experts who have given opinions and advice in this circular is as follows:

Name	Qualification
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, Ernst & Young has no 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 and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 March 2015, being the date to which the latest published audited accounts of the Company were made up, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which it appears.

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Enlarged Group within the two years immediately preceding the date of this circular:

- (a) the subscription agreement dated 19 December 2014 entered into between the Company and Ming Xin Developments in relation to the subscription by Ming Xin Developments of 239,532,000 new Shares of the Company at the subscription price of HK\$0.32 per Share;
- (b) the conditional Share Transfer Agreement dated 12 August 2015 entered into between the Vendors and the Purchaser in relation to the Acquisition; and
- (c) the underwriting agreement dated 20 August 2015 entered into between the Company, and Ming Xin Developments Limited and Earnmill Holdings Limited as underwriters in relation to the underwriting arrangement in respect of the proposed issue of 1,437,195,029 new Shares (the “Offer Share(s)”) to be offered to qualifying shareholders on the basis of one (1) Offer Share for every one (1) Share at the issue price of HK\$0.20 per Offer Share.

11. GENERAL

- (a) The company secretary of the Company is Mr. Fan Kwok Man, 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, Church Street, Hamilton HM 11, Bermuda.

- (c) The head office and principal place of business of the Company is situated at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (d) The principal share registrar and transfer office of the Company in Bermuda is Appleby Management (Bermuda) Ltd., located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (e) The Hong Kong share registrar and transfer office of the Company in Hong Kong is Tricor Secretaries Limited, located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (f) In the event of inconsistency, the English text shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at Room 2606A, 26th Floor, Harbour Centre 25 Harbour Road, Wanchai, Hong Kong:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (c) the accountants' report of Target Company, the text of which is set out in Appendix II to this circular;
- (d) the report on unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (e) the written consent from the expert referred to in the paragraph headed "Experts and Consents" in this appendix;
- (f) the material contracts referred to under the section headed "Material Contracts" in this appendix;
- (g) the Share Transfer Agreement; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING



GROUP SENSE (INTERNATIONAL) LIMITED

權智(國際)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 601)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Group Sense (International) Limited (the “Company”) will be held at Room 2606A, 26th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong at 11:00 a.m. on Wednesday, 14 October 2015 (or so soon thereafter as the special general meeting of the shareholders of the Company convened to be held at 10.00 a.m. on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, pass the following resolution as ordinary resolution of the Company. Capitalised terms defined in the circular dated 25 September 2015 issued by the Company shall have the same meanings when used herein unless otherwise specified:

ORDINARY RESOLUTION

“THAT:

- (a) the Share Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the board of directors of the Company be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to paragraph (a) of this resolution and to implement the transactions contemplated thereunder and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, in the interest of the Company.”

By Order of the Board
Group Sense (International) Limited
Shum Sai Chit
Chairman

Hong Kong, 25 September 2015

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 9 October 2015. The register of members of the Company will be closed from Monday, 12 October 2015 to Wednesday, 14 October 2015, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.
2. Any Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.
3. The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
4. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
5. Where there are joint Shareholders, any one of such joint Shareholders may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.
6. The form of proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.
7. As at the date of this notice, the Board comprises Mr. Shum Sai Chit and Ms. Chi Bi Fen as executive directors; Professor Meng Jian and Dr. Tam Wai Ho, Samson *JP* as non-executive directors, Mr. Kwong Ping Man, Mr. Cheung Sound Poon and Mr. Chen Gang as independent non-executive directors.

* *For identification purpose only*