
THIS OFFER DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Power Financial Group Limited, you should at once hand this Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Offer Document should be read in conjunction with the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, the contents of which form part of the terms and conditions of the Offers contained in this Offer Document.

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

JICHENG INVESTMENT LIMITED

(Incorporated in the British Virgin Islands with limited liability)

**OFFER DOCUMENT IN RELATION TO
CONDITIONAL VOLUNTARY SECURITIES EXCHANGE PARTIAL
OFFER AND OPTION OFFER BY OPTIMA CAPITAL LIMITED
ON BEHALF OF JICHENG INVESTMENT LIMITED TO ACQUIRE
1,593,874,096 ISSUED SHARES IN THE ORDINARY SHARE CAPITAL
OF POWER FINANCIAL GROUP LIMITED AND TO CANCEL
A MAXIMUM OF 20,068,200 OUTSTANDING OPTIONS OF
POWER FINANCIAL GROUP LIMITED**

Financial adviser to the Offeror



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

The procedures for acceptance and settlement of the Offers are set out in Appendix I to this Offer Document and in the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance. Acceptance should be received by the Receiving Agent by no later than 4:00 p.m. on Wednesday, 1 August 2018 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, in accordance with the Takeovers Code.

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Offer Document and/or the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the section entitled "OVERSEAS POWER FINANCIAL INDEPENDENT SHAREHOLDERS AND OVERSEAS POWER FINANCIAL OPTIONHOLDERS" in Appendix I to this Offer Document before taking any action. It is the responsibility of each overseas Power Financial Shareholder and overseas Power Financial Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Power Financial Shareholders and overseas Power Financial Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

4 July 2018

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EXPECTED TIMETABLE

The timetable set out below is indicative and may be subject to change. Any changes to the timetable will be announced by the Offeror.

Despatch date of this Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance	Wednesday, 4 July 2018
Opening date of the Offers (<i>Note 1</i>)	Wednesday, 4 July 2018
Latest date for the posting of the Offeree Board Circular (<i>Note 2</i>)	Wednesday, 18 July 2018
First Closing Date (<i>Note 3</i>)	Wednesday, 1 August 2018
Latest time and date for approval and acceptance of the Offers on the First Closing Date (<i>Note 3</i>)	by 4:00 p.m. on Wednesday, 1 August 2018
Announcement of the results of the Offers and the level of acceptance as at the First Closing Date (or its extension or revision, if any), to be posted on the website of the Stock Exchange (<i>Note 3</i>)	by 7:00 p.m. on Wednesday, 1 August 2018
Latest time and date for the Offers remaining open for acceptance assuming that the Offers become or are declared unconditional in all respects on the First Closing Date (<i>Note 3</i>)	by 4:00 p.m. on Wednesday, 15 August 2018
Final Closing Date (<i>Note 3</i>)	Wednesday, 15 August 2018
Latest date of posting of share certificates of China Jicheng Shares in respect of valid acceptances received by the First Closing Date under the Offers, assuming that the Offers become or are declared unconditional on the First Closing Date (<i>Note 4</i>)	Friday, 24 August 2018
Long Stop Date being the latest time and date by which the Offers can be declared unconditional as to acceptance (<i>Note 5</i>)	by 7:00 p.m. on Monday, 3 September 2018

EXPECTED TIMETABLE

Notes:

1. The Offers are made on Wednesday, 4 July 2018, being the date of posting of this Offer Document, and is capable of acceptance on and from that date until the close of the Offer Period. The Offers are conditional on the conditions set out in the paragraph headed “Conditions to the Offers” in this Offer Document. Acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in Rule 17 and Rule 19.2 of the Takeovers Code.
2. In accordance with the Takeovers Code, Power Financial is required to post the Offeree Board Circular to the Power Financial Independent Shareholders and the Power Financial Optionholders within 14 days from the posting of this Offer Document, unless the Executive consents to a later date and the Offeror agrees to extend the First Closing Date by the number of days in respect of which the delay in the posting of the Offeree Board Circular is agreed.
3. In accordance with the Takeovers Code, where the Offeree Board Circular is posted after the date on which this Offer Document is posted, the Offers must remain open for acceptance for at least 28 days following the date on which this Offer Document was posted. The latest time and date for acceptance will be at 4:00 p.m. on Wednesday, 1 August 2018 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offers until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement through the websites of the Stock Exchange and the Offeror by no later than 7:00 p.m. on Wednesday, 1 August 2018 stating whether the Offers have been extended, revised or have expired. In any announcement of extension of the Offers, the next Closing Date must be stated. In accordance with the Takeovers Code, where the Offers become or are declared unconditional (whether as to acceptances or in all respects), they should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days’ notice by way of an announcement will be given before the Offers are closed to those Power Financial Independent Shareholders and the Power Financial Optionholders who have not accepted the Offers.

The Offeror may also declare the Offers unconditional as to acceptances prior to the First Closing Date, provided that the Offeror fully complies with Rules 15.1 and 15.3 of the Takeovers Code for the Offers to remain open for acceptance for not less than 14 days thereafter. **The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.**

4. Share certificates of the China Jicheng Shares in respect of the consideration for the Power Financial Shares or, as the case may be, the Power Financial Options tendered under the Offers will be posted to those Power Financial Independent Shareholders and Power Financial Optionholders accepting the Offers as soon as possible, but in any event within seven (7) Business Days following the later of the date of receipt by the Receiving Agent of all the relevant documents to render the acceptance under the Offers complete and valid, and the date on which the Offers become or are declared unconditional in all respects.
5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptances after 7:00 p.m. on the 60th day after the day this Offer Document was posted. Where a period laid down in the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptances, the Offers will lapse after 7:00 p.m. on Monday, 3 September 2018, unless extended with the consent of the Executive.

All references to dates and times contained in this Offer Document refer to Hong Kong dates and time.

DEFINITIONS

In this Offer Document, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Accepting Optionholder(s)”	Power Financial Optionholder(s) accepting the Option Offer
“Accepting Shareholder(s)”	Power Financial Independent Shareholder(s) accepting the Partial Offer
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Offeror dated 28 November 2017 in relation to, among other things, the Offers
“associates”	has the meaning ascribed to it in the Takeovers Code
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“China Jicheng”	China Jicheng Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued share of which are listed on the Main Board of the Stock Exchange (stock code: 1027)
“China Jicheng Group”	China Jicheng and its subsidiaries
“China Jicheng Shares”	ordinary share(s) of HK\$0.0016 each in the share capital of China Jicheng
“China Jicheng Shareholder(s)”	holder(s) of the China Jicheng Shares
“Closing Date”	the First Closing Date of the Offers, or if the Offers are extended, any subsequent closing date as may be determined and announced by the Offeror, with the consent of the Executive, in accordance with the Takeovers Code
“Conditions”	the conditions precedent to the Offers as set out in the section headed “CONDITIONS TO THE OFFERS” in the “Letter from Optima Capital” in this Offer Document
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates

DEFINITIONS

“Final Closing Date”	a date which is the 14th day after the date on which the Offers are declared unconditional in all respects and at least 21 days following the date on which this Offer Document is posted
“First Closing Date”	1 August 2018, being the first closing date of the Offers
“Form of Approval and Acceptance”	the form of approval and acceptance in respect of the Partial Offer accompanying this Offer Document
“Form of Option Offer Acceptance”	the form of acceptance in respect of the Option Offer accompanying this Offer Document
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Licensed Entities”	Power Securities Company Limited (formerly known as Jun Yang Securities Company Limited), Power Asset Management Company Limited (formerly known as Jun Yang Asset Management Company Limited) and Power Corporate Finance Company Limited (formerly known as Jun Yang Corporate Finance Company Limited), each being an indirectly wholly-owned subsidiary of Power Financial, and any other entities within the Power Financial Group
“Latest Practicable Date”	29 June 2018, being the latest practicable date prior to the printing of this Offer Document for the purpose of ascertaining certain information contained herein
“Last Trading Day”	16 November 2017, being the last full trading day immediately prior to the trading halt in the Power Financial Shares pending the release of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the 60th day after the date of the posting of the Offer Document or such later date to which the Executive may consent

DEFINITIONS

“Offer Document”	this offer document to be issued by the Offeror to all Power Financial Independent Shareholders and Power Financial Optionholders in accordance with the Takeovers Code containing, <i>inter alia</i> , details of the Offers, and the Form(s) of Approval and Acceptance and Form(s) of Option Offer Acceptance in respect of the Offers
“Offer Period”	the period from 28 November 2017, being the date of the Announcement, to the close of the Offers
“Offeree Board Circular”	the response document in respect of the Offers to be issued by Power Financial to the Power Financial Independent Shareholders and the Power Financial Optionholders in accordance with the Takeovers Code
“Offeror”	Jicheng Investment Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of China Jicheng
“Offers”	the Partial Offer and Option Offer
“Optima Capital”	Optima Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers
“Option Offer”	the proposal to be made by the Offeror in compliance with Rule 13 of the Takeovers Code to cancel a maximum of 20,068,200 of the outstanding Power Financial Options in accordance with the terms and conditions set out in this Offer Document
“Partial Offer”	the voluntary conditional securities exchange offer made by the Offeror to acquire 1,593,874,096 issued shares (representing approximately 51.64% of the issued share capital of the Power Financial as at the Latest Practicable Date) in the share capital of Power Financial (other than those already owned by the Offeror and parties acting in concert with it) in accordance with the terms and conditions set out in this Offer Document and the accompanying Form of Approval and Acceptance, and any subsequent revision or extension of such offer

DEFINITIONS

“Power Financial”	Power Financial Group Limited (formerly known as Jun Yang Financial Holdings Limited), a company incorporated in Bermuda with limited liability and the issued share of which are listed on the Main Board of the Stock Exchange (stock code: 397)
“Power Financial Group”	Power Financial and its subsidiaries
“Power Financial Independent Shareholder(s)”	the Power Financial Shareholder(s) (other than the Offeror and parties acting in concert with it)
“Power Financial Option(s)”	the 2003 Power Financial Options and the 2013 Power Financial Options
“Power Financial Optionholder(s)”	holder(s) of the Power Financial Option(s)
“Power Financial Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Power Financial
“Power Financial Shareholder(s)”	holder(s) of the Power Financial Share(s)
“PRC”	the People’s Republic of China, which, for the purpose of this Offer Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Condition(s)”	the pre-conditions to the Offers as set out in the section headed “PRE-CONDITIONS TO THE OFFERS” in the “Letter from Optima Capital” in this Offer Document, which has been satisfied on 27 June 2018
“Receiving Agent”	Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Registrar of Power Financial”	Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 28 May 2017, being the date falling six months before the date of the Announcement, and up to and including the Latest Practicable Date
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Unconditional Date”	the date on which the Offers become or are declared unconditional in all respects
“%”	per cent
“2003 Power Financial Option(s)”	share option(s) granted by Power Financial pursuant to the share option scheme adopted on 17 November 2003
“2013 Power Financial Option(s)”	share option(s) granted by Power Financial pursuant to the share option scheme adopted on 4 June 2013
“2013 Power Financial Optionholder(s)”	holder(s) of the 2013 Power Financial Option(s)

LETTER FROM OPTIMA CAPITAL



Suite 1501
15th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

4 July 2018

To the Power Financial Independent Shareholders and the Power Financial Optionholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY SECURITIES EXCHANGE PARTIAL
OFFER AND OPTION OFFER BY OPTIMA CAPITAL LIMITED
ON BEHALF OF JICHENG INVESTMENT LIMITED TO ACQUIRE
1,593,874,096 ISSUED SHARES IN THE ORDINARY SHARE CAPITAL
OF POWER FINANCIAL GROUP LIMITED AND TO CANCEL
A MAXIMUM OF 20,068,200 OUTSTANDING OPTIONS OF
POWER FINANCIAL GROUP LIMITED**

INTRODUCTION

On 17 November 2017, the Offeror proposed to the board of directors of Power Financial that it would make a pre-conditional voluntary securities exchange partial offer and option offer to (i) acquire 1,593,874,096 issued shares (represented approximately 54.74% of the issued share capital of Power Financial as at the date of the Announcement) in the ordinary share capital of Power Financial; and (ii) to cancel a maximum of 116,886,645 outstanding Power Financial Options (represented approximately 54.74% of all outstanding Power Financial Options as at the date of the Announcement). Optima Capital is the financial adviser to the Offeror in respect of the Offers.

Reference is also made to the announcement of the Offeror dated 27 June 2018 in relation to the update on the Offers. As disclosed in such announcement, the Pre-Conditions to the Offers have been fulfilled.

Based on publicly available information, on 22 December 2017 and 29 December 2017, an aggregate of 58,220,000 and 116,440,000 Power Financial Shares have been allotted and issued upon the exercise of 58,220,000 and 116,440,000 2013 Power Financial Options by the relevant 2013 Power Financial Optionholders at the exercise price of HK\$0.17 per Power Financial Share. Further, based on publicly available information, on 18 April 2018, all 2003 Power Financial Options were lapsed. Therefore, as at the Latest Practicable Date, based on publicly available

LETTER FROM OPTIMA CAPITAL

information, Power Financial had 3,086,372,734 Power Financial Shares in issue and 38,860,000 outstanding Power Financial Options which entitle the 2013 Power Financial Optionholders to subscribe for 38,860,000 Power Financial Shares at the exercise price of HK\$0.142 per Power Financial Share with the exercise period commencing from 10 April 2017 to 9 April 2019. A Partial Offer will be made by Optima Capital, on behalf of the Offeror, to acquire 1,593,874,096 Power Financial Shares (representing approximately 51.64% of the issued share capital of Power Financial as at the Latest Practicable Date). An Option Offer will be made to Power Financial Optionholders in accordance with Rule 13 of the Takeovers Code to cancel up to 20,068,200 outstanding Power Financial Options (representing approximately 51.64% of all outstanding Power Financial Options as at the Latest Practicable Date).

The Offeror, its sole director and parties acting in concert with it held 2,462,818,000 China Jicheng Shares as at the Latest Practicable Date and will settle the consideration of the Offers by way of exchanging part of the China Jicheng Shares held by it.

This letter forms part of this Offer Document which sets out, among other things, the details of the Offers, information on the Offeror and China Jicheng Group and the intention of the Offeror regarding the Power Financial Group. Further details of the terms and procedures of acceptance of the Offers are set out in Appendix I to this Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

THE TERMS OF THE OFFERS

Optima Capital, on behalf of the Offeror, makes the Offers in accordance with the Takeovers Code and on the terms set out in this Offer Document:

The Partial Offer:

For every 4 existing Power Financial Shares 5 China Jicheng Shares

As at the Latest Practicable Date, based on the publicly available information, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Power Financial in issue comprise (i) 3,086,372,734 Power Financial Shares; and (ii) 38,860,000 outstanding Power Financial Options to subscribe for 38,860,000 Power Financial Shares. Save as disclosed above, based on the publicly available information, Power Financial had no other outstanding Power Financial Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into the Power Financial Shares or other types of securities in Power Financial as at the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

As at the Latest Practicable Date, the Offeror, its sole director and parties acting in concert with it did not hold any Power Financial Shares or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of Power Financial. Neither the Offeror nor parties acting in concert with it held or had control or discretion over any Power Financial Shares or held any convertible securities, warrants or options in respect of any Power Financial Shares as at the Latest Practicable Date.

The Option Offer:

For cancellation of every 320 2013 Power Financial

Options at HK\$0.142 123 China Jicheng Shares

Since the exercise price of the outstanding 2013 Power Financial Options is HK\$0.142 based on the publicly available information, which is lower than the ascribed value of HK\$0.205 per Power Financial Share (equivalent to the closing price of each China Jicheng Share of HK\$0.164 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 4 for each Power Financial Share) under the Partial Offer, the 2013 Power Financial Options are “in the money”.

As such, the consideration per Power Financial Option under the Option Offer is illustrated in the table below:

	Exercise price per Power Financial Option (HK\$)	Number of new Power Financial Shares issuable upon full exercise of the Power Financial Options	Consideration per Power Financial Option
2013 Power Financial Options	0.142	38,860,000	123 China Jicheng Shares for cancellation of every 320 of such 2013 Power Financial Options

The Option Offer will be conditional upon the Partial Offer becoming or being declared unconditional in all respects. Following acceptance of the Option Offer, the relevant Power Financial Options together with all rights attaching thereto will be entirely cancelled and renounced.

LETTER FROM OPTIMA CAPITAL

As stated in the announcement of Power Financial dated 13 December 2017, Mr. Choi Chun Chung, Danny, the chairman of the board and the non-executive director of Power Financial who beneficially owned 822,480,000 Power Financial Shares (representing approximately 26.65% of the issued share capital of Power Financial as at the Latest Practicable Date), has indicated that he would not accept the Offers based on the terms of the Offers as contained in the Announcement. Save as disclosed above, as at the Latest Practicable Date, the Offeror had not received any other notice from any Power Financial Shareholders or Power Financial Optionholders relating to their acceptance or rejection of the Offers.

Power Financial Optionholders should note that under the rules of the share option scheme adopted by Power Financial on 4 June 2013, all Power Financial Options that remain unexercised before the earlier of (i) the expiry of the option exercise period of the relevant Power Financial Option, and (ii) the 14th day following the date of on which the Partial Offer becomes or is declared unconditional, will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said period.

Save as disclosed above, based on the publicly available information, Power Financial had no other outstanding Power Financial Shares, options, warrants, derivatives or other securities that are convertible or exchangeable into the Power Financial Shares or other types of securities in Power Financial as at the Latest Practicable Date.

Comparison of value

The ascribed value of HK\$0.205 per Power Financial Share (equivalent to the closing price of each China Jicheng Share of HK\$0.164 as quoted on the Stock Exchange on the Last Trading Day multiplied by 5 and divided by 4 for each Power Financial Share) represents:

- (i) a premium of approximately 17.14% over the closing price of the Power Financial Share of HK\$0.175, as quoted on the Stock Exchange on 16 November 2017, being the Last Trading Day;
- (ii) a premium of approximately 28.93% to the average closing price of approximately HK\$0.159 per Power Financial Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 33.99% to the average closing price of approximately HK\$0.153 per Power Financial Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 13.89% over the closing price of HK\$0.180 per Power Financial Share as quoted on the Stock Exchange on the Latest Practicable Date; and

LETTER FROM OPTIMA CAPITAL

- (v) a discount of approximately 68.61% over the audited consolidated net assets per Power Financial Share of approximately HK\$0.653 as at 31 December 2017 (being the date to which the latest audited consolidated results of the Power Financial Group were made up), calculated based on the Power Financial Group's audited consolidated net assets attributable to its shareholders of approximately HK\$2.014 billion as at 31 December 2017 and 3,086,372,734 Power Financial Shares in issue as at the Latest Practicable Date.

The ascribed value of the Power Financial Share as of the Latest Practicable Date (equivalent to the closing price of each China Jicheng Share of HK\$0.059 as quoted on the Stock Exchange on the Latest Practicable Date multiplied by 5 and divided by 4 for each Power Financial Share) was approximately HK\$0.07375 per Power Financial Share. It represented a discount of approximately 64.02% to the ascribed value of HK\$0.205 per Power Financial Share as of the Last Trading Day.

The implied value of HK\$0.14 per China Jicheng Share (equivalent to the closing price of HK\$0.175 per Power Financial Share as quoted on the Stock Exchange on the Last Trading Day multiplied by 4 and divided by 5 for each China Jicheng Share) represents:

- (i) a discount of approximately 14.63% to the closing price of the China Jicheng Share of HK\$0.164, as quoted on the Stock Exchange on 16 November 2017, being the Last Trading Day;
- (ii) a premium of approximately 11.11% to the average closing price of approximately HK\$0.126 per China Jicheng Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (iii) a premium of approximately 28.44% to the average closing price of approximately HK\$0.109 per China Jicheng Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a premium of approximately 137.29% over the closing price of HK\$0.059 per China Jicheng Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 2.10% to the audited consolidated net assets per China Jicheng Share of approximately HK\$0.143 (equivalent to approximately RMB0.116) as at 31 December 2017 (being the date to which the latest audited consolidated results of the China Jicheng Group were made up), calculated based on China Jicheng Group's audited consolidated net assets attributable to its shareholders of approximately RMB440,586,000 as at 31 December 2017 and 3,786,000,000 China Jicheng Shares in issue as at the Latest Practicable Date and based on the exchange rate of HK\$1.00 to RMB0.81 (for illustrative purpose only).

LETTER FROM OPTIMA CAPITAL

The implied value of China Jicheng Share as of the Latest Practicable Date (equivalent to the closing price of each Power Financial Share of HK\$0.180 as quoted on the Stock Exchange on the Latest Practicable Date multiplied by 4 and divided by 5 for each Power Financial Share) was approximately HK\$0.144 per China Jicheng Share. It represented a premium of approximately 2.86% to the implied value of HK\$0.14 per China Jicheng Share as of the Last Trading Day.

Highest and Lowest Prices of Power Financial Shares

During the Relevant Period, the highest closing price of the Power Financial Shares as quoted on the Stock Exchange was HK\$0.425 on 8 December 2017, and the lowest closing price of the Power Financial Shares as quoted on the Stock Exchange was HK\$0.079 on 6 July 2017.

VALUE OF THE OFFERS

Based on publicly available information, as at the Latest Practicable Date, there were 3,086,372,734 Power Financial Shares in issue, and none of the Offeror or party acting in concert with it held any Power Financial Share. On the basis of the ascribed value of HK\$0.205 per Power Financial Share and assuming that (i) there will be no change in the number of Power Financial Shares in issue and no outstanding Power Financial Options are exercised prior to the Closing Date; and (ii) the Partial Offer is fully accepted, the Partial Offer for 1,593,874,096 Power Financial Shares is valued at approximately HK\$326,744,190, and the entire issued share capital of Power Financial is valued at approximately HK\$632,706,410. As such, 1,992,342,620 China Jicheng Shares (representing approximately 52.62% of the entire issued share capital of China Jicheng as at the Latest Practicable Date) held by the Offeror will be used to settle the Partial Offer.

As at the Latest Practicable Date, there were 38,860,000 Power Financial Options outstanding entitling the Power Financial Optionholders to subscribe for 38,860,000 new Power Financial Shares at the exercise price of HK\$0.142 per Power Financial Share. Assuming none of the outstanding Power Financial Options are exercised prior to the Closing Date, based on the closing price of the China Jicheng Shares of HK\$0.164 as quoted on the Stock Exchange on the Last Trading Day, the Option Offer is valued at approximately HK\$1,265,047, and 7,713,699 China Jicheng Shares (representing approximately 0.20% of the entire issued share capital of China Jicheng as at the Latest Practicable Date) held by the Offeror will be used to settle the Option Offer. Based on the above and assuming no Power Financial Options are exercised prior to the Closing Date, the Offers are valued at HK\$328,009,237 in aggregate.

All of the China Jicheng Shares used to settle the Offers are and will be free from all liens, charges and encumbrances and together with all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the Closing Date.

LETTER FROM OPTIMA CAPITAL

SUFFICIENT FINANCIAL RESOURCES

Optima Capital, the financial adviser to the Offeror in respect of the Offers, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy full acceptance of the Offers.

PRE-CONDITIONS TO THE OFFERS

As disclosed in the Announcement, the making of the Offers was subject to the fulfilment of the following Pre-Conditions:

- (i) the SFC having granted approval for the Offeror and each of its shareholders to become substantial shareholders of the Hong Kong Licensed Entities as required under the SFO without imposing any condition or term that is unduly burdensome on the Offeror and/or its shareholders, and such approval remaining in full force and effect and not being withdrawn or revoked;
- (ii) consent from the SFC in respect of the Partial Offer pursuant to Rule 28.1 of the Takeovers Code having been obtained, and such consent remaining in full force and effect and not being withdrawn or revoked; and
- (iii) save as publicly disclosed by Power Financial in any of its announcement and circular up to 17 November 2017, since the date of the last audited consolidated financial statements of Power Financial Group up to the date on which the Offeror obtains all approvals as mentioned in paragraphs (i) and (ii) above, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of Power Financial Group as a whole, whether or not arising in the ordinary course of business.

As disclosed in the announcement of the Offeror dated 27 June 2018, the Pre-Conditions to the Offers have been fulfilled.

LETTER FROM OPTIMA CAPITAL

CONDITIONS TO THE OFFERS

The Partial Offer is subject to the fulfillment or, where applicable, waiver of the following Conditions:

- (i) valid acceptance of the Partial Offer being received in respect of a minimum of 1,593,874,096 Power Financial Shares (representing approximately 51.64% of the existing issued share capital of Power Financial as at the Latest Practicable Date and approximately 51.00% of the enlarged issued share capital of Power Financial as at the Latest Practicable Date assuming all the Power Financial Options are exercised) for the Partial Offer;
- (ii) approval of the Partial Offer by the registered Power Financial Shareholders as at the Closing Date holding over 50% of the Power Financial Shares not held by the Offeror or any parties acting in concert with the Offeror in accordance with Rule 28.5 of the Takeovers Code;
- (iii) the Power Financial Shares remaining listed and traded on the Main Board of the Stock Exchange up to the Closing Date (or, if earlier, the Unconditional Date), and no notification being received on or before the Closing Date (or, if earlier, the Unconditional Date) from the SFC and/or the Stock Exchange to the effect that the listing of the Power Financial Shares on the Stock Exchange will or may be, for whatever reason, withdrawn or suspended (disregarding and excluding any temporary suspension of trading of the Power Financial Shares on the Stock Exchange (a) for the purpose of obtaining clearance from the SFC and/or Stock Exchange for any announcements or circulars in connection with the Partial Offer; (b) pending publication of any inside information announcement(s) by Power Financial pursuant to Part XIVA of the SFO; or (c) for less than five consecutive trading days);
- (iv) no corporate action agreement or proposal in relation to issuing any new Power Financial Shares or any convertible securities, warrants or options in respect of any Power Financial Shares or any similar actions (except the issue of the Power Financial Shares upon the exercise of the Power Financial Options) which may have effect on the issued share capital of Power Financial as at 17 November 2017 having been contemplated, implemented or announced;
- (v) no event having occurred which would make the Offers void, unenforceable, illegal or which would prohibit the implementation of the Offers; and

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- (vi) subject to Note 2 to Rule 30.1 of the Takeovers Code, save as publicly disclosed by Power Financial in any of its announcement and circular up to 17 November 2017, since the date of the last audited consolidated financial statements of Power Financial Group, there having been no change, effect, fact, event or circumstance which has had or would reasonably be expected to have a material adverse effect on, or to cause a material adverse change in, the general affairs, management, financial position, business prospects, conditions (whether financial, operational, legal or otherwise), earnings, solvency, current or future consolidated financial position, shareholders' equity or results of operations of Power Financial Group as a whole, whether or not arising in the ordinary course of business.

In accordance with Note 2 to Rule 30.1 of the Takeovers Code, an offeror (i.e. the Offeror in this case) should not invoke any condition, other than the acceptance condition, so as to cause the offer (i.e. the Offers in this case) to lapse unless the circumstances which give rise to the right to invoke the condition are of material significance to the offeror in the context of the offer.

The Offeror reserves the right to waive all or any of the Conditions (except for the Conditions referred to in paragraphs (i), (ii) and (v) above) in whole or in part. As at the Latest Practicable Date, none of the above Conditions had been fulfilled or waived.

The Option Offer will be conditional upon the Partial Offer becoming or being declared unconditional in all respects.

In accordance with Rule 15.3 of the Takeovers Code, the Offeror must publish an announcement when the Partial Offer becomes or is declared unconditional as to acceptances and when the Partial Offer becomes or is declared unconditional in all respects. The Offers must also remain open for acceptance for at least fourteen (14) days after the Offers become unconditional.

Pursuant to Rule 28.6 of the Takeovers Code, since the Offeror will be interested in more than 50% of the voting rights of Power Financial if the Partial Offer becomes unconditional in all respects, the Offeror will by then be free, subject to Rule 28.3 of the Takeovers Code, to acquire further Power Financial Shares without incurring any obligation to make a general offer.

Whether or not the Power Financial Independent Shareholders accept the Partial Offer, they may approve the Partial Offer AND specify the number of Power Financial Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Power Financial Share which is the subject of the Partial Offer shall be entitled to ONE vote only. Multiple votes in respect of the same Power Financial Share will not be taken in to account in counting the approval of the Partial Offer.

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WARNING: The Partial Offer and the Option Offer may or may not become unconditional. Completion of the Partial Offer is subject to the satisfaction or waiver (where applicable) of the Conditions of the Offers, and the Option Offer is also subject to and conditional upon the Partial Offer becoming unconditional.

The Power Financial Shareholders, the Power Financial Optionholders and potential investors should therefore exercise caution when dealing in the Power Financial Shares, exercising the Power Financial Options or other rights in respect of any of them. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

OTHER TERMS OF THE OFFERS

Acceptance of the Offers

The Power Financial Independent Shareholders may accept the Partial Offer in respect of some or all of the Power Financial Shares held by them. If valid acceptances are received for exact number of 1,593,874,096 Power Financial Shares, all Power Financial Shares validly accepted will be taken up.

If valid acceptances are received for more than 1,593,874,096 Power Financial Shares, the total number of the Power Financial Shares to be taken up by the Offeror from each Power Financial Independent Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

- A: 1,593,874,096 Power Financial Shares (being the total number of the Power Financial Shares for which the Partial Offer is made)
- B: the total number of the Power Financial Shares tendered by all the Power Financial Independent Shareholders under the Partial Offer
- C: the number of the Power Financial Shares tendered by the relevant individual Power Financial Independent Shareholder under the Partial Offer

As a result, it is possible that if a Power Financial Independent Shareholder tenders all his Power Financial Shares to the Offeror under the Partial Offer, not all of such Power Financial Shares will be taken up. Fractions of the Power Financial Shares will not be taken up under the Partial Offer and, accordingly, the number of the Power Financial Shares that the Offeror will take up from each Power Financial Independent Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

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The Power Financial Shares are currently traded in board lots of 10,000 shares each. Such board lot size will not be changed as a result of the Offers. Accepting Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of the Power Financial Shares.

The Power Financial Optionholders may accept the Option Offer in respect of some or all of the Power Financial Options held by them. In accordance with Rule 13.1 of the Takeovers Code, the maximum number of the Power Financial Options to be taken up by the Offeror (“**Maximum Grant Acceptance**”) is calculated based on the same percentage of Power Financial Shares under the Partial Offer (being approximately 51.64% of the total issued share capital of Power Financial as at the Latest Practicable Date) and are as follows:

	Exercise price per Power Financial Option <i>HK\$</i>	Number of new Power Financial Shares issuable upon full exercise of the Power Financial Options by all Power Financial Optionholders	Maximum Grant Acceptance	Consideration per Power Financial Option
2013 Power Financial Options	0.142	38,860,000	20,068,200	123 China Jicheng Shares for cancellation of every 320 such Power Financial Options

In respect of the Power Financial Options, if valid acceptances are received for no more than the Maximum Grant Acceptance, all Power Financial Options validly accepted will be taken up and cancelled. If valid acceptances are received for more than the relevant Maximum Grant Acceptance, the total number of the Power Financial Options to be taken up by the Offeror from each Power Financial Optionholder and cancelled will be determined in accordance with the following formula:

$$\frac{W \times X}{Y} \times Z$$

- W: total number of Power Financial Options held by the Power Financial Optionholders as at the Latest Practicable Date
- X: approximately 51.64%, being 1,593,874,096 Power Financial Shares divided by the 3,086,372,734 Power Financial Shares held by the Power Financial Independent Shareholders as at the Latest Practicable Date
- Y: the total number of the Power Financial Options tendered by all Power Financial Optionholders
- Z: the number of the Power Financial Options tendered by the relevant individual Power Financial Optionholder under the Power Financial Options

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As a result, it is possible that if a Power Financial Optionholder tenders all his Power Financial Options to the Offeror under the Option Offer, not all of such Power Financial Options will be taken up. Fractions of the Power Financial Options will not be taken up under the Option Offer and, accordingly, the number of the Power Financial Options that the Offeror will take up from each Power Financial Optionholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Acceptance of the Offers by any Power Financial Independent Shareholders and Power Financial Optionholders will be deemed to constitute a warranty by such person that all the Power Financial Shares and the Power Financial Options to be sold or cancelled by such person under the Offers will be free from all liens, charges, options, claims, equities, adverse interests, rights of pre-emption and any other third party rights or encumbrances of any nature whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive in full dividends and other distributions declared, made or paid, if any, on or after the Closing Date.

Effect of Acceptance of the Partial Offer and the Option Offer

By validly accepting the Partial Offer, the Power Financial Independent Shareholders will sell their tendered Power Financial Shares which are finally taken up by the Offeror in accordance with the above formula to the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by Power Financial to the Power Financial Independent Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Power Financial Optionholders will sell their tendered Power Financial Options which are finally taken up by the Offeror in accordance with the above formula (if applicable) to the Offeror and the tendered and finally taken up Power Financial Options will be cancelled on the Final Closing Date.

Hong Kong stamp duty

Sellers' and buyers' ad valorem stamp duty for the Power Financial Shares on the Hong Kong branch share register arising in connection with the acceptances of the Partial Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the higher of (i) the consideration payable in respect of the relevant acceptances or (ii) the market value of the Power Financial Shares tendered for acceptance, will be borne by the Offeror.

No stamp duty is payable in connection with the Option Offer.

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Availability of the Offers

The Offeror intends to make available the Offers to all Power Financial Independent Shareholders and Power Financial Optionholders, including those who are residents outside Hong Kong. The availability of the Offers to persons who are not residents in Hong Kong may be affected by the laws of the relevant jurisdictions. Persons who are not residents in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with the other necessary formalities and the payment of any issue, transfer or other fares due in such jurisdictions.

If the Offer Document is made available to any overseas Power Financial Independent Shareholder or overseas Power Financial Optionholder, such Power Financial Independent Shareholder or Power Financial Optionholder by tendering the Power Financial Shares or the Power Financial Options (as the case may be) to the Offeror under the Offers will be deemed to constitute a warranty to the Offeror that the Offers comply with the requirements and restrictions of the applicable laws and regulations of the jurisdiction in which such Power Financial Independent Shareholder or Power Financial Optionholder resides and that such laws and regulations do not require the Offeror to effect any registration of any securities or prospectus or to undertake any other filing or procedure in that jurisdiction, and agrees to indemnify and keep indemnified the Offeror against any liability that may arise if such warranty is breached.

It is the responsibility of the overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders who wish to accept the Partial Offer and the Option Offer respectively and to take any action in relation thereto, to satisfy themselves as to the full observance of the laws of any relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required to comply with other necessary formalities or legal requirements. The attention of the Power Financial Independent Shareholders and the Power Financial Optionholders with a registered address in jurisdiction outside Hong Kong is drawn to the section entitled “OVERSEAS POWER FINANCIAL INDEPENDENT SHAREHOLDERS AND OVERSEAS POWER FINANCIAL OPTIONHOLDERS” in Appendix I to this Offer Document.

The overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders will be responsible for the payment of any transfer or other taxes due by such overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders in respect of their respective jurisdictions. None of the Offeror, parties acting in concert with it, Optima Capital, the Receiving Agent or any of their respective directors, officers, associates, agents or any other professional adviser(s) to the Offeror or any other parties involved in the Offers is in a position to advise the overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders on their individual tax implications. The Power Financial Independent Shareholders and Power Financial Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Offeror, parties acting in concert with it, Optima Capital, the Receiving Agent or any of their respective directors, officers, associates, agents or any other professional

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adviser(s) to the Offeror or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the relevant the Power Financial Independent Shareholders and the Power Financial Optionholders.

Overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

Closing of the Offers

Except with the consent of the Executive, all Conditions to the Offers must be fulfilled (or, if permissible, waived) or the Offers must lapse within twenty-one (21) days of the Closing Date or of the date the Partial Offer becomes or is declared unconditional as to acceptances, whichever is the later. The latest date on which the Offeror can declare the Offers unconditional as to acceptances is 7:00 p.m. on the Long Stop Date.

Notwithstanding the requirements under Rule 15.7 of the Takeovers Code, according to Rule 28.4 of the Takeovers Code, once acceptances exceed the number of shares stated and the offeror declares the partial offer unconditional, the final closing date must be the 14th day thereafter and cannot be further extended.

If the Conditions to the Offers are fulfilled (or, if permissible, waived), Power Financial Shareholders and the Power Financial Optionholders will be notified by an announcement in accordance with the Takeovers Code and the Listing Rules as soon as possible thereafter.

Odd lots

The Power Financial Independent Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of the Power Financial Shares. Accordingly, Black Marble Securities Limited whose address is at 21/F, The Wellington, No.184-198 Wellington Street, Central, Hong Kong (contact person: Ms. Jessica Cheung; telephone number: (852) 3700 9600) has been appointed by the Offeror as the designated broker to match sales and purchases of odd lot holdings of the Power Financial Shares in the market for a period of 4 weeks following the completion of the Offers to enable such Power Financial Independent Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Power Financial Independent Shareholders should note that the matching of odd lots is not guaranteed.

Settlement of consideration

Consideration of the Offers will be settled by way of exchanging the China Jicheng Shares held by the Offeror, and new share certificates of such China Jicheng Shares will be posted by ordinary post to the Power Financial Independent Shareholders and the Power Financial Optionholders accepting the Offers at his/her/its own risk as soon as possible, but in any event within seven (7) Business Days following the close of the Offers (i.e. Final Closing Date).

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The Power Financial Independent Shareholders and the Power Financial Optionholders should be aware that in accepting the Offers, any resulting fractions of a China Jicheng Share will be disregarded and such fractions of a China Jicheng Share will not be delivered.

INTENTIONS OF THE OFFEROR

The Offeror intends to continue the current principal business of Power Financial and is committed to the stability of the principal business and principal operations of Power Financial after closing of the Offers. The Offeror has no plans, if the Offers are completed, to: (i) make any major redeployment of assets of Power Financial Group; or (ii) discontinue the employment of the employees of Power Financial Group (other than in the ordinary course of business).

The Offeror intends to nominate additional director(s) to the board of directors of Power Financial following completion of the Offers. Any changes to the board of directors of Power Financial will be made in compliance with the Takeovers Code, the Listing Rules and the constitutional documents of Power Financial. Further announcement(s) will be made upon the appointment of new director(s) of Power Financial accordingly.

Immediately after the completion of the Offers and assuming that there will be no change to the issued share capital of China Jicheng since the Latest Practicable Date and up to the Closing Date, the Offeror will cease to be the controlling shareholder of China Jicheng but will remain to be its substantial shareholder. Subject to the intentions of the incoming shareholders of China Jicheng, the Offeror intends to continue the existing principal business of China Jicheng in substantially its current state. As at the Latest Practicable Date, the Offeror had no concrete plans on whether or not it will dispose of its remaining shareholding interests in China Jicheng immediately after the completion of the Offers.

MAINTAINING LISTING STATUS OF POWER FINANCIAL

As at the Latest Practicable Date, based on the publicly available information, Power Financial had a public float of approximately 73.35% of the entire issued share capital of Power Financial. As stated in the announcement of Power Financial dated 13 December 2017, Mr. Choi Chun Chung, Danny, the chairman of the board and the non-executive director of Power Financial who beneficially owned 822,480,000 Power Financial Shares (representing approximately 26.65% of the issued share capital of Power Financial as at the Latest Practicable Date), has indicated that he would not accept the Offers based on the terms of the Offers as contained in the Announcement. Assuming that there will be no change to the issued share capital of Power Financial since the Latest Practicable Date and up to the Closing Date and immediately after the completion of the Offers and assuming all the outstanding Power Financial Options are exercised and all Power Financial Independent Shareholders (except Mr. Choi Chun Chung, Danny) validly elect to accept the Partial Offer, Power Financial will have a public float of approximately 22.68% of the entire issued share capital of Power Financial immediately

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following the completion of the Offers and accordingly the number of the Power Financial Shares in public hands will not continue to meet the public float requirement under Rule 8.08 of the Listing Rules.

The Stock Exchange has stated that if, at the completion of the Offers, less than 25% of the Power Financial Shares and/or the China Jicheng Shares are held by the public, or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Power Financial Shares and/or the China Jicheng Shares; or**
- (ii) there are insufficient Power Financial Shares and/or China Jicheng Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in the Power Financial Shares and/or the China Jicheng Shares.**

Upon completion of the Offers, if the public float of Power Financial is below 25%, i.e. the minimum public float under the Listing Rules, trading in the Power Financial Shares may be suspended until a sufficient level of public float can be attained.

The Offeror intends to maintain the listing status and the public float of Power Financial after closing of the Offers. The sole director of the Offeror has undertaken to the Stock Exchange, and should the Offers become unconditional, the new directors (if any) to be appointed to the board of directors of Power Financial will jointly and severally undertake to the Stock Exchange, to take appropriate steps (including placing down of sufficient number of accepted Power Financial Shares by the Offeror) to ensure that sufficient public float exists in Power Financial Shares.

REASONS FOR THE OFFERS

Power Financial has been listed on the Stock Exchange since 13 October 1993. Power Financial is an investment holding company and Power Financial Group is principally engaged in financial services businesses, including securities trading, asset management and provision for money lending.

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Whilst the Offeror has been investing in the manufacturing and sale of umbrella-related products in China and other parts of Asia through its controlling shareholding interest in China Jicheng, the Offeror has been actively assessing the PRC, Hong Kong as well as other markets for other attractive investment opportunities, to strengthen and to diversify its investment portfolios. Based on Hong Kong's status as one of the important international financial centres in the world and the increasing demand for PRC-Hong Kong cross-border financial services, the Offeror believes that the financial services and securities industry in the PRC and Hong Kong is an area of growth and development in the long term. The Offeror also believes that the current market price of the Power Financial Shares to be attractive having considered its current business (in the financial services and securities industry) and financial position (including but not limited to its net current assets, cash flow and various accounting ratios) as well as its long term business outlook. Accordingly, the Offeror believes that the Offers are in line with its investment strategy and is a prudent and justifiable investment. The Offers would also offer an opportunity to those Power Financial Shareholders who wish to diversify their investment into other industries, to do so without having to incur the brokerage fees, transaction levies and trading fees which are customarily payable when disposing of shares in the open market.

The Partial Offer involves the exchange for every 4 existing Power Financial Shares with 5 China Jicheng Shares held by the Offeror as consideration, which was determined by the Offeror having regard to, among others, the attractiveness of the Partial Offer to the Power Financial Shareholders. The Offeror considers that the attractiveness of the Partial Offer (and hence its chance of success) will significantly decrease if a full offer were proceeded with the same number of China Jicheng Shares, and the Offeror has decided not to include its other assets or financial resources to make a full offer in view of its other business needs and financial commitments.

After considering its available cash, marketing securities of listed companies and other financial options, the Offeror has decided that it did not have sufficient cash or marketable securities that were readily available to satisfy the Offers, whether on its own or by a combination thereof. Other financing options were not preferred as the Offeror did not own any collaterals of sufficient value that would be acceptable to customary banks and did not want to incur additional interest burden. Thus, the Offeror has decided to structure the Offers as securities exchange offers instead of cash offers.

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INFORMATION ON THE OFFEROR AND CHINA JICHENG GROUP

The Offeror was incorporated in the British Virgin Islands on 10 June 2014. It is beneficially and ultimately owned as to 100% by its sole director, Mr. Huang Wenji. The Offeror is a controlling shareholder of China Jicheng and is directly holding 2,462,818,000 China Jicheng Shares (representing approximately 65.05% of the total issued share capital of China Jicheng as at the Latest Practicable Date). The Offeror has principally been engaged in investment holding since its incorporation and the purpose of setting up the company is to hold the shares in China Jicheng on behalf of Mr. Huang. As at the Latest Practicable Date, the assets of the Offeror consist of China Jicheng Shares and cash at bank; and the liabilities of the Offeror consist solely of a shareholder's loan owed to Mr. Huang. Other than the shareholder's loan owed to Mr. Huang, there are no other liabilities owed to any third parties.

Mr. Huang, aged 49, is also an executive director and chairman of the board of directors of China Jicheng. Mr. Huang completed his secondary education in the PRC in July 1987. He founded China Jicheng Group in May 1996 and is responsible for the overall management, strategic development and major decision-making of China Jicheng Group. Each of Power Financial and its directors and substantial shareholders are third parties independent of the Offeror and its ultimate beneficial owners.

China Jicheng was incorporated in the Cayman Islands on 12 June 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands. It has been listed on the Stock Exchange since 13 February 2015. China Jicheng is an investment holding company and China Jicheng Group is principally engaged in the manufacturing and sale of POE umbrellas, nylon umbrellas and umbrella parts such as plastic, cloth and shaft.

As disclosed in the 2017 Annual Report of China Jicheng, the principal objectives of China Jicheng are to maintain and strengthen its position as a leading umbrella manufacturer focused in Japan market and on its own branded umbrella products in the PRC market, and increase its market share in existing markets such as Hong Kong, Cambodia and South Korea. Looking ahead, the China Jicheng Group will shift business focus from developing upstream manufacturing to downstream distribution network and brand building so as to facilitate promotion of the China Jicheng Group's branded umbrellas which command higher margins and create higher values as well as bringing better return to the China Jicheng Shareholders. To diversify its business and explore potential business opportunities, the China Jicheng Group is exploring and developing business opportunities and projects.

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SHAREHOLDING STRUCTURE OF CHINA JICHENG

As at the Latest Practicable Date, there were 3,786,000,000 China Jicheng Shares in issue. Save and except for the 324,000,000 outstanding share options granted by China Jicheng to subscribe for 324,000,000 China Jicheng Shares, there were no other outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into the China Jicheng Shares as at the Latest Practicable Date.

Assuming that there will be no change to the issued share capital of China Jicheng since the Latest Practicable Date (including the exercise of the share options of China Jicheng) and up to the Closing Date, the shareholding structure of China Jicheng, both before and after completion of the Offers, is set out below:

	As at the Latest Practicable Date (Note)		Immediately after the completion of the Offers and assuming all Power Financial Independent Shareholders validly elect to accept the Partial Offer and the Option Offer		Immediately after the completion of the Offers and assuming all Power Financial Independent Shareholders validly elect to accept the Partial Offer and assuming no Power Financial Optionholders elect to accept the Option Offer	
	<i>Number of China Jicheng Shares</i>	<i>Approximate %</i>	<i>Number of China Jicheng Shares</i>	<i>Approximate %</i>	<i>Number of China Jicheng Shares</i>	<i>Approximate %</i>
Power Financial Independent Shareholders	–	–	2,000,056,319	52.83	1,992,342,620	52.62
The Offeror and its concert party	2,462,818,000	65.05	462,761,681	12.22	470,475,380	12.43
Public China Jicheng Shareholders	<u>1,323,182,000</u>	<u>34.95</u>	<u>1,323,182,000</u>	<u>34.95</u>	<u>1,323,182,000</u>	<u>34.95</u>
Total	<u><u>3,786,000,000</u></u>	<u><u>100.00</u></u>	<u><u>3,786,000,000</u></u>	<u><u>100.00</u></u>	<u><u>3,786,000,000</u></u>	<u><u>100.00</u></u>

SHAREHOLDING STRUCTURE OF POWER FINANCIAL

Based on the publicly available information as at the Latest Practicable Date, Power Financial has 3,086,372,734 Power Financial Shares in issue and 38,860,000 outstanding Power Financial Options to subscribe for 38,860,000 Power Financial Shares.

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Assuming that there will be no change to the issued share capital of Power Financial since the Latest Practicable Date and up to the Closing Date, the shareholding structure of Power Financial, both before and after completion of the Offers, is set out below:

	Immediately after the completion of the Offers and assuming all Power Financial Independent Shareholders (except Mr. Choi Chun Chung, Danny) validly elect to accept the Partial Offer; and							
	Scenario I : all Power Financial Optionholders validly elect to accept the Option Offer and no Power Financial Options are exercised and a maximum of 20,068,200 Power Financial Options are tendered for cancellation or Scenario II: no Power Financial Optionholders elect to accept the Option Offer and all Power Financial Options lapsed as no Power Financial Options are exercised (Note 1)				Scenario III: a maximum of 20,068,200 Power Financial Options are tendered for cancellation as all Power Financial Optionholders validly elect to accept the Option Offer and all remaining Power Financial Options are exercised (Note 1)		Scenario IV: no Power Financial Optionholders elect to accept the Option Offer and all Power Financial Options are exercised (Note 1)	
	As at the Latest Practicable Date		Number of Power Financial Shares		Number of Power Financial Shares		Number of Power Financial Shares	
	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
The Offeror and its concert parties Mr. Choi Chun Chung, Danny (Note 2)	-	-	1,593,874,096	51.64	1,593,874,096	51.33	1,593,874,096	51.00
Public Power Financial Shareholders	822,480,000	26.65	822,480,000	26.65	822,480,000	26.49	822,480,000	26.32
	<u>2,263,892,734</u>	<u>73.35</u>	<u>670,018,638</u>	<u>21.71</u>	<u>688,810,438</u>	<u>22.18</u>	<u>708,878,638</u>	<u>22.68</u>
Total	<u>3,086,372,734</u>	<u>100.00</u>	<u>3,086,372,734</u>	<u>100.00</u>	<u>3,105,164,534</u>	<u>100.00</u>	<u>3,125,232,734</u>	<u>100.00</u>

Notes:

- Assuming that all Power Financial Independent Shareholders (except Mr. Choi Chun Chung, Danny) accept the Partial Offer in respect of all of the Power Financial Shares held by them and after disposing or topping up of their odd lots.
- Mr. Choi Chun Chung, Danny is the chairman of the board and the non-executive director of Power Financial. As stated in the announcement of Power Financial dated 13 December 2017, Mr. Choi Chun Chung, Danny, the chairman of the board and the non-executive director of Power Financial who beneficially owned 822,480,000 Power Financial Shares (representing approximately 26.65% of the issued share capital of Power Financial as at the Latest Practicable Date), has indicated that he would not accept the Offers based on the terms of the Offers as contained in the Announcement.

CONSENT FROM THE EXECUTIVE

Pursuant to Rule 28.1 of the Takeovers Code, the Executive has consented to the Offeror making the Partial Offer.

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COMPULSORY ACQUISITION

The Offeror does not intend to exercise any power of compulsory acquisition of any Power Financial Shares outstanding and not acquired under the Offers after the close of the Offers.

FURTHER TERMS OF ACCEPTANCE OF THE OFFERS

Further terms of acceptance of the Offers, including, among other things, procedures for acceptance and settlement and the acceptance period, are set out in Appendix I to this Circular and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.

ADDITIONAL INFORMATION

To ensure equality of treatment of all Power Financial Independent Shareholders, registered Power Financial Independent Shareholders who hold Power Financial Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of Power Financial Shares by each beneficial owner separately. In order for the beneficial owners of the Power Financial Shares whose investments are registered in nominee names (including those whose interests in the Power Financial Shares are held through CCASS) to approve and/or accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

Your attention is also drawn to the additional information regarding the Offers set out in the appendices to this Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance, which form part of this Offer Document.

In considering what action to take in connection with the Offers, you should consider your own tax and financial position, and if you are in any doubt, you should consult your professional advisers.

Yours faithfully
By and on behalf of the Board of
Optima Capital Limited
Mei H. Leung
Chairman

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT**1. General Procedure for Approval and Acceptance**

1.1. The Power Financial Independent Shareholders may accept the Partial Offer in respect of some or all of the Power Financial Shares held by them. If valid acceptances are received for exact number of 1,593,874,096 Power Financial Shares, all Power Financial Shares validly accepted will be taken up.

If valid acceptances are received for more than 1,593,874,096 Power Financial Shares, the total number of the Power Financial Shares to be taken up by the Offeror from each Power Financial Independent Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

A: 1,593,874,096 Power Financial Shares (being the total number of the Power Financial Shares for which the Partial Offer is made)

B: the total number of the Power Financial Shares tendered by all the Power Financial Independent Shareholders under the Partial Offer

C: the number of the Power Financial Shares tendered by the relevant individual Power Financial Independent Shareholder under the Partial Offer

As a result, it is possible that if a Power Financial Independent Shareholder tenders all his/her/its Power Financial Shares to the Offeror under the Partial Offer, not all of such Power Financial Shares will be taken up. Fractions of the Power Financial Shares will not be taken up under the Partial Offer and, accordingly, the number of the Power Financial Shares that the Offeror will take up from each Power Financial Independent Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

1.2. Whether or not the Power Financial Independent Shareholders accept the Partial Offer, they may approve the Partial Offer AND specify the number of Power Financial Shares in respect of which they approve the Partial Offer in the accompanying Form of Approval and Acceptance. Each Power Financial Share, fully paid up, shall be entitled to ONE vote only. Multiple votes in respect of the same Power Financial Share will not be taken into account in counting the approval of the Partial Offer. Only ONE Form of Approval and Acceptance will be accepted from each Power Financial Independent Shareholder by the Offeror and only ONE vote for each Power Financial Share may be casted. If a Power Financial Independent Shareholder has put

a tick “✓” to indicate his/her/its approval of the Partial Offer on the Form of Approval and Acceptance but no number of Power Financial Shares in respect of such approval is specified or any other information in the Form of Approval and Acceptance is missing, incomplete or erroneous, the approval and the acceptance of the Partial Offer by such Shareholder will not be considered as valid until such missing, incomplete or erroneous information has been completed and rectified in such Form of Approval and Acceptance. Power Financial Independent Shareholders may vote in respect of the total number of Power Financial Shares held by him/her even though he/she/it does not intend to accept the Partial Offer and/or the number of Power Financial Shares voted may be more than the number of Power Financial Shares tendered for acceptance.

- 1.3. If the Power Financial Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) (if applicable) in respect of the Power Financial Shares is/are in the name of the Power Financial Independent Shareholder(s), and he/she/it wishes to accept the Partial Offer whether in full or in respect of part of his/her/its holding of Power Financial Shares, he/she/it should complete and return the accompanying Form of Approval and Acceptance in accordance with the instructions printed in this Offer Document and the instructions printed on the Form of Approval and Acceptance. The instructions in this Offer Document should be read together with the instructions on the Form of Approval and Acceptance (which instructions form part of the terms of the Partial Offer).
- 1.4. In order to be valid, the completed Form of Approval and Acceptance should be forwarded, together with the Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for the exact number of Power Financial Shares in respect of which the relevant Power Financial Independent Shareholder wishes to accept the Partial Offer, by post or by hand to the Receiving Agent, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in an envelope marked “Power Financial Group Limited – Partial Offer” as soon as possible after receipt of the Form of Approval and Acceptance but in any event by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 1 August 2018, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce. In accordance with Rule 15.1 and Rule 15.3 of the Takeovers Code, when the Partial Offer is declared unconditional in all respects, the Partial Offer will be open for acceptance for 14 days after the date on which the Partial Offer is declared unconditional in all respects. The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.

- 1.5. Unless the Partial Offer is extended or revised in accordance with the Takeovers Code, no Form of Approval and Acceptance received after the Final Closing Date will be accepted.
- 1.6. If the Form of Approval and Acceptance is executed by a person other than the registered holder, appropriate evidence of authority (e.g. a grant of probate or certified copy of a power of attorney) to the satisfaction of the Offeror must be delivered to the Receiving Agent with the completed Form of Approval and Acceptance.
- 1.7. No acknowledgement of receipt of any Form of Approval and Acceptance, Power Financial Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) (if applicable) will be given.
- 1.8. In relation to any acceptance(s) of the Partial Offer in respect of Power Financial Shares held in CCASS, the Offeror reserves the right to make such alterations, additions or modifications to the terms of the Partial Offer as may be necessary or desirable to give effect to any purported acceptance of the Partial Offer, whether to comply with the facilities or requirements of CCASS or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Takeovers Code or are otherwise made with the Executive's consent.
- 1.9. To accept the Option Offer, Power Financial Optionholders should complete and sign the accompanying Form of Option Offer Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.
- 1.10. Only one Form of Option Offer Acceptance will be accepted from each Power Financial Optionholder by the Receiving Agent.

1.11. The completed and signed Form of Option Offer Acceptance should then be forwarded, together with all the relevant certificate(s) or letter(s) of grant, as the case may be, of the Power Financial Options the Power Financial Optionholder intends to tender, stating the number of Power Financial Shares underlying the Power Financial Options in respect of which the Power Financial Optionholder intends to accept the Option Offer for those Power Financial Options, by post or by hand to the Receiving Agent, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Power Financial Group Limited – Option Offer", as soon as possible after receipt of this Offer Document and in any event no later than 4:00 p.m. on the Final Closing Date or such other time and/or date as the Offeror may determine and announce with the consent of the Executive. If the number of options as evidenced in the relevant certificate(s) or letter(s) of grant, as the case may be, of the Power Financial Options tendered is less than the number of options stated in the Form of Option Offer Acceptance, or the Power Financial Optionholder fails to submit all the certificate(s) or letter(s) of grant, as the case may be, of the Power Financial Options tendered for acceptance, his/her/its acceptance would be invalid. Acceptance will only be valid if the Power Financial Options tendered by the Power Financial Optionholder have not lapsed as at the Final Closing Date.

The Power Financial Optionholders may accept the Option Offer in respect of some or all of the Power Financial Options held by them. In accordance with Rule 13.1 of the Takeovers Code, the maximum number of the Power Financial Options to be taken up by the Offeror ("**Maximum Grant Acceptance**") is calculated based on the same percentage of the Power Financial Shares under Partial Offer (being approximately 51.64% of the total issued share capital of Power Financial as at the Latest Practicable Date) and are as follows:

	Exercise price per Power Financial Option HK\$	Number of new Power Financial Shares issuable upon full exercise of the Power Financial Options by all Power Financial Optionholders	Maximum Grant Acceptance	Consideration per Power Financial Option
2013 Power Financial Options	0.142	38,860,000	20,068,200	123 China Jicheng Shares for cancellation of every 320 such Power Financial Options

In respect of the Power Financial Options, if valid acceptances are received for no more than the Maximum Grant Acceptance, all Power Financial Options validly accepted will be taken up and cancelled. If valid acceptances are received for more than the relevant Maximum Grant Acceptance, the total number of the Power Financial Options to be taken up by the Offeror from each Power Financial Optionholder and cancelled will be determined in accordance with the following formula:

$$\frac{W \times X}{Y} \quad X \quad Z$$

- W: total number of the Power Financial Options held by the Power Financial Optionholders as at the Latest Practicable Date
- X: approximately 51.64%, being 1,593,874,096 Power Financial Shares divided by the 3,086,372,734 Power Financial Shares held by the Power Financial Independent Shareholders as of the Latest Practicable Date
- Y: the total number of the Power Financial Options tendered by all Power Financial Optionholders
- Z: the number of the Power Financial Options tendered by the relevant individual Power Financial Optionholder under the Power Financial Options

As a result, it is possible that if a Power Financial Optionholder tenders all his Power Financial Options to the Offeror under the Option Offer, not all of such Power Financial Options will be taken up. Fractions of the Power Financial Options will not be taken up under the Option Offer and, accordingly, the number of the Power Financial Options that the Offeror will take up from each Power Financial Optionholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

Power Financial Optionholders will have the right to elect how many Power Financial Options to tender for acceptance under the Option Offer. In the Form of Option Offer Acceptance, Power Financial Optionholders will be requested to indicate the exercise period of the Power Financial Option(s), exercise price per Power Financial Option(s) and the number of the Power Financial Options they wish to tender.

If a Power Financial Optionholder wants to tender any or all of his/her/its Power Financial Options, he/she/it must enclose all the relevant certificates or letters of grant, as the case may be, for the Power Financial Options. Failure to attach all the corresponding certificates or letters of grant, as the case may be, for the Power Financial Options so tendered would render the acceptance of the Option Offer null and void.

2. Nominee Holdings

2.1. If the Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of a Power Financial Independent Shareholder's share(s) is/are in the name of a nominee company or some name other than his/her/its own, and such Power Financial Independent Shareholder wishes to approve and/or accept the Partial Offer (either in full or in respect of part of his/her/its holding(s) of Power Financial Shares), he/she/it must either:

2.1.1. lodge the Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) with the nominee company, or other nominee, with instructions authorising it to approve and/or accept the Partial Offer on his/her/its behalf and requesting it to deliver the Form of Approval and Acceptance duly completed together with the relevant Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Receiving Agent, within such deadline (which may be earlier than the deadline specified under the Partial Offer) as may be stipulated by the nominee; or

2.1.2. arrange for the Power Financial Shares to be registered in his/her/its name by Power Financial through the Registrar of Power Financial, and send the Form of Approval and Acceptance duly completed and signed together with the relevant Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) to the Receiving Agent before 4:00 p.m. on Wednesday, 1 August 2018, being the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce; or

- 2.1.3. where his/her/its Power Financial Shares are deposited in CCASS via his/her/its licensed securities dealer/broker/custodian bank, instruct his/her/its licensed securities dealer/broker/custodian bank to authorise HKSCC Nominees Limited to approve and/or accept the Partial Offer on his/her/its behalf on or before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, that Power Financial Independent Shareholder should check with his/her/its licensed securities dealer/broker/custodian bank for the timing on processing his/her/its instruction, and submit such instruction to his/her/its licensed securities dealer/broker/custodian bank as required by them; or
- 2.1.4. if the Power Financial Shares have been lodged with his/her/its Investor Participant Account with CCASS, authorise his/her/its instruction via the CCASS Phone System or CCASS Internet System no later than one Business Day before the deadline set by HKSCC Nominees Limited or any other date as shall be determined by HKSCC Nominees Limited.
- 2.2. Power Financial Independent Shareholders with such a nominee holding of Power Financial Shares should ensure that they take the above applicable course of action promptly to allow their nominee(s) sufficient time to complete the acceptance procedure on his/her/its behalf before the First Closing Date, or such other time and/or date as the Offeror may, subject to the Takeovers Code, decide and announce.
- 2.3. Power Financial Independent Shareholders should note that the Offeror will regard the nominee company (including HKSCC Nominees Limited) as a single shareholder according to the register of members of Power Financial. As such, the arrangement in relation to the acceptances of tenders exceeding the assured entitlement will not be applicable to the beneficial owners who hold Power Financial Shares through a nominee company individually.

3. Recent Transfers

If a Power Financial Independent Shareholder has lodged transfer(s) of Power Financial Shares for registration in his/her/its name and has not yet received the Power Financial Share certificate(s) and wishes to approve and/or accept the Partial Offer, he/she/it should nevertheless complete and sign the Form of Approval and Acceptance and deliver it to the Receiving Agent together with the transfer receipt(s) duly signed by him/her/it. Such action will be deemed to be an irrevocable authority to the Offeror and/or any of their respective agent(s) or such other person(s) as any of them may direct for the purpose of collecting from Power Financial or the Registrar of Power Financial on his/her/its behalf the relevant Power Financial Share certificate(s) when issued and to deliver such Power Financial Share certificate(s), subject to the terms of the Partial Offer, as if it was/they were delivered to the Receiving Agent with the Form of Approval and Acceptance.

4. Lost or Unavailable Power Financial Share Certificates

- 4.1. If the Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost and a Power Financial Independent Shareholder wishes to approve and/or accept the Partial Offer, the Form of Approval and Acceptance should nevertheless be completed, signed and delivered, together with a letter stating that he/she/it has lost one or more of his/her/its Power Financial Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available, to the Receiving Agent so as to reach the Receiving Agent no later than 4:00 p.m. on Wednesday, 1 August 2018, being the First Closing Date. If the Power Financial Independent Shareholder finds such document(s) or if it/they become available, the relevant Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) should be forwarded to the Receiving Agent as soon as possible thereafter and in any event no later than 4:00 p.m. on Wednesday, 1 August 2018, being the First Closing Date.
- 4.2. If a Power Financial Independent Shareholder has lost his/her/its Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title, he/she/it should write to the Receiving Agent and request a letter of indemnity in respect of the lost Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (as the case may be) which, when completed in accordance with the instructions given, should be returned, together with the Form of Approval and Acceptance and any Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title which are available, to the Receiving Agent either by post or by hand, so as to arrive not later than 4:00 p.m. on the First Closing Date. In such cases, the Power Financial Independent Shareholder will be informed of the fees and/or expenses payable to the Registrar of Power Financial for which he/she/it will be responsible.

5. Additional Forms of Approval and Acceptance

If a Power Financial Independent Shareholder has lost the accompanying Form of Approval and Acceptance or such original has become unusable, and requires a replacement of such form, he/she/it should write to the Receiving Agent or visit the Receiving Agent at its office and request an additional Form of Approval and Acceptance for completion by such Power Financial Independent Shareholder. Alternatively, he/she/it could download it from the website of the Stock Exchange at www.hkexnews.hk or the website of the Offeror at www.china-jicheng.cn/html/dod.html.

6. Settlement

The timing and procedures for settlement of the consideration to which the accepting Power Financial Independent Shareholders and the Power Financial Optionholders will be entitled (if the Offers become, or are declared, unconditional in all respects) are set out in the Form of Approval and Acceptance and the Form of Option Offer Acceptance and in the section headed “Settlement of Consideration” contained in the “Letter from Optima Capital” in this Offer Document. In the event the Offers lapse, any share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) lodged with the Form of Approval and Acceptance and the Form of Option Offer Acceptance will be returned to the Power Financial Independent Shareholders and Power Financial Optionholders who have accepted the Offers by ordinary post at the Power Financial Independent Shareholders’ and the Power Financial Optionholders’ own risks as soon as possible but in any event within 10 days after the Offers have lapsed.

7. Overseas Power Financial Independent Shareholders and Overseas Power Financial Optionholders

- 7.1. This Offer Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdictions other than Hong Kong.
- 7.2. If the Offer Document is made available to any overseas Power Financial Independent Shareholder or overseas Power Financial Optionholder, such Power Financial Independent Shareholder or the Power Financial Optionholder by tendering the Power Financial Shares or the Power Financial Options (as the case may be) to the Offeror under the Offers will be deemed to constitute a warranty to the Offeror that the Offers comply with the requirements and restrictions of the applicable laws and regulations of the jurisdiction in which such Power Financial Independent Shareholder or the Power Financial Optionholder resides and that such laws and regulations do not require the Offeror to effect any registration of any securities or prospectus or to undertake any other filing or procedure in that jurisdiction, and agrees to indemnify and keep indemnified the Offeror against any liability that may arise if such warranty is breached.

- 7.3. The overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders will be responsible for the payment of any transfer or other taxes due by such overseas Power Financial Independent Shareholders and Power Financial Optionholders in respect of their respective jurisdictions. None of the Offeror, parties acting in concert with it, Optima Capital, the Receiving Agent or any of their respective directors, officers, associates, agents or any other professional adviser(s) to the Offeror or any other parties involved in the Offers is in a position to advise the overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders on their individual tax implications. The Power Financial Independent Shareholders and Power Financial Optionholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Offers. None of the Offeror, parties acting in concert with it, Optima Capital, the Receiving Agent or any of their respective directors, officers, associates, agents or any other professional adviser(s) to the Offeror or any other parties involved in the Offers accepts any responsibility for any tax effect on, or liabilities of, the relevant Power Financial Independent Shareholders and Power Financial Optionholders.
- 7.4. Overseas Power Financial Independent Shareholders and overseas Power Financial Optionholders are advised to seek professional advice on deciding whether to accept the Offers.

8. New Shareholders

Any new Shareholder may collect a copy of this Offer Document, together with a blank Form of Approval and Acceptance from the Receiving Agent at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong during the period from the date of this Offer Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays). Such Shareholder may also contact the Receiving Agent (through the enquiry general telephone line at (852) 2980 1333) and request a copy of this Offer Document and a blank Form of Approval and Acceptance (as appropriate) to be sent to his/her/its registered address as recorded in the register of members of Power Financial.

9. Exercise of Power Financial Options

Exercise of the Power Financial Options are subject to the terms and conditions of the share option scheme adopted by Power Financial on 4 June 2013 and the terms attaching to the grant of the relevant Power Financial Options. Delivery of the completed and signed Form of Acceptance and Approval will not serve to complete the exercise of the Power Financial Options but will only be deemed to be an irrevocable authority to the Offeror and/or any of their respective agent(s) or such other person(s) as they may direct to collect from Power Financial on his/her/its behalf the relevant Power Financial Share certificate(s) when issued on exercise of the Power Financial Options as if it was/they were delivered to the Receiving Agent with the Form of Approval and Acceptance. If a Power Financial Optionholder fails to exercise his/her/its Power Financial Options as aforesaid, there is no guarantee that Power Financial may issue the relevant Power Financial Share certificate in respect of the Power Financial Shares allotted pursuant to his/her/its exercise of the Power Financial Option(s) to such Power Financial Optionholder in time for him/her to approve and to accept the Partial Offer as a Power Financial Independent Shareholder of such Power Financial Shares under the terms of the Partial Offer.

10. Lost certificates in respect of the Power Financial Options

If the certificate(s) or letter(s) of grant, as the case may be, of the Power Financial Option(s) is/are not readily available and/or is/are lost, and a Power Financial Optionholder wishes to accept the Option Offer or exercise the Power Financial Option and approve and/or accept the Partial Offer, he/she/it must:

- if he/she/it wishes to accept the Option Offer, complete, sign and deliver the Form of Option Offer Acceptance and deliver the same to the Receiving Agent together with a letter stating he/she/it has lost one or more of his/her/its certificates(s) or letter(s) of grant, as the case may be, and an indemnity to Power Financial on or before the Final Closing Date.
- if he/she/it wishes to approve and/or accept the Partial Offer, exercise the Power Financial Options to the extent exercisable as indicated in paragraph 9 in this Appendix above, but so that the relevant exercise notice, cheque for the subscription monies and the Form of Approval and Acceptance must reach Power Financial 7 Business Days before the First Closing Date. He/she/it should at the same time deliver to Power Financial, together with a copy set to the Registrar of Power Financial, a letter stating that he/she/it has lost one or more of his/her/its certificates(s) or letter(s) of grant, as the case may be, and an indemnity to Power Financial.

11. Lapse of Power Financial Options

Nothing in this Offer Document nor the Option Offer will serve to extend the life of any Power Financial Option which lapses under the share option scheme adopted by Power Financial on 4 June 2013. No exercise of Power Financial Options nor acceptance of the Option Offer may be made in relation to any Power Financial Option that has lapsed.

Power Financial Optionholders should note that under the rules of the share option scheme adopted by Power Financial on 4 June 2013, all Options that remain unexercised before the earlier of (i) the expiry of the option exercise period of the relevant Power Financial Option, and (ii) the 14th day following the date of on which the Partial Offer becomes or is declared unconditional, will lapse automatically and not be exercisable (to the extent not already exercised) on the expiry of the said period.

EFFECT OF ACCEPTANCE OF THE PARTIAL OFFER BY POWER FINANCIAL INDEPENDENT SHAREHOLDERS AND THE OPTION OFFER BY POWER FINANCIAL OPTIONHOLDERS

By validly accepting the Partial Offer, the Power Financial Independent Shareholders will sell their tendered Power Financial Shares which are finally taken up by the Offeror in accordance with the above formula under the section headed "Procedures for Acceptance and Settlement – 1. General Procedure for Approval and Acceptance" in this Appendix to the Offeror, free from all encumbrances and together with all rights and benefits at any time accruing thereto including all rights to any dividends or other distributions declared, made or paid on or after the Final Closing Date. Any dividends or other distributions declared, made or paid before the Final Closing Date will be paid by Power Financial to the Power Financial Independent Shareholders who are qualified for such dividends or distributions.

By validly accepting the Option Offer, Power Financial Optionholders will sell their tendered Power Financial Options to the Offeror in accordance with the above formula (if applicable) under the section headed "Procedures for Acceptance and Settlement - 1. General Procedure for Approval and Acceptance" in this Appendix, and the tendered Power Financial Options taken up by the Offeror will be cancelled on the Final Closing Date.

A Power Financial Optionholder may exercise all or any part of the Power Financial Options, to the extent exercisable, in accordance with the share option scheme adopted by Power Financial on 4 June 2013. Any Power Financial Shares allotted as a result of the exercise of any Power Financial Options will be subject to and be eligible to participate in approving and accepting the Partial Offer. He or she or it who has no intention to, or is not yet able to exercise any of his/her/its Power Financial Options that has not yet vested, may accept the Option Offer in respect of their Power Financial Options in accordance with its terms as set out in this Appendix and in the "Letter from Optima Capital" in this Offer Document.

Each Power Financial Independent Shareholder or Power Financial Optionholder by whom, or on whose behalf, a Form of Approval and Acceptance or Form of Option Offer Acceptance (as the case may be) is executed irrevocably undertakes, represents, warrants and agrees to and with the Offeror (so as to bind him/her, his/her/its personal representatives, heirs, successors and assigns) to the effect:

1. Irrevocable Acceptances

That the Form of Approval and Acceptance or Form of Option Offer Acceptance which has been duly completed and received by the Receiving Agent will constitute irrevocable acceptance of the Partial Offer or the Option Offer, except in the circumstances that the Executive requires that such Accepting Shareholder is granted a right to withdraw in accordance with Rule 19.2 of the Takeovers Code or in compliance with Rule 17 of the Takeovers Code. Rule 19.2 of the Takeovers Code relates to failure to announce the results of the Partial Offer as set out in the section headed “Announcements” in this Appendix and provides that the Executive may require that Accepting Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements of Rule 19 of the Takeovers Code can be met. Rule 17 of the Takeovers Code relates to the right of the Accepting Shareholder or Accepting Optionholder to withdraw his/her/its acceptance of the Partial Offer or the Option Offer after 21 days from the First Closing Date, if the Partial Offer has not by then become unconditional as to acceptances. The Offeror will make an announcement in the event such situation arises to advise on the right of withdrawal.

If the Partial Offer or the Option Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return the relevant Power Financial Share certificate(s) or certificates or letters of grant, as the case may be, in respect the Power Financial Options and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of such number of Power Financial Shares or Power Financial Options lodged with the Form of Approval and Acceptance or the Form of Option Offer Acceptance to the relevant Accepting Shareholder(s) or Accepting Optionholder(s) by ordinary post.

2. Execution

That the execution of the Form of Approval and Acceptance, subject to Rule 19.2 of the Takeovers Code, shall constitute approval by the relevant Power Financial Independent Shareholder of the Partial Offer in respect of the number of Power Financial Shares inserted in Box A and an acceptance by the relevant Power Financial Independent Shareholder of the Partial Offer in respect of the number of the Power Financial Shares inserted in Box B of the Form of Approval and Acceptance and subject to the terms and conditions set out or referred to in this Offer Document and the Form of Approval and Acceptance and that, once lodged, such acceptance shall be irrevocable, unless withdrawn in accordance with the Takeovers Code.

3. Representations and Warranties

- (a) That he/she/it has full power and authority to tender, sell, assign and transfer all the Power Financial Shares or Power Financial Options (together with all rights accruing or attaching thereto) specified in such Form of Approval and Acceptance under the Partial Offer or the Form of Option Offer Acceptance under the Option Offer and that the Power Financial Shares and the Power Financial Options are free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date; and
- (b) That if he/she/it is a resident or a citizen of a jurisdiction outside Hong Kong, he/she/it has fully observed any applicable legal or other requirements and that the Partial Offer may be accepted by him/her/it lawfully under the laws of the relevant jurisdiction.

4. Appointment and Authority

That the execution of the Form of Approval and Acceptance constitutes:

- (a) the irrevocable appointment of the Offeror, any director or officer of the Offeror, or such other person as any of them may direct, as such Power Financial Independent Shareholder's agent ("**Agent**"); and
- (b) an irrevocable instruction to the Agent to complete and execute the Form of Approval and Acceptance and/or any other document at the Agent's discretion on behalf of the person accepting the Partial Offer and to do any other acts or things (such as, among others, due execution of instruments of transfer to effect transfers of Power Financial Shares accepted by the Offeror pursuant to the Partial Offer to the Offeror and to tender the relevant Power Financial Share certificate(s) for cancellation) as may in the opinion of the Agent be necessary, expedient or desirable for the purpose of the Offeror to acquire some or all of the Power Financial Shares (as the Offeror may in its absolute discretion determine in accordance with the formula as set out in the paragraph headed "The Terms of the Offers" in the "Letter from Optima Capital" in this Offer Document in respect of which such person has accepted the Partial Offer).

5. Undertakings

That by executing the Form of Approval and Acceptance, he/she/it:

- (a) agrees to ratify and confirm each and every act or thing which may be done or effected by the Offeror or any Agent in the proper exercise of its or his/her/its powers and/or authorities under the terms of the Partial Offer (such as, among others, acts or things effecting the transfer of Power Financial Shares accepted by the Offeror pursuant to the Partial Offer);
- (b) undertakes to deliver to the Receiving Agent the Power Financial Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) in respect of the Power Financial Shares for which the Partial Offer is accepted, or an indemnity or indemnities acceptable to the Offeror in lieu thereof, or to procure the delivery of such document(s) to the Receiving Agent as soon as possible thereafter and, in any event, no later than 4:00 p.m. on Wednesday, 1 August 2018, being the First Closing Date (or such other date as the Offeror may, subject to the Takeovers Code, decide and announce);
- (c) accepts that the provisions of the Form of Approval and Acceptance and the other terms and conditions in this Offer Document are deemed to be incorporated into the terms and conditions of the Partial Offer;
- (d) undertakes to execute any further documents, take any further action and give any further assurances which may be required in connection with his/her/its acceptance of the Partial Offer as the Offeror may consider to be necessary, expedient or desirable in accordance with the Takeovers Code, including, without limitation, to acquire any Power Financial Shares in respect of which he/she/it has accepted the Partial Offer free from all liens, charges, options, claims, equities, adverse interests, third parties rights or encumbrances whatsoever and together with all rights accruing attaching thereto on or after the Final Closing Date and/or to perfect any of the authorities expressed to be given hereunder;
- (e) authorises the Offeror or the Agent to despatch new share certificates of China Jicheng Shares by ordinary post as consideration of the Partial Offer to which he/she/it is entitled at his/her/its risk; and
- (f) submits to the non-exclusive jurisdiction of the courts of Hong Kong in relation to all matters arising out of or in connection with the Partial Offer or the Form of Approval and Acceptance.

6. General

- (a) Acceptance of the Partial Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Power Financial Shares acquired under the Partial Offer are fully paid and sold by any such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and other distributions declared, made or paid, if any, on or after the Final Closing Date.
- (b) The Power Financial Independent Shareholders may approve and/or accept the Partial Offer by completing the Form of Approval and Acceptance in accordance with the instructions set out in the Form of Approval and Acceptance (which constitute part of the terms of the Partial Offer). A Form of Approval and Acceptance may be rejected as invalid if the procedures contained in this Offer Document and in the Form of Approval and Acceptance are not complied with.
- (c) The Partial Offer and all acceptances of it, the Form of Approval and Acceptance and all contracts made pursuant to the Partial Offer, and all action taken or made or deemed to be taken or made pursuant to these terms will be governed by and construed in accordance with Hong Kong laws. Delivery of a Form of Approval and Acceptance will constitute submission to the non-exclusive jurisdiction of the Hong Kong courts.
- (d) The failure of any person to receive this Offer Document or the Form of Approval and Acceptance will not invalidate any aspect of the Partial Offer. Extra prints of these documents are available to any Power Financial Independent Shareholder at the office of the Receiving Agent during the period from the date of this Offer Document to the Final Closing Date (both days inclusive), between 9:00 a.m. and 4:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays), and on the Stock Exchange's website at www.hkexnews.hk and the Offeror's website at www.china-jicheng.cn/html/dod.html.
- (e) The Offeror reserves the right, subject to any applicable law or regulatory requirements, to amend the terms of the Partial Offer. In the event of such amendment (which will not, for the avoidance of doubt, include an alteration of the total number of Power Financial Shares under the Partial Offer), a supplemental document and new Form of Approval and Acceptance will be despatched to the Power Financial Independent Shareholders. Any revised Partial Offer will be kept open for at least 14 days following the date on which the revised offer document is posted. If in the course of the Partial Offer, the Offeror revises the terms of the Partial Offer, all Power Financial Independent Shareholders, whether they have accepted the Partial Offer or not, will be entitled to the revised terms.

- (f) The right of acceptance of the Partial Offer is personal to the Power Financial Independent Shareholders and is not capable of being assigned or renounced in favour of others or otherwise transferred by the Power Financial Independent Shareholders.
- (g) All questions as to the number of Power Financial Shares to be taken by the Offeror or consideration under the Partial Offer, or any alteration of such offer in accordance with the terms contained herein, and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any acceptance will be determined by the Offeror in its sole discretion, which determination will be final and binding on all of the parties (except as otherwise required under the applicable laws or by the Executive). The Offeror reserves the absolute right to reject any or all acceptances it determines not to be in proper form or the acceptance or payment for which may, in the opinion of the Offeror, be unlawful.

Any irregular acceptance failing to satisfy the requirements of Rule 30.2 and the notes thereto will not be counted towards fulfilling the acceptance condition of the Partial Offer and approval requirements under Rule 28.5. In the event of a waiver, the consideration under the Partial Offer will not be dispatched until after the Form of Approval and Acceptance is completed in all respects and the Power Financial Share certificate(s), and/or transfer receipt(s) and/or other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) have been received. None of the Offeror or any of their respective directors or any other person involved in the Partial Offer and the Option Offer is or will be obliged to give notice of any defects or irregularities in acceptances and none of them will incur any liability for failure to give any such notice.

- (h) All communications, notices, the Form(s) of Option Offer Acceptance, Form(s) of Approval and Acceptance, Power Financial Share certificate(s), Power Financial Option certificate(s) or letter(s) of grant (as the case may be), transfer receipt(s), other document(s) of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any Power Financial Independent Shareholders and Power Financial Optionholders will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of the Offeror or any of their respective directors or any other person involved in the Partial Offer and the Option Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (i) Settlement of the consideration to which any Power Financial Independent Shareholder or Power Financial Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers without regard to any lien, right or set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Power Financial Independent Shareholder or Power Financial Optionholder.

ANNOUNCEMENTS

The announcement on the results of the Partial Offer and the Option Offer will be issued by the Offeror on the website of the Stock Exchange by 7:00 p.m. on the day when the Partial Offer and the Option Offer has become or been declared unconditional in all respects (if such date is prior to the First Closing Date) or on the First Closing Date, as the case may be, and on the Final Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 and Note 7 to Rule 19 of the Takeovers Code and will include, amongst other things, the results of the Partial Offer and the Option Offer, and details of the way in which each Accepting Shareholder's and Accepting Optionholder's pro-rata entitlement was determined. In any announcement of an extension of the Partial Offer and the Option Offer, either the next closing date must be stated or, if the Partial Offer and the Option Offer are unconditional in all respects, a statement may be made that the Partial Offer and the Option Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code. The Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date pursuant to Rule 28.4 of the Takeovers Code.

Each of the announcements shall specify the total number of Power Financial Shares:

- (a) for which acceptances of the Partial Offer and the Option Offer have been received;
- (b) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
- (c) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.

Each of the announcements must include the level of acceptances or the number or percentage of Accepting Shareholders and Accepting Optionholders in compliance with Note 2 to Rule 19 of the Takeovers Code.

Each of the announcements must include the details of the way in which each of the Accepting Shareholder's and Accepting Optionholder's pro-rata entitlement was/is to be determined in compliance with Note 7 to Rule 19 of the Takeovers Code.

Each of the announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Power Financial which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Power Financial Shares which have been either on-lent or sold.

Each of the announcements shall include the percentages of the relevant classes of share capital of Power Financial, and the percentages of voting rights represented by these numbers.

As required under the Takeovers Code, all announcements in relation to the Partial Offer and the Option Offer, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and Power Financial.

INTERPRETATION

1. A reference in this Offer Document to a Power Financial Independent Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Power Financial Shares or by reason of an exercise of the Power Financial Options is entitled to execute a Form of Approval and Acceptance and in the event of more than one person executing a Form of Approval and Acceptance, the provisions of this Offer Document apply to them jointly and severally.
2. A reference in this Offer Document, the Form of Approval and Acceptance and the Form of Option Offer Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

I. FINANCIAL INFORMATION OF CHINA JICHENG GROUP**1. FINANCIAL SUMMARY OF CHINA JICHENG GROUP**

The following is a summary of the financial information of the China Jicheng Group for the three years ended 31 December 2015, 2016 and 2017, which is extracted from the annual reports of China Jicheng for each of the year ended 31 December 2015, 2016 and 2017.

	For the year ended 31 December		
	2017	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)
Revenue	538,264	603,985	657,667
Profit before taxation	6,705	13,514	50,033
Income tax expense	(3,175)	(7,390)	(24,804)
Profit for the year	3,530	6,124	25,229
Attributable to:			
Owner of the Company	3,530	6,124	25,229
Dividend	–	–	–
Earnings per Share (<i>RMB cents</i>)			
Basic	0.09	0.16	0.03
Diluted	0.09	0.16	0.03
Dividend per Share (<i>RMB cents</i>)	–	–	–

The audited consolidated financial statements of the China Jicheng Group for each of three years ended 31 December 2015, 2016 and 2017 did not contain any qualified opinion expressed by the China Jicheng's auditors, Elite Partners CPA Limited. There were no extraordinary items which were exceptional because of size, nature or incidence recorded on the financial statements of China Jicheng during each of the three years ended 31 December 2015, 2016 and 2017.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE CHINA JICHENG GROUP FOR THE YEAR ENDED 31 DECEMBER 2017

Set out below is a reproduction of the text of the audited consolidated financial statements of the China Jicheng Group together with the accompanying notes contained in the annual report of China Jicheng for the year ended 31 December 2017. For the avoidance of doubt, all references to “the Company” and “the Group” as set out below refer to “China Jicheng” and “the China Jicheng Group” respectively.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	7	538,264	603,985
Cost of sales		<u>(457,326)</u>	<u>(530,173)</u>
Gross profit		80,938	73,812
Other income and gains	7	4,889	8,232
Selling and distribution expenses		(12,833)	(12,971)
Administrative expenses		(56,835)	(47,196)
Provision for litigation	24	–	(1,001)
Finance costs	9	<u>(9,454)</u>	<u>(7,362)</u>
Profit before taxation		6,705	13,514
Income tax expense	10	<u>(3,175)</u>	<u>(7,390)</u>
Profit for the year	11	3,530	6,124
Other comprehensive income/(expenses) for the year that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		<u>457</u>	<u>(301)</u>
Total comprehensive income for the year		<u><u>3,987</u></u>	<u><u>5,823</u></u>

		2017	2016
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to:			
Owner of the Company		<u>3,530</u>	<u>6,124</u>
Total comprehensive income for the year attributable to:			
Owner of the Company		<u>3,987</u>	<u>5,823</u>
			(Restated)
Earnings per share:			
Basic (<i>RMB</i>)	12	0.09 cents	0.16 cents
Diluted (<i>RMB</i>)		<u>0.09 cents</u>	<u>0.16 cents</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Notes</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	<i>15</i>	103,552	108,842
Prepaid lease payments	<i>16</i>	35,403	36,339
Promissory note receivables	<i>17</i>	<u>–</u>	<u>28,708</u>
		<u>138,955</u>	<u>173,889</u>
Current assets			
Inventories	<i>18</i>	204,832	180,076
Trade receivables	<i>19</i>	154,350	105,679
Prepayments and other receivables	<i>20</i>	59,028	81,885
Prepaid lease payments	<i>16</i>	936	936
Tax recoverable		1,630	2,249
Promissory note receivables	<i>17</i>	31,616	–
Pledged deposits	<i>21</i>	23,101	31,274
Bank balances and cash	<i>21</i>	<u>66,753</u>	<u>137,304</u>
		<u>542,246</u>	<u>539,403</u>
Current liabilities			
Trade and bills payables	<i>22</i>	68,549	100,552
Accrued expenses and other payables	<i>23</i>	8,586	9,306
Bank borrowings	<i>25</i>	<u>163,480</u>	<u>172,451</u>
		<u>240,615</u>	<u>282,309</u>
Net current assets		<u>301,631</u>	<u>257,094</u>
Net assets		<u>440,586</u>	<u>430,983</u>
Capital and reserves attributable to owner of the Company			
Share capital	<i>26</i>	4,731	4,731
Reserves	<i>27</i>	<u>435,855</u>	<u>426,252</u>
Total equity		<u>440,586</u>	<u>430,983</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000 (Note 27)	Share option reserve RMB'000	Merger reserve RMB'000 (Note 27)	Retained profits RMB'000	Total equity RMB'000
At 1 January 2016	4,731	116,740	2,266	34,596	36,004	81,521	149,302	425,160
Profit for the year	-	-	-	-	-	-	6,124	6,124
Exchange differences on translation of financial statements of foreign operations	-	-	(301)	-	-	-	-	(301)
Total comprehensive income for the year	-	-	(301)	-	-	-	6,124	5,823
Transfer to statutory reserve	-	-	-	1,907	-	-	(1,907)	-
Lapse of share options	-	-	-	-	(36,004)	-	36,004	-
At 31 December 2016 and 1 January 2017	4,731	116,740	1,965	36,503	-	81,521	189,523	430,983
Profit for the year	-	-	-	-	-	-	3,530	3,530
Exchange differences on translation of financial statements of foreign operations	-	-	457	-	-	-	-	457
Total comprehensive income for the year	-	-	457	-	-	-	3,530	3,987
Transfer to statutory reserve	-	-	-	1,177	-	-	(1,177)	-
Equity-settled share-based transactions	-	-	-	-	5,616	-	-	5,616
At 31 December 2017	4,731	116,740	2,422	37,680	5,616	81,521	191,876	440,586

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before taxation	6,705	13,514
Adjustments for:		
Amortisation of prepaid lease payments	936	1,091
Finance costs	9,454	7,362
Bank interest income	(491)	(837)
Depreciation of property, plant and equipment	6,671	7,288
Government grants	(851)	(3,046)
Impairment of inventories	–	24,655
Imputed interest of promissory notes	(2,908)	(8)
Loss on disposal of a subsidiary	–	5,506
Loss on disposal of property, plant and equipment	203	27
Provision for litigation	–	1,001
Equity-settled share based payment expense	<u>5,616</u>	<u>–</u>
Operating cash flows before movements in working capital	25,335	56,553
Increase in inventories	(24,756)	(97,833)
Increase in trade receivables	(48,671)	(54,429)
(Decrease)/increase in prepayments and other receivables	22,801	(42,373)
(Decrease)/increase in trade and bills payables	(32,003)	36,077
(Decrease)/increase in accrued expenses and other payables	<u>(637)</u>	<u>197</u>
Cash used in operations	(57,931)	(101,808)
PRC Enterprise Income Tax paid	<u>(2,556)</u>	<u>(12,933)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(60,487)</u>	<u>(114,741)</u>

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,840)	(33,335)
Placement of pledged deposits	–	(7,469)
Withdrawal of pledged deposits	8,173	–
Bank interest income received	491	837
Net cash outflow on disposal of subsidiary	–	(107)
Proceeds from disposal of property, plant and equipment	<u>256</u>	<u>34</u>
NET CASH GENERATED FROM/(USED IN)		
INVESTING ACTIVITIES	<u>7,080</u>	<u>(40,040)</u>
FINANCING ACTIVITIES		
Repayments of bank borrowings	(172,611)	(216,434)
New bank borrowings raised	163,640	252,754
Interest paid	(9,454)	(7,362)
Government grants received	<u>851</u>	<u>3,046</u>
NET CASH (USED IN)/GENERATED FROM		
FINANCING ACTIVITIES	<u>(17,574)</u>	<u>32,004</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70,981)	(122,777)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	430	(301)
CASH AND CASH EQUIVALENTS		
AT THE BEGINNING OF THE YEAR	<u>137,304</u>	<u>260,382</u>
CASH AND CASH EQUIVALENTS		
AT THE END OF THE YEAR,		
represented by bank balances and cash	<u>66,753</u>	<u>137,304</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 12 June 2014 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

The address of the registered office is Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of the principal place of business of the Company in Hong Kong is Room 904, Loon Kee Building, 275 Des Voeux Road Central, Hong Kong. The Company is engaged in investment holding while the principal subsidiaries are principally engaged in manufacture and sale of umbrellas.

The functional currency of the Company is Hong Kong dollars. The consolidated financial statements are presented in Renminbi (“RMB”) since most of the subsidiaries are operating in RMB environment and the functional currency of most of the subsidiaries is RMB.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant for the preparation of the Group’s consolidated financial statements for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised losses
HKFRSs (Amendment)	Annual Improvements to HKFRSs, 2014-2016 Cycle

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group’s financing liabilities are disclosed in Notes 25 to the consolidated financial statements.

Other than such additional disclosures with regards to HKAS 7, the application of the amendments as mentioned above has not had any material effect on the consolidated financial statements.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

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

HKFRS 9	Financial Instruments ¹
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2014–2016 Cycle ⁴
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

⁴ For those amendments that will become effective for annual periods beginning on or after 1 January 2018

HKFRS 9 FINANCIAL INSTRUMENTS

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their

fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements also include applicable disclosure required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Changes in the Group's Ownership Interests in Existing Subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger Accounting for Business Combination Involving Entities Under Common Control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been consolidated at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

Equity interest in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the reorganisation are presented as non-controlling interests in equity applying the principles of merger accounting.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for any discounts given, sales returns and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, Plant and Equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply of goods or services or for administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in profit or loss.

Leasing

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

The Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Leasehold Land and Building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing Costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses (if any).

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Retirement Benefits Costs and Termination Benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term Employee Benefits

- (i) A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

- (ii) Share options granted to employees of the Group is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted.

The equity amount is recognised in share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Share Options Granted to Consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are mainly loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, pledged deposits, bank balances and cash) and promissory note receivables are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 to 150 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by group entities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and bills payables, accrued expenses and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and Cash Equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Impairment Losses on Tangible Assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Related Parties

A party is considered to be related to the Company 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 of the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical Judgements in Applying the Entity's Accounting Policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Key Sources of Estimation Uncertainty

The followings are 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.

Impairment assessment of the trade receivables

The policy for impairment assessment on trade receivables of the Group is based on the evaluation of recoverability and outstanding period of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. In determining whether impairment loss should be recorded in the consolidated statement of profit or loss and other comprehensive income, the directors of the Company make judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from individual trade receivables. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. These estimates are based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation for the year and the estimate will be changed in the future period.

Estimated impairment of property, plant and equipment

The Group reviews the carrying amounts of the property, plant and equipment when there is any indication that those assets have suffered an impairment loss. The impairment loss for property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates.

Estimated allowance for inventories

The management of the Group reviews an aging analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from last year.

The capital structure of the Group consists of net debt, which includes bank borrowings, net of bank balances and cash, and equity attributable to the owner of the Company, which comprises issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of borrowings.

6. FINANCIAL INSTRUMENTS

(A) Categories of Financial Instruments

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Promissory note receivables	31,616	28,708
Loans and receivables (including bank balances and cash)	<u>245,052</u>	<u>274,809</u>
Financial liabilities		
Amortised cost	<u>240,122</u>	<u>281,040</u>

(B) Financial Risk Management Objectives and Policies

The Group's major financial instruments include promissory note receivables, trade receivables, other receivables, pledged deposits, bank balances and cash, trade and bills payables, accrued expenses, and other payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has foreign currency sales and purchases denominated in United States dollars ("USD"), Japanese Yen ("JPY") and Hong Kong dollars ("HKD"), which are different from the functional currencies of the group entities carrying out the transactions.

Also, certain trade receivables, pledged deposits, bank balances and cash, trade and bills payables, accrued expenses and bank borrowings are denominated in USD, JPY and HKD which are currencies other than the functional currency of the relevant group entities. The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group at the end of the reporting period are as follows:

	Assets		Liabilities	
	2017	2016	2017	2016
	'000	'000	'000	'000
USD	16,998	81,720	15	14,387
JPY	492,638	47,519	180	11
HKD	<u>998</u>	<u>4,650</u>	<u>1,542</u>	<u>-</u>

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to currency risk of USD, JPY and HKD.

The following table details the Group's sensitivity to a 5% for all periods increase or decrease in USD, JPY and HKD against the functional currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where USD, JPY and HKD strengthen 5% against the functional currency. For a 5% weakens of USD, JPY and HKD against the functional currency, there would be an equal or opposite impact on the profit and other equity and the balances below would be negative.

Impact on profit for the year ended	2017	2016
	RMB'000	RMB'000
USD	5,527	1,647
JPY	1,423	1,782
HKD	<u>(23)</u>	<u>145</u>

The Group's currency risk is mainly attributable to the exposure on trade receivables, pledged deposits, bank balances and cash, trade and bills payables, accrued expenses and bank borrowings denominated in USD, JPY and HKD at the end of the reporting period respectively.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed rate pledged deposit and fixed rate bank borrowings (see notes 21 and 25 for details respectively). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's cash flow interest rate risk relates primarily to variable-rate bank balances (see note 21 for details of these balances). The exposure to the interest rate risk for variable rate bank balances is insignificant as the bank balances have a short maturity period.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 24% (2016: 38%) of the total trade receivables at 31 December 2017 was due from the Group's largest customer.

The Group has concentration of credit risk as 69% (2016: 88%) of the total trade receivables at 31 December 2017 was due from the Group's top five customers.

The Group's concentration of credit risk by geographical locations is mainly in Japan, which accounted for 63% (2016: 38%) of the total trade receivables as at 31 December 2017.

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	As at 31 December 2017		
	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and bills payables	68,549	68,549	68,549
Accrued expenses and other payables	8,397	8,397	8,397
Bank borrowings	<u>171,623</u>	<u>171,623</u>	<u>163,480</u>
	<u>248,569</u>	<u>248,569</u>	<u>240,426</u>

	As at 31 December 2016		
	On demand	Total	Carrying
	or within	undiscounted	
	1 year	cash flows	amount
	RMB'000	RMB'000	RMB'000
Trade and bills payables	100,552	100,552	100,552
Accrued expenses and other payables	8,037	8,037	8,037
Bank borrowings	<u>180,697</u>	<u>180,697</u>	<u>172,451</u>
	<u>289,286</u>	<u>289,286</u>	<u>281,040</u>

(C) Fair Value

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate to their fair values due to their immediate or short-term maturities.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair value.

7. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the amounts received and receivable for goods sold and service provided in the normal course of business, net of discounts, sales returns and sales related taxes. Analysis of the Group’s revenue for the year is as follows:

	2017	2016
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue		
Sale of goods	<u>538,264</u>	<u>603,985</u>
Other income and gains		
Bank interest income	491	837
Government grants (<i>Note a</i>)	851	3,046
Exchange gain, net	–	4,341
Imputed interest on promissory notes receivables	2,908	8
Others (<i>Note b</i>)	<u>639</u>	<u>–</u>
	<u>4,889</u>	<u>8,232</u>

Notes:

- (a) During the year, government grants of approximately RMB851,000 (2016: RMB3,046,000) were received, where the Group had fulfilled the relevant criteria, in respect of certain research and development projects. The amounts were therefore immediately recognised as other income.
- (b) The amount represents compensation received from insurance company during the year.

8. SEGMENT INFORMATION

The Group is engaged in a single operating segment, the manufacture and sales of umbrellas. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker (the “CODM”). The CODM is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors as they collectively make strategic decision in allocating the Group’s resources and assessing performance. No segment assets, liabilities and other segment information in the measure of Group’s segment result and segment assets are presented as the information is not reported to the CODM for the purposes of resource allocation and performance assessment.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

Product Information

The Group has been engaged in manufacturing and sales of POE umbrella, nylon umbrella and umbrella parts. An analysis of the Group's revenue by product category is as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
POE umbrella	275,679	335,828
Nylon umbrella	171,097	201,052
Umbrella parts	<u>91,488</u>	<u>67,105</u>
	<u><u>538,264</u></u>	<u><u>603,985</u></u>

Geographical Information

The Group's operations are located in the PRC, accordingly, no geographical information about the Group's assets and liabilities has been presented. The Group's customers are mainly located in Japan and the PRC. An analysis of the Group's revenue from external customers presented by geographical location is detailed below:

Revenue from external customers	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Japan	337,436	329,392
PRC	110,787	180,343
Other	<u>90,041</u>	<u>94,250</u>
	<u><u>538,264</u></u>	<u><u>603,985</u></u>

Information About Major Customers

Details of the customers individually representing 10% or more of the Group's revenue are as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A	70,761	151,138
Customer B	80,419	114,858
Customer C	128,589	91,306
Customer D*	<u>63,536</u>	<u>N/A</u>

* The corresponding revenue does not contribute over 10% of the total revenue of the Group in the respective year.

9. FINANCE COSTS

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses on:		
– bank borrowings wholly repayable within five years	<u>9,454</u>	<u>7,362</u>

10. INCOME TAX EXPENSE

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– PRC Enterprise Income Tax	3,870	7,390
Over-provision in respect of prior year	<u>(695)</u>	<u>–</u>
	<u>3,175</u>	<u>7,390</u>

- i) Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.
- ii) No provision for Hong Kong profits tax has been made for subsidiary established in Hong Kong as this subsidiary did not have any assessable profits subject to Hong Kong profits tax during the years ended 31 December 2017 and 2016.
- iii) Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25% for the years ended 31 December 2017 and 2016.
- iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	<u>6,705</u>	<u>13,514</u>
Tax at domestic income tax rate of 25%	1,676	3,379
PRC dividend withholding tax	335	–
Tax effect of non deductible expenses	2,586	4,011
Tax effect of non-taxable income	(727)	–
Over-provision in respect of prior year	<u>(695)</u>	<u>–</u>
Income tax expense for the year	<u>3,175</u>	<u>7,390</u>

11. PROFIT FOR THE YEAR

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Salaries and allowances (excluding directors' emoluments)	79,934	73,592
Retirement benefit scheme contributions (excluding directors)	16,186	14,350
Equity-settled share-based payment	<u>3,986</u>	<u>–</u>
Total staff costs	<u>100,106</u>	<u>87,942</u>
Cost of inventories recognised as an expense (<i>Note a</i>)	457,326	530,173
Loss on disposal of property, plant and equipment	203	27
Depreciation of property, plant and equipment	6,671	7,288
Amortisation of prepaid lease payments	936	1,091
Research and development expenses (<i>Note b</i>)	10,714	10,864
Net foreign exchange loss	8,088	–
Auditor's remuneration	<u>588</u>	<u>560</u>
Equity-settled share-based payment		
Employees other than Directors	3,986	–
Consultants	<u>1,630</u>	<u>–</u>
Total equity-settled share-based payment	<u>5,616</u>	<u>–</u>

Notes:

- (a) During the year ended 31 December 2017, no provision of obsolete inventories was provided (2016: approximately RMB24,655,000).
- (b) During the year ended 31 December 2017, included in the research and development expenses was approximately RMB1,558,000 (2016: approximately RMB1,750,000) related to staff cost.

12. EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for years ended 31 December 2017 and 2016 respectively were adjusted for the share consolidation on 10 October 2017.

For the year ended 31 December 2017, the computation of diluted earnings per share for the year assume the exercise of outstanding share options of the Company since the average market price was higher than the exercise price of the share options during 2017.

For the year ended 31 December 2016, the diluted earnings per share was the same as the basic earnings per share as there were no other potential dilutive ordinary shares outstanding.

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>3,530</u>	<u>6,124</u>
	2017	2016
	<i>'000</i>	<i>'000</i>
		(Restated)
Weighted average number of ordinary shares for the purpose of calculating earnings per shares:		
Basic	3,750,000	3,750,000
Diluted	<u>3,808,192</u>	<u>3,750,000</u>

13. DIRECTORS' CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(A) Directors' and Chief Executive Officer's Emoluments

Details of emoluments paid and payable to the directors of the Company, which include the Chief Executive Officer ("CEO") for the year are as follows:

	Notes	Year ended 31 December 2017			Total RMB'000
		Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	
Executive directors:					
Huang Wenji (CEO)		–	517	4	521
Yang Guang		–	200	4	204
Lin Zhenshuang		–	190	4	194
Chung Kin Hung, Kenneth	(ii)	155	–	–	155
Independent non-executive directors:					
Lee Kit Ying, Winnie	(iv)	155	–	–	155
Yang Xuetai	(v)	62	–	–	62
Tso Sze Wai	(vi)	155	–	–	155
		<u>527</u>	<u>907</u>	<u>12</u>	<u>1,446</u>
Year ended 31 December 2016					
	Notes	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:					
Huang Wenji (CEO)		–	960	3	963
Chen Jieyou	(i)	–	385	2	387
Yang Guang		–	180	3	183
Lin Zhenshuang		–	189	3	192
Chung Kin Hung, Kenneth	(ii)	156	–	–	156
Independent non-executive directors:					
Chan Shiu Kwong, Stephen	(iii)	80	–	–	80
Lee Kit Ying, Winnie	(iv)	125	–	–	125
Yang Xuetai	(v)	61	–	–	61
Tso Sze Wai	(vi)	36	–	–	36
		<u>458</u>	<u>1,714</u>	<u>11</u>	<u>2,183</u>

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No directors or CEO waived or agreed to waive any emoluments paid by the Group during the years ended 31 December 2017 and 2016. No emoluments were paid by the Group to any of the directors or CEO as an incentive payment to join or upon joining the Group or as compensation for loss of office during the years ended 31 December 2017 and 2016.

Notes:

- (i) Resigned on 2 December 2016.
- (ii) Designated as Executive Director on 13 April 2015.
- (iii) Designated as an independent non-executive director on 6 August 2015 and resigned on 7 October 2016.
- (iv) Designated as an independent non-executive director of the Company on 21 August 2015.
- (v) Designated as an independent non-executive director of the Company on 23 January 2015.
- (vi) Designated as an independent non-executive director of the Company on 7 October 2016.

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(B) Employee's Emolument

All of the five individuals with the highest emoluments were employees of the Group. The emoluments of the five individual were as follow:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other allowances	708	675
Retirement benefit scheme contributions	16	15
Equity-settled share-based payment	<u>2,277</u>	<u>–</u>
	<u><u>3,001</u></u>	<u><u>690</u></u>

The emolument was within the following bands:

	2017	2016
HKD1,000,000 or below	5	1

During the year ended 31 December 2017, no emoluments were paid or payable by the Group to the directors, CEO or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office.

14. DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	117,928	30,442	2,949	4,529	819	156,667
Additions	22,555	69	2,685	209	7,817	33,335
Transfer	7,698	–	–	–	(7,698)	–
Disposal of a subsidiary	(25,702)	(716)	–	(154)	(938)	(27,510)
Disposals	–	–	(284)	–	–	(284)
At 31 December 2016 and 1 January 2017	122,479	29,795	5,350	4,584	–	162,208
Additions	325	1,231	234	50	–	1,840
Disposals	–	–	(1,702)	–	–	(1,702)
At 31 December 2017	122,804	31,026	3,882	4,634	–	162,346
ACCUMULATED DEPRECIATION						
At 1 January 2016	23,328	18,419	1,637	3,908	–	47,292
Provided for the year	4,520	2,406	281	81	–	7,288
Eliminated on disposal of a subsidiary	(895)	(76)	–	(19)	–	(990)
Eliminated on disposals	–	–	(224)	–	–	(224)
At 31 December 2016 and 1 January 2017	26,953	20,749	1,694	3,970	–	53,366
Provided for the year	4,406	1,811	396	58	–	6,671
Eliminated on disposals	–	–	(1,243)	–	–	(1,243)
At 31 December 2017	31,359	22,560	847	4,028	–	58,794
CARRYING AMOUNTS						
At 31 December 2017	91,445	8,466	3,035	606	–	103,552
At 31 December 2016	95,526	9,046	3,656	614	–	108,842

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- i) The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Machinery and equipment	10% – 25%
Motor vehicles	10% – 33%
Office equipment	10% – 20%
Buildings	Over the shorter of term of the lease or 2.5%

- ii) As at 31 December 2017, buildings with carrying amounts of approximately RMB65,351,000 (2016: RMB68,548,000) have been pledged to secure banking facilities granted to the Group.

16. PREPAID LEASE PAYMENTS

Prepaid lease payments comprises of leasehold land held in the PRC under medium-term lease and are analysed for reporting purposes as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Prepaid lease payments comprises of leasehold land held in the PRC under medium-term lease and are analysed for reporting purposes as follows:		
Non-current asset	35,403	36,339
Current asset	<u>936</u>	<u>936</u>
	<u><u>36,339</u></u>	<u><u>37,275</u></u>

As at 31 December 2017, leasehold land with carrying amounts of approximately RMB31,463,000 (2016: RMB32,262,000) have been pledged to secure banking facilities granted to the Group.

17. PROMISSORY NOTE RECEIVABLES

During the year ended 31 December 2016, refer to the note 32 to the consolidated financial statements, the Group has disposed of the entire equity interest of 山東恒茂傘業有限公司 which was satisfied by a promissory note issued by the purchaser.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

The principal amount of the promissory note was RMB34,800,000 and the fair value of the promissory note at initial recognition was approximately RMB28,700,000. The maturity date is 2 years from the issue date of promissory note. The promissory note was measured at amortised cost with an effective interest rate of 10.13%. As at 31 December 2017, the carrying amount of the promissory note was approximately RMB31,616,000 (2016: RMB28,708,000).

18. INVENTORIES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	147,286	127,986
Work-in-progress	23,302	19,090
Finished goods	<u>34,244</u>	<u>33,000</u>
	<u><u>204,832</u></u>	<u><u>180,076</u></u>

19. TRADE RECEIVABLES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	<u><u>154,350</u></u>	<u><u>105,679</u></u>

The Group generally allows a credit period of 30 – 150 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	103,116	79,978
91 to 180 days	<u>51,234</u>	<u>25,701</u>
	<u><u>154,350</u></u>	<u><u>105,679</u></u>

The Group has individually assessed all receivables. No impairment losses were recognised during the years ended 31 December 2017 and 2016.

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At 31 December 2017, the aged analysis of trade receivables that was past due (i.e. over the credit period) but not impaired are as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Over the credit period		
1 to 90 days	<u>51,234</u>	<u>25,701</u>

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired, the directors of the Company consider that no provision for impairment is necessary in respect of these balances.

The Group's trade receivables that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	2017	2016
	<i>'000</i>	<i>'000</i>
USD	16,998	8,923
JPY	<u>492,638</u>	<u>682,405</u>

20. PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	848	552
Value-added tax receivables	33,866	24,492
Prepayments	<u>24,314</u>	<u>56,841</u>
	<u>59,028</u>	<u>81,885</u>

The Group does not hold any collateral over these balances.

21. PLEDGED DEPOSITS AND BANK BALANCES AND CASH

The bank balances and cash comprise of cash held by the Group. The bank balances for the year ended 31 December 2017 carried interest at the prevailing market rate 0.30% (2016: 0.30%) per annum. The pledged deposits carried fixed interest rate of 1.35% (2016: 1.30%) per annum during the year ended 31 December 2017.

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The Group's pledged deposits and bank balances and cash denominated in RMB amounted to approximately RMB89,017,000 (2016: RMB164,525,000) as at 31 December 2017. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

The Group's pledged deposits, short-term bank deposits and bank balances and cash that are denominated in currency other than the functional currency of the relevant Group entities are as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
USD	–	35
JPY	–	115,015
HKD	<u>998</u>	<u>4,650</u>

22. TRADE AND BILLS PAYABLES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	11,169	15,485
Bills payables	<u>57,380</u>	<u>85,067</u>
	<u>68,549</u>	<u>100,552</u>

An aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period is as follows:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	33,485	71,252
91 to 180 days	33,824	28,342
181 to 365 days	<u>1,240</u>	<u>958</u>
	<u>68,549</u>	<u>100,552</u>

The credit period on purchase of goods ranged from 30 days to 120 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

23. ACCRUED EXPENSES AND OTHER PAYABLES

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Receipt in advance (<i>Note</i>)	189	1,269
Other payables	2,666	3,493
Accrued expenses	5,731	4,544
	8,586	9,306

Note: Receipt in advance represented advance payments relating to sale of goods received from customers pursuant to the respective sales contracts.

24. PROVISION FOR LITIGATION

Mr. Yao Da San (“Mr.Yao”) filed a claim through Fujian Province Zhangzhou Zhangpu People’s Court against to an indirect wholly-owned subsidiary of the Group, Jinjiang Jicheng Industry Co., Ltd. (“Jinjiang Jicheng”) for the outstanding subcontracting fee (“Litigation”). The provision for litigation with amount approximately RMB1,001,000 was made during the year ended 31 December 2016, including the compensation of approximately RMB950,000, mediation cost of Fujian Province Zhangzhou Zhangpu People’s court of approximately RMB26,000 and legal professional fee of approximately RMB25,000.

On 11 January 2017, deposit of approximately RMB1,039,000 was set aside as a guarantee deposit by Fujian Province Zhangzhou Zhangpu People’s Court (“Deposit”).

On 13 March 2017, with the effort of Fujian Province Zhangzhou Zhangpu People’s Court, both parties agreed to reconcile on Litigation. Jinjiang Jicheng agreed to make one-off payment with an amount approximately RMB950,000 to Mr.Yao as damage with condition that Mr.Yao will not pursue further actions regarding the Litigation for remaining balances.

The case was fully settled in March 2017 by the Deposit according to rulings for enforcement issued by Fujian Province Zhangzhou Zhangpu People’s Court.

25. BANK BORROWINGS

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Secured, repayable within one year from the end of the reporting period	<u>163,480</u>	<u>172,451</u>

The reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings
	<i>RMB'000</i>
As of 31 December 2016	172,451
Repayment of bank loans	(172,611)
New bank loans	<u>163,640</u>
As of 31 December 2017	<u>163,480</u>

Notes:

- i) As at 31 December 2017, all bank borrowings carried fixed rates of interest from 4.62% to 5.75% per annum (2016: 4.57% to 5.98% per annum) and were due within 1 year.
- ii) The Group's bank borrowings at the end of each reporting period were secured by the followings:
 - a) As at 31 December 2017, all bank borrowings were secured by the Group's follow assets:

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold land and building	96,814	100,810
Bank deposits	<u>23,101</u>	<u>31,274</u>
Total	<u>119,915</u>	<u>132,084</u>

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26. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares	
		<i>HK\$'000</i>	<i>RMB'000</i>
Authorised:			
At 1 January 2016, ordinary shares of HK\$0.0004 each	25,000,000,000	10,000	
Effect of share subdivision to HK\$0.00008 each (<i>Note a</i>)	<u>100,000,000,000</u>	<u>—</u>	
At 31 December 2016, and 1 January 2017 ordinary shares of HK\$0.00008 each	125,000,000,000	10,000	
Effect of share consolidation to HK\$0.0016 each (<i>Note b</i>)	<u>(118,750,000,000)</u>	<u>—</u>	<u>—</u>
At 31 December 2017, ordinary shares of HK\$0.0016 each	<u>6,250,000,000</u>	<u>10,000</u>	<u>—</u>
Issued and fully paid:			
At 1 January 2016	15,000,000,000	6,000	4,731
Effect of share subdivision (<i>Note a</i>)	<u>60,000,000,000</u>	<u>—</u>	<u>—</u>
At 31 December 2016 and 1 January 2017	75,000,000,000	6,000	4,731
Effect of share Consolidation (<i>Note b</i>)	<u>(71,250,000,000)</u>	<u>—</u>	<u>—</u>
At 31 December 2017	<u><u>3,750,000,000</u></u>	<u><u>6,000</u></u>	<u><u>4,731</u></u>

Notes:

- (a) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 25 April 2016, a share subdivision was approved with effect from 26 April 2016 in which every one (1) share issued and unissued ordinary share of HK\$0.0004 each in the share capital of the Company was subdivided into five (5) subdivided shares having a par value of HK\$0.00008 per subdivided share (“Share Subdivision”). Immediately after the Share Subdivision, the number of the authorised share capital of the Company was divided into 125,000,000,000 subdivided shares, of which 75,000,000,000 subdivided shares were issued and fully paid. Details of the Share Subdivision are disclosed in the circular of the Company dated 8 April 2016.
- (b) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company held on 9 October 2017, a share consolidation was approved with effect from 10 October 2017 in which every twenty (20) share issued and unissued ordinary share of HK\$0.00008 each in the share capital of the Company was consolidated into one (1) consolidated share having a par value of HK\$0.0016 per consolidated share (“Share Consolidation”). Immediately after the Share Consolidation, the number of the authorised share capital of the Company was consolidated into 6,250,000,000 consolidated shares, of which 3,750,000,000 consolidated shares were issued and fully paid. Details of the Share Consolidation are disclosed in the circular of the Company dated 14 September 2017.

All shares issued during the years ended 31 December 2017 and 2016 rank *pari passu* with existing shares in all respects.

27. RESERVES**Statutory Reserve**

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant government authorities.

Merger Reserve

As at 1 January 2013, merger reserve represented the difference between share capital of the new holding Company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group.

During the year ended 31 December 2014, Fujian Jicheng acquired 17.96% of equity interests in Jinjiang Jicheng from a related entity at total consideration of RMB3,700,000. The amount of RMB2,590,000 was paid to the Controlling Shareholder and the amount of RMB1,110,000 was paid to the non-controlling shareholders. As a result, the acquisition was considered as acquisition of 5.388% of indirect equity interest in Jinjiang Jicheng from non-controlling shareholders and acquisition of 12.572% indirect equity interests in Jinjiang Jicheng from the Controlling Shareholder for business combination under common control. For business under common control purpose, the 12.572% indirect equity interests in Jinjiang Jicheng held by the Controlling Shareholder had been consolidated from the earliest date presented when Jinjiang Jicheng first came under the common control of the Controlling Shareholder before the acquisition.

As part of the Reorganisation, Jicheng HK agreed to acquire 100% and 82.04% of then resulting the registered capital of Fujian Jicheng and Jinjiang Jicheng respectively and gained control of them. RMB80,396,000 was recognised in merger reserve representing the reserve arising pursuant to the Reorganisation.

28. EQUITY SETTLED SHARE-BASED TRANSACTION

On 3 November 2017, 360,000,000 share options were granted to the Company's employees and consultants at a consideration of HK\$1 per each grantee under the Company's share option scheme (no share options were granted during the year ended 31 December 2016). Each option gives the holder the right to subscribe for one ordinary share of the Company. These share options are exercisable since the date of grant and the exercise period will expire within one year from the date of acceptance (i.e. 3 November 2017). The exercise price is HK\$0.097. No options were exercised during year (2016: Nil).

Details of the Company's share option scheme are set out in Director's Report on pages 50 to 52.

The options outstanding at 31 December 2017 had an exercise price HK\$0.097 and a weighted average remaining contractual life of 0.8 years.

The fair value per share option granted during the year 2017 estimated at the date of grant using The Black-Scholes pricing model was HK\$0.0183. The assumptions used are as follows:

Fair value at measurement date	HK\$0.0183
Share price	HK\$0.097
Exercise price	HK\$0.097
Expected volatility	298%
Option life	1 year
Dividend yield	0%
Risk-free interest rate	0.88%

The expected volatility was based on statistical analysis of daily share average prices of group of listed companies in the similar industry over the one year immediately preceding the grant date, adjusted for any expected changes to future volatility based on publicly available information. Dividend yield was estimated based on the dividend policy of the Group. Changes in the subjective input assumptions could materially affect the fair value estimate. There were no market conditions associated with the share option grants.

The equity-settled share-based payments charged to the profit or loss was RMB5,616,000 for the year ended 31 December 2017.

During the year ended 31 December 2017, no share option was exercised.

During the year ended 31 December 2016, no share option was exercised, and upon the expiry of exercise period, all outstanding share options granted under the Share Option Scheme had been lapsed accordingly.

29. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel

Other than the remuneration paid to the directors and employees of the Group as set out in note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

APPENDIX II FINANCIAL INFORMATION OF CHINA JICHENG GROUP

30. STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets		
Investments in subsidiaries	<u>243,618</u>	<u>260,704</u>
Current assets		
Prepayments and other receivables	425	1,219
Amount due from a subsidiary	117,240	125,523
Bank balance and cash	<u>138</u>	<u>144</u>
	<u>117,803</u>	<u>126,886</u>
Current liabilities		
Accrued expenses and other payables	1,289	1,143
Amounts due to subsidiaries	<u>16,561</u>	<u>14,487</u>
	<u>17,850</u>	<u>15,630</u>
Net current assets	<u>99,953</u>	<u>111,256</u>
Net assets	<u><u>343,571</u></u>	<u><u>371,960</u></u>
Capital and reserves		
Share capital	4,731	4,731
Reserves	<u>338,840</u>	<u>367,229</u>
Total equity	<u><u>343,571</u></u>	<u><u>371,960</u></u>

Movement in Company's Reserves

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Merger reserve RMB'000 (Note)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	4,731	116,740	20,991	36,004	229,897	(56,536)	351,827
Lapsed of share options	-	-	-	(36,004)	-	36,004	-
Loss for the year	-	-	-	-	-	(3,571)	(3,571)
Exchange different on translation of financial statement to presentation currency	-	-	23,704	-	-	-	23,704
At 31 December 2016 and 1 January 2017	4,731	116,740	44,695	-	229,897	(24,103)	371,960
Loss for the year	-	-	-	-	-	(9,764)	(9,764)
Exchange differences on translation of financial statement to presentation currency	-	-	(24,241)	-	-	-	(24,241)
Recognition of equity-settles share based payment	-	-	-	5,616	-	-	5,616
	<u>4,731</u>	<u>116,740</u>	<u>20,454</u>	<u>5,616</u>	<u>229,897</u>	<u>(33,867)</u>	<u>343,571</u>

Note: Merger reserve represents the difference between the nominal value of the shares issued for acquisition of its subsidiaries and the net asset value of its subsidiaries at the date of acquisition.

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The details of the subsidiaries as at 31 December 2017 are set out as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/registered capital	Percentage of equity interest/voting power attributable to the Company		Principal activities
			Direct	Indirect	
Jicheng Umbrella Holding Limited ("Jicheng BVI")	British Virgins Islands 13 June 2014	Ordinary shares USD1	100%	–	Investment holding
Jicheng Umbrella Hong Kong Company Limited ("Jicheng HK")	Hong Kong 30 June 2014	Ordinary shares HKD1	–	100%	Investment holding
HK Baohui Industry Limited	Hong Kong 9 May 2017	Ordinary shares HKD20,000	–	100%	Dormant
Zenith Century Limited	British Virgins Islands 13 February 2015	Ordinary shares USD100	100%	–	Dormant
Fujian Jicheng Umbrella Co., Ltd. (福建集成傘業有限公司) (Notes (a) and (b))	The PRC 24 December 2004	Paid-in capital HKD180,000,000	–	100%	Manufacturing and sales of umbrella
Jinjiang Jicheng Industry Co., Ltd. (晉江集成輕工有限公司) (Notes (a) and (b))	The PRC 13 May 1996	Paid-in capital RMB20,595,500	–	100%	Manufacturing and sales of umbrella

None of the subsidiaries had issued any debt securities during and at the end of 2017 and 2016.

All of the above subsidiaries operate principally in their respective place of incorporation/establishment.

Notes:

- (a) The entity is wholly foreign owned enterprise established in the PRC.
- (b) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

32. DISPOSAL OF A SUBSIDIARY OF THE COMPANY

On 30 December 2016, the Group disposed entire equity interest in 山東恒茂傘業有限公司 (“Shandong Hengmao”) to an independent third party (the “Purchaser”). The Group in return obtained a promissory note with the aggregate principal amount of RMB34,800,000 which were receivable 2 years from 30 December 2016, issued by the Purchaser. The fair value of the promissory note was determined at approximately RMB28,700,000 at the date of initial recognition, based on an independent valuation carried out by an independent external professional valuer.

The assets and liabilities of the Shandong Hengmao as at the date of disposal were as follows:

	2016 <i>RMB'000</i>
Property, plant and equipment	26,520
Prepaid leases payment	7,433
Other receivables and prepayments	322
Cash and cash equivalents	107
Inventories	52
Accrual expenses and other payables	<u>(228)</u>
Net assets disposed of	<u>34,206</u>
Consideration of disposal	
Promissory note	<u>28,700</u>
Loss on disposal of a subsidiary*	<u><u>(5,506)</u></u>

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

	2016 <i>RMB'000</i>
Cash and cash equivalents disposed	<u>107</u>
Net cash outflow of cash and cash equivalents	<u><u>107</u></u>

* For illustration purpose only should the results on the disposal of Shangong Hengmao calculate based on the principal amount of the promissory note of RMB34,800,000, the Group will record a gain on disposal of Shangdong Hengmao of approximately RMB594,000.

II. STATEMENT OF INDEBTEDNESS

As at close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Offer Document, based on the information made available by China Jicheng Group to the Offeror, China Jicheng Group had outstanding interest bearing bank borrowings in the amount of approximately RMB205.6 million due within one year and we had unutilised banking facilities of approximately RMB92.8 million. The bank borrowings were secured by lands and buildings and pledged bank deposits with carrying amount of approximately RMB17.2 million. The aggregate banking facilities amounted to approximately RMB298.4 million and there was no material covenants relating to our Group's outstanding debts.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the close of business on 31 May 2018, based on the information made available by China Jicheng Group to the Offeror, China Jicheng Group did not have any debt securities issued, authorised or agreed to be issued, bank overdrafts, term loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Offer Document (other than the information relating to the Power Financial Group), and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Offer Document have been arrived at after due and careful consideration and that there are no other facts not contained in this Offer Document, the omission of which would make any statement contained herein misleading.

The information relating to the Power Financial Group in this Offer Document has been extracted from or based on the published information of the Power Financial Group. The only responsibility accepted by the Offeror in respect of such information is for the correctness and fairness of the extraction of such information and/or its reproduction or presentation.

2. SHARE CAPITAL**(i) Authorised and issued share capital of China Jicheng**

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

	Number of shares	Nominal Value HK\$
Authorised:	6,250,000,000	10,000,000.00
Issued and fully paid:	3,786,000,000	6,057,600.00

All the existing China Jicheng Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

(ii) Options, derivatives, warrants and conversion rights of China Jicheng

China Jicheng adopted the share option scheme on 23 January 2015, pursuant to which share options may be granted by China Jicheng to certain eligible persons of China Jicheng Group.

As at the Latest Practicable Date, there were a total of 324,000,000 outstanding share options granted by China Jicheng to subscribe for 324,000,000 China Jicheng Shares. Details of the share options are as follows:

Optionholders	Number of China Jicheng Shares which are the subject of the share options	Exercise period	Exercise Price (HK\$)
Employees	216,000,000	3 November 2017 to 2 November 2018	0.097
Consultants	108,000,000	3 November 2017 to 2 November 2018	0.097
Total	<u>324,000,000</u>		

On 17 January 2018, 36,000,000 China Jicheng Shares were issued pursuant to the exercise of share option under the share option scheme of China Jicheng adopted on 23 January 2015. Save as disclosed above, as at the Latest Practicable Date, China Jicheng has not issued any other shares or repurchased any shares since 31 December 2017.

Save as disclosed above, there are no other outstanding options, derivatives, warrants or other securities in issue convertible or exchangeable into the China Jicheng Shares as at the Latest Practicable Date.

(iii) Share capital reorganisation of China Jicheng

Pursuant to an ordinary resolution passed by the shareholders of China Jicheng at the extraordinary general meeting of China Jicheng held on 25 April 2016, a share subdivision was approved with effect from 26 April 2016 in which every one (1) share issued and unissued ordinary share of HK\$0.0004 each in the share capital of China Jicheng was subdivided into five (5) subdivided shares having a par value of HK\$0.00008 per subdivided share (“**Share Subdivision**”). Immediately after the Share Subdivision, the number of the authorised share capital of China Jicheng was divided into 125,000,000,000 subdivided shares, of which 75,000,000,000 subdivided shares were issued and fully paid. Details of the Share Subdivision are disclosed in the circular of China Jicheng dated 8 April 2016.

Pursuant to an ordinary resolution passed by the shareholders of China Jicheng at the extraordinary general meeting of China Jicheng held on 9 October 2017, a share consolidation was approved with effect from 10 October 2017 in which every twenty (20) share issued and unissued ordinary share of HK\$0.00008 each in the share capital of China Jicheng was consolidated into one (1) consolidated share having a par value of HK\$0.0016 per consolidated share (“**Share Consolidation**”). Immediately after the Share Consolidation, the number of the authorised share capital of China Jicheng was consolidated into 6,250,000,000 consolidated shares, of which 3,750,000,000 consolidated shares were issued and fully paid. Details of the Share Consolidation are disclosed in the circular of China Jicheng dated 14 September 2017.

All China Jicheng Shares issued during the years ended 31 December 2017 and 2016 rank *pari passu* with existing China Jicheng Shares in all respects.

(iv) Issued share capital of the Offeror

The issued share capital of the Offeror as at the Latest Practicable Date was 1 share of USD1.00 each which was allotted to Mr. Huang Wenji, the sole director and shareholder of the Offeror and the chairman and an executive director of China Jicheng.

3. DISCLOSURE OF INTERESTS

Interests of the Offeror, its director and parties acting in concert with it in the China Jicheng Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of China Jicheng

As at the Latest Practicable Date, details of interests in the China Jicheng Shares, underlying China Jicheng Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror, its sole director and any parties acting in concert with it were as follows:

Name	Nature of interests	Capacity	Number of shares	Approximate percentage of shareholding
The Offeror	Long position	Beneficial owner	2,462,818,000	65.05%
Mr. Huang Wenji (<i>Note 1</i>)	Long position	Corporate interests (<i>Note 2</i>)	2,462,818,000	65.05%

Notes:

- Mr. Huang Wenji is the sole director and shareholder of the Offeror and the chairman and an executive director of China Jicheng.
- The Offeror is wholly and beneficially owned by Mr. Huang Wenji, who is deemed to be interested in the China Jicheng Shares held by the Offeror.

Interests of the Offeror, its director and parties acting in concert with it in the Power Financial Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Power Financial

As at the Latest Practicable Date, none of the Offeror, its sole director or parties acting in concert with the Offeror had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of Power Financial.

4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

None of the Offeror, its sole director or any parties acting in concert with it had any dealings or dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror, China Jicheng or Power Financial during the Relevant Period.

As at the Latest Practicable Date:

- (i) none of the Offeror and parties acting in concert with it had entered into any agreement, arrangement or understanding to transfer, charge or pledge the securities to be acquired in pursuant of the Offers to any other persons;
- (ii) none of the Offeror and parties acting in concert with it had received any irrevocably committed to accept or reject the Offers;
- (iii) none of the Offeror or any persons acting in concert with it, had entered into any arrangement (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;
- (iv) none of the Offeror or any persons acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, China Jicheng or Power Financial;
- (v) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any persons acting in concert with it and any directors of Power Financial, recent directors of Power Financial, the Power Financial Shareholders or recent Power Financial Shareholders having any connection with or being dependent upon the Offers;

- (vi) there was no agreement or arrangement to which the Offeror or any person acting in concert with it is a party which relates to circumstances in which the Offeror may or may not seek to invoke a condition to the Offers;
- (vii) no benefit was or will be given to any director of Power Financial as compensation for loss of office in any members of the Power Financial Group or otherwise in connection with the Offers; and
- (viii) none of the director of the Offeror would be affected in terms of their emoluments in connection with the Offers or by any other associated transaction.

5. MARKET PRICES

China Jicheng Shares

The table below sets out the closing price of China Jicheng quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per share HK\$
31 May 2017	5.200
30 June 2017	0.260
31 July 2017	0.200
31 August 2017	0.200
29 September 2017	0.200
31 October 2017	0.099
16 November 2017 (Last Trading Day)	0.164
30 November 2017	0.163
29 December 2017	0.112
31 January 2018	0.095
28 February 2018	0.093
29 March 2018	0.073
30 April 2018	0.072
31 May 2018	0.072
29 June 2018 (Latest Practicable Date)	0.059

During the Relevant Period, the highest closing price of the China Jicheng Shares as quoted on the Stock Exchange was HK\$5.60 on 12 June 2017, 13 June 2017, 14 June 2017, 16 June 2017, 23 June 2017 and 26 June 2017, and the lowest closing price of the China Jicheng Shares as quoted on the Stock Exchange was HK\$0.059 on 28 June 2018 and 29 June 2018.

Power Financial Shares

The table below sets out the closing price of Power Financial quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per share <i>HK\$</i>
31 May 2017	0.123
30 June 2017	0.098
31 July 2017	0.116
31 August 2017	0.127
29 September 2017	0.119
31 October 2017	0.128
16 November 2017 (Last Trading Day)	0.175
30 November 2017	0.395
29 December 2017	0.360
31 January 2018	0.260
28 February 2018	0.223
29 March 2018	0.219
30 April 2018	0.200
31 May 2018	0.200
29 June 2018 (Latest Practicable Date)	0.180

During the Relevant Period, the highest closing price of the Power Financial Shares as quoted on the Stock Exchange was HK\$0.425 on 8 December 2017, and the lowest closing price of the Power Financial Shares as quoted on the Stock Exchange was HK\$0.079 on 6 July 2017, respectively.

6. MATERIAL CHANGES

The directors of China Jicheng confirm that there has been no material change in the financial or trading position or outlook of the China Jicheng Group since 31 December 2017, being the date to which the latest audited consolidated financial statements of the China Jicheng Group were made up, up to and including the Latest Practicable Date.

7. MATERIAL LITIGATION

As at the Latest Practicable Date, the Offeror was not engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Offeror's director to be pending or threatened by or against the Offeror.

As at the Latest Practicable Date, China Jicheng Group was not engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Offeror's sole director to be pending or threatened by or against China Jicheng Group.

8. EXPERT AND CONSENT

The name and qualification of the expert whose letter is contained in this Offer Document and/or who has been named in this Offer Document are set out below:

Name	Qualification
Optima Capital	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Offers

Optima Capital has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its letter and/or references to its name, in the form and context in which it is included.

9. MATERIAL CONTRACTS

Within two years immediately preceding the date of announcement of the Offer Period and up to the Latest Practicable Date, the Offeror had not entered into any contract, not being contract entered into in the ordinary course of business of the Offeror, which are or may be material.

Based on the information made available by China Jicheng Group to the Offeror, the following contract(s), not being contracts entered into in the ordinary course of business of China Jicheng Group within two years immediately preceding the date of announcement of the Offer Period and up to the Latest Practicable Date and which are or may be material:

The sale and purchase agreement dated 28 December 2016 entered into between Jicheng Umbrella Hong Kong Limited, a wholly owned subsidiary of the China Jicheng Group, as vendor and an independent third party as purchaser in respect of the disposal of China Jicheng Group's 100% equity interest in 山東恒茂傘業有限公司 (Shandong Hengmao Umbrella Company Limited), at a consideration of RMB34,800,000 to be settled by a promissory note in the aggregate principal amount of RMB34,800,000 issued by the purchaser which was receivable 2 years from 30 December 2016.

10. MISCELLANEOUS

- (i) The information regarding the principal members of the Offeror's concert parties are set out below:
 - (a) The registered office address of the Offeror is located at Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
 - (b) The principal place of business of the Offeror in Hong Kong is at Room 904, Loon Kee Building, 275 Des Voeux Road Central, Hong Kong.
 - (c) As at the Latest Practicable Date, Mr. Huang Wenji is the sole director and sole shareholder of the Offeror and his correspondence address is No. 59 Qiao Sheng Road, Dongshi Town, Jinjiang City, Fujian Province, PRC.
- (ii) The registered office of Optima Capital is situated at Suite 1501, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong.
- (iii) The principal share registrar and transfer office of the Offeror is Estera Corporate Services (BVI) Limited, Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (iv) The principal place of business of China Jicheng in Hong Kong is Room 904, Loon Kee Building, 275 Des Voeux Road Central, Hong Kong.
- (v) The English text of this Offer Document and the Form of Approval and Acceptance and Form of Option Offer Acceptance shall prevail over the Chinese text, in case of any inconsistency.

The following documents or copies are available for inspection (i) on the website of the Offeror (www.china-jicheng.cn/html/dod.html); (ii) on the website of the SFC (www.sfc.hk); and (iii) at the principal place of business of the Offeror at Room 904, Loon Kee Building, 275 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. from the date of this Offer Document up to and including the Closing Date or the date on which the Offers lapse or are withdrawn (whichever is earlier) (except for Saturdays, Sundays and public holidays):

- (i) the memorandum and articles of association of the Offeror;
- (ii) the annual reports of China Jicheng for the two financial years ended 31 December 2016 and 2017;
- (iii) the letter from Optima Capital, the text of which is set out on pages 6 to 26 of this Offer Document;
- (iv) the written consent as referred to in the section headed “Expert and Consent” in Appendix III to this Offer Document;
- (v) the material contract(s) referred to under the section headed “Material Contracts” in Appendix III to this Offer Document; and
- (vi) this Offer Document and the accompanying Form of Approval and Acceptance and Form of Option Offer Acceptance.