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

If you have sold or transferred all your shares in **China Opto Holdings Limited**, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or to the transferee or to the bank, the licensed securities dealer or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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CHINA OPTO
HOLDINGS LIMITED

China Opto Holdings Limited

中國新進控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1332)

**(1) MAJOR TRANSACTION – SUBSCRIPTION OF SHARES
IN WIN WIND CAPITAL LIMITED;
(2) ISSUE OF SHARES TO WIN WIND CAPITAL LIMITED
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

A notice convening the SGM of China Opto Holdings Limited to be held at 7/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 8 July 2016 at 10:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of China Opto Holdings Limited in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

22 June 2016

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – FINANCIAL INFORMATION OF WIN WIND GROUP	II-1
APPENDIX III – UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	III-1
APPENDIX IV – GENERAL INFORMATION	IV-1
NOTICE OF SGM	SGM-1

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which banks are open for business in Hong Kong
“CN Redemption”	the redemption of the whole of the principal amount of HK\$150 million of the Convertible Note together with all accrued interests thereon by Win Wind pursuant to the terms and conditions of the Convertible Note
“CO Subscription”	the subscription of the CO Subscription Shares by Win Wind or its nominee pursuant to the Subscription Agreement
“CO Subscription Share(s)”	the 2,040,000,000 Shares to be allotted and issued by the Company under the Specific Mandate to Win Wind or its nominee pursuant to the Subscription Agreement
“Company”	China Opto Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1332)
“Completion”	the simultaneous completion of the subscription of the WW Subscription Shares, the CO Subscription Shares and the CN Redemption by the parties to the Subscription Agreement respectively and the performance by the parties of their respective obligations under the Subscription Agreement
“Conditions”	the conditions precedents as set out in the Subscription Agreement
“Convertible Note”	2% per annum convertible redeemable note with outstanding principal amount of HK\$150 million issued by Win Wind to the Noteholder on 28 December 2015
“Director(s)”	director(s) of the Company
“Encumbrances”	pre-emption, options, liens, claims, equities, charges, encumbrances or third-party rights of any nature
“Enerchina”	Enerchina Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 622)
“Enerchina Group”	Enerchina and its subsidiaries
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	30 March 2016, being the date of the Subscription Agreement
“Latest Practicable Date”	17 June 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder”	Big Focus Limited, a wholly-owned subsidiary of the Company, being the holder of the Convertible Note
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder including the grant of Specific Mandate to issue and allot the CO Subscription Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the SGM for the issue of the CO Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	a conditional agreement dated 30 March 2016 entered into between the Company and Win Wind in relation to the CO Subscription, the WW Subscription and the CN Redemption
“subsidiaries”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“WW Share(s)”	ordinary share(s) of no par value each in the share capital of Win Wind
“WW Subscription”	the subscription of the WW Subscription Shares by the Company or its nominee pursuant to the Subscription Agreement

DEFINITIONS

“WW Subscription Share(s)”	the 13,600,000 WW Shares to be allotted and issued by Win Wind to the Company or its nominee pursuant to the Subscription Agreement
“Win Wind”	Win Wind Capital Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Enerchina
“Win Wind Group”	Win Wind and its subsidiaries
“%”	per cent

LETTER FROM THE BOARD



CHINA OPTO
HOLDINGS LIMITED

China Opto Holdings Limited 中國新進控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1332)

Executive Directors:

Ms. Poon Ho Yee Agnes (*Managing Director*)
Mr. Lo Yuen Wa Peter
Ms. Sun Dixie Hui

Non-executive Director:

Dr. Lam How Mun Peter (*Chairman*)

Independent Non-executive Directors:

Mr. Chan Sze Hung
Mr. Cheung Wing Ping
Mr. Ha Kee Choy Eugene
Mr. To Shing Chuen

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*

7th Floor, China United Centre
28 Marble Road
North Point
Hong Kong

22 June 2016

To the Shareholders,

Dear Sir or Madam,

**(1) MAJOR TRANSACTION – SUBSCRIPTION OF SHARES
IN WIN WIND CAPITAL LIMITED;
(2) ISSUE OF SHARES TO WIN WIND CAPITAL LIMITED
UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Company's announcement dated 30 March 2016 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate to issue and allot CO Subscription Shares.

The purpose of this circular is to provide the Shareholders with details of:

- (1) the Subscription Agreement;
- (2) the financial information of the Group;

LETTER FROM THE BOARD

- (3) the financial information of Win Wind Group; and
- (4) the unaudited pro forma financial information of the Group.

THE SUBSCRIPTION AGREEMENT

On 30 March 2016 (after trading hours), the Company entered into the Subscription Agreement with Win Wind pursuant to which both parties have conditionally agreed as follows:

- (1) the Company shall subscribe for, and Win Wind shall issue and allot, 13,600,000 WW Subscription Shares (representing approximately 13.36% of the existing issued share capital of Win Wind as at the Latest Practicable Date and approximately 11.78% of the enlarged issued share capital of Win Wind immediately after issuing the WW Subscription Shares) credited as fully paid to the Company (or its nominee) at a price of HK\$30.00 per WW Subscription Share, free from all Encumbrances, for a total consideration of HK\$408,000,000;
- (2) Win Wind shall subscribe for, and the Company shall issue and allot, 2,040,000,000 CO Subscription Shares (representing approximately 39.97% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 28.56% of the enlarged issued share capital of the Company immediately after issuing the CO Subscription Shares) credited as fully paid to Win Wind (or its nominee) at a price of HK\$0.20 per CO Subscription Share under the Specific Mandate, free from all Encumbrances, for a total consideration of HK\$408,000,000; and
- (3) Win Wind shall fully redeem the Convertible Note held by the Noteholder.

All of the above shall take place simultaneously.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Win Wind and its ultimate beneficial owners (save as disclosed herein) are third parties independent of the Company and its connected persons as defined under the Listing Rules.

CONDITIONS

The respective obligations of the Company and Win Wind to effect Completion shall be conditional upon the following:-

- (1) the Company having convened the SGM at which resolutions shall have been passed by its Shareholders, by way of poll, to approve the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate in accordance with the Listing Rules;
- (2) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the CO Subscription Shares;

LETTER FROM THE BOARD

- (3) the passing of the necessary resolution(s) by the sole shareholder of Win Wind (i.e. Enerchina) to approve the issue and allotment of the WW Subscription Shares by Win Wind to the Company (or its nominee); and
- (4) if applicable, the obtaining of all consents from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transaction contemplated thereunder.

If the Conditions have not been fulfilled on or before 5:00 p.m. on 31 July 2016 (or such other date as the parties may agree in writing), the Subscription Agreement shall lapse and become null and void and the parties shall be released from all obligations under the Subscription Agreement, save for any liability arising out of any antecedent breaches.

None of the above Conditions can be waived.

COMPLETION

Completion of the WW Subscription, the CO Subscription and the CN Redemption shall take place simultaneously on or before the third Business Day after all of the Conditions have been satisfied at such place and time as the parties may agree where all (but not part of) of the matters set out in the Subscription Agreement shall take place.

THE WW SUBSCRIPTION

Pursuant to the Subscription Agreement, the Company has agreed to subscribe, and Win Wind has agreed to allot and issue to the Company or its nominee, 13,600,000 WW Subscription Shares, for a total consideration of HK\$408,000,000, which represent approximately 13.36% of the existing issued share capital of Win Wind as at the Latest Practicable Date, and approximately 11.78% of the issued share capital of Win Wind as enlarged by the WW Subscription Shares that fall to be issued pursuant to the Subscription Agreement.

The WW Subscription Shares, when issued, shall rank *pari passu* in all respects inter se and with all other WW Shares in issue as at the date of Completion.

Subscription price for the WW Subscription Shares

The subscription price of HK\$30.00 per WW Subscription Share represents a premium of approximately 7.41% to the audited consolidated net asset value per WW Share of approximately HK\$27.93 as at 31 March 2016.

The subscription price for the WW Subscription Shares was determined after arm's length negotiation between the Company and Win Wind by reference to the net asset value per WW Share. The Directors consider that the terms of the WW Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

THE CO SUBSCRIPTION

Pursuant to the Subscription Agreement, Win Wind has agreed to subscribe, and the Company has agreed to allot and issue to Win Wind or its nominee, 2,040,000,000 CO Subscription Shares, for a total consideration of HK\$408,000,000, which represents approximately 39.97% of the existing issued share capital of the Company as at the Latest Practicable Date, and approximately 28.56% of the issued share capital of the Company as enlarged by the CO Subscription Shares that fall to be issued pursuant to the Subscription Agreement.

The CO Subscription Shares, when issued, shall rank *pari passu* in all respects inter se and with all other Shares in issue as at the date of Completion.

Subscription price for the CO Subscription Shares

The subscription price of HK\$0.20 per CO Subscription Share represents:

- (1) a discount of approximately 44.44% to the closing price of HK\$0.360 per Share of the Company as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of approximately 40.30% to the closing price of HK\$0.335 per Share of the Company as quoted on the Stock Exchange on the Last Trading Day;
- (3) a discount of approximately 38.84% to the average closing price of approximately HK\$0.327 per Share of the Company as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of approximately 17.65% to the audited consolidated net asset value per Share of approximately HK\$0.17 of the Company as at 31 December 2015.

The subscription price for the CO Subscription Shares was determined after arm's length negotiation between the Company and Win Wind by reference to the net asset value per Share of the Company. The Directors consider that the terms of the CO Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Specific Mandate

The CO Subscription Shares will be issued and allotted under the Specific Mandate to be sought at the SGM.

Application for listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the CO Subscription Shares to be issued and allotted pursuant to the Subscription Agreement.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Name of Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately upon Completion of the CO Subscription	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Dr. Lam How Mun Peter ¹	398,150	0.01	398,150	0.01
Ms. Poon Ho Yee Agnes ¹	130,000	0.00	130,000	0.00
Asia Pacific Promotion Limited (“Asia Pacific”) ²	3,657,700	0.07	3,657,700	0.05
Roxy Link Limited ²	1,792,350	0.04	1,792,350	0.02
Smart Orient Investments Limited ²	2,734,625	0.05	2,734,625	0.04
Win Wind or its nominee ²	–	–	2,040,000,000	28.56
Existing public Shareholders	<u>5,094,979,926</u>	<u>99.83</u>	<u>5,094,979,926</u>	<u>71.32</u>
Total	<u>5,103,692,751</u>	<u>100.00</u>	<u>7,143,692,751</u>	<u>100.00</u>

Notes:

1. Dr. Lam How Mun Peter is the non-executive Director of the Company and Ms. Poon Ho Yee Agnes is the executive Director of the Company.
2. 3,657,700 Shares are held by Asia Pacific directly. 1,792,350 Shares are held by Roxy Link Limited, a direct wholly-owned subsidiary of Multiwin Corporation which is in turn an indirect wholly-owned subsidiary of Enerchina. 2,734,625 Shares are held by Smart Orient Investments Limited, a direct wholly-owned subsidiary of Sinolink Worldwide Holdings Limited (“Sinolink”). 2,040,000,000 Shares will be held by Win Wind or its nominee upon Completion. Mr. Ou Yaping (“Mr. Ou”) is the sole shareholder of Asia Pacific and through Asia Pacific holds a total of 44.90% of the issued shares of Sinolink and 36.38% of the issued shares of Enerchina. Therefore, Mr. Ou is deemed to be interested in all these Shares.

As at the Latest Practicable Date, Mr. Ou is deemed to be interested in a total of 8,184,675 Shares (representing approximately 0.16% of the issued Shares of the Company) and thus is an independent third party of the Company and its connected persons as defined under the Listing Rules.

To the best of the Directors’ knowledge, information and belief, Mr. Ou has no intention to further subscribe the Company’s Shares in the future.

CN REDEMPTION

As announced on 23 December 2015, the Company through the Noteholder subscribed for the Convertible Note in the aggregate principal amount of HK\$150 million with the initial conversion price of HK\$30.00 per WW Share. The Convertible Note will be fully redeemed together with all accrued interests by Win Wind upon Completion.

The Company intends to use the HK\$150 million from the CN Redemption for the general working capital of the Group.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past twelve months before the Latest Practicable Date:

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
21 April 2015, 29 April 2015, 15 May 2015, 8 June 2015 and 9 June 2015	Placing of 287,531,980 warrants (“ First Warrants Placing ”) at the issue price of HK\$0.01 each entitling the holders thereof to subscribe for Shares (“ First Warrant Shares ”) at the exercise price of HK\$0.56 per Share	Approximately HK\$158.88 million	The net proceeds from the First Warrants Placing amount to approximately HK\$2.88 million which was raised for the general working capital of the Group. Any additional net proceeds from the issue of the First Warrant Shares of a maximum amount of approximately HK\$156 million will also be applied as the general working capital and as funds for future business development of the Group	The net proceeds of approximately HK\$2.88 million was used as intended The First Warrant Shares were cancelled on 28 January 2016. No further proceeds will be raised from the issue of First Warrant Shares
13 May 2015, 8 June 2015 and 9 June 2015	Placing of 287,531,992 warrants (“ Second Warrants Placing ”) at the issue price of HK\$0.01 each entitling the holders thereof to subscribe for Shares (“ Second Warrant Shares ”) at the exercise price of HK\$0.608 per Share	Approximately HK\$171.48 million	The net proceeds from the Second Warrants Placing amount to approximately HK\$2.88 million which was raised for the general working capital of the Group. Any additional net proceeds from the issue of the Second Warrant Shares of a maximum amount of approximately HK\$168.60 million will also be applied as the general working capital and as funds for future business development of the Group	The net proceeds of approximately HK\$2.88 million was used as intended The Second Warrant Shares were cancelled on 28 January 2016. No further proceeds will be raised from the issue of Second Warrant Shares

LETTER FROM THE BOARD

Date of announcement/ circular	Fund raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds
30 November 2015	Placing of 575,063,972 new Shares (“ Share Placing ”) on best effort basis under general mandate at the placing price of HK\$0.16 each	Approximately HK\$89.25 million	For the general working capital of the Group and/or to fund the expansion of its business	The net proceeds was used in securities investment and trading business. (Note 1: the net proceeds of approximately HK\$89.25 million was used to purchase 450,000,000 shares of Freeman Financial Corporation Limited (Stock Code: 279) on 15 December 2015.)
2 December 2015 and 13 January 2016	Subscription of 575,063,972 new Shares under specific mandate at the subscription price of HK\$0.16 each	Approximately HK\$92.01 million	For partial repayment of debts of the Company	The net proceeds was used as intended. (Note 2: the net proceeds of approximately HK\$92.01 million was used for partial repayment of loan from Win Wind Capital Limited of HK\$100 million on 4 February 2016.)

INFORMATION OF WIN WIND GROUP

The principal business activity of Win Wind is investment holding and Win Wind Group is principally engaged in the financial services sector, i.e. provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and management services. Some of its subsidiaries are licensed to carry on Types 1, 4, 6 and 9 regulated activities under the SFO and the money lending activities under the Money Lenders Ordinance (Chapter 163, Laws of Hong Kong).

Set out below is the audited consolidated financial information of Win Wind Group:-

	For the period from 1 April to 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	529,616	155,452
Profit after tax	445,341	108,542

As at 31 March 2016, the audited consolidated net asset value of Win Wind Group was approximately HK\$2,843 million.

LETTER FROM THE BOARD

Win Wind Securities Limited (“**WWSL**”), a wholly-owned subsidiary of Win Wind, is a major arm of Win Wind Group in provision of financial services. It is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. WWSL offers brokerage services and margin financing services to individuals and corporate clients. Brokerage commission income amounted to HK\$7.2 million, HK\$3.9 million and HK\$5.2 million for the years of 2014, 2015 and 2016 respectively. Interest income from the margin financing services amounted to HK\$11.8 million, HK\$5.5 million and HK\$1.5 million for the years of 2014, 2015 and 2016 respectively.

WWSL also provides investment advisory services to corporate (comprising both listed and unlisted companies) and high net worth individual clients. It also serves as investment manager for investment companies listed under Chapter 21 of the Listing Rules.

Enerchine Corporate Finance Limited (“**ECFL**”), a wholly-owned subsidiary of Win Wind, is licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. ECFL serves as financial advisors to listed companies for various types of transactions such as mergers and acquisitions, fund raising and debt restructuring.

Win Wind Group engages in proprietary trading of listed securities, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to HK\$760.8 million, HK\$1,798.6 million and HK\$1,591.7 million for the years of 2014, 2015 and 2016 respectively, with a gain on fair value of HK\$362.9 million, HK\$519.6 million and HK\$269.3 million in 2014, 2015 and 2016 respectively.

Win Wind Resources Limited (“**WWRL**”), a wholly-owned subsidiary of Win Wind and a licensed money lender, carries out money lending business. WWRL’s clients include corporate and high net worth individuals. Interest income from money lending business amounted to HK\$22.2 million and HK\$20.3 million in the years of 2015 and 2016 respectively.

Win Wind expects that the capital markets in Hong Kong and China will remain challenging for 2016, with major economic indicators for both economies continue to show signs of slowing down. In particular, monetary policies that will be implemented by the Governments of U.S., China, European Union and Japan in order to accelerate their economic growth, may cause the capital markets to be volatile, as speculations on the timing and magnitude of these policies by market participants can cause severe turbulence in the market. Apart from concerns in international finance, political factors such as uncertainties in U.S. elections and political instability observed in the Asia region may increase the volatility of the market even further.

Notwithstanding the foregoing, Win Wind believes that there are still opportunities to acquire decent medium and long-term investments, and with appropriate risk management and control measures in place, they are capable of uncovering such opportunities that will enhance the value of Win Wind for all shareholders.

Win Wind is cautiously optimistic with the financial services business in both Hong Kong and China, and has proceeded by enhancing the capability of Win Wind to develop new businesses.

LETTER FROM THE BOARD

Win Wind will continue to add competent staff to Win Wind Group in order to enhance and expand its capability to cope with the ever-changing financial and investment environment. Win Wind will also make investments in its infrastructure and keep up with developments to maintain its competitive edge as well as stay ahead of other service providers.

INFORMATION OF THE GROUP

The principal activities of the Company are investment holding and provision of corporate management services. The Group is principally engaged in (i) design, development, manufacture and sale of packaging products; (ii) securities investment and trading business; (iii) money lending business; and (iv) design, development and sale of apparel products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

The Company announced on 8 January 2015 that it intended to diversify its business to securities investment and trading business as well as money lending business. Such strategy allowed the Group to have a parallel development of its then existing principal business in manufacturing business and the new financial and investment business. With the emerging new economy and financial markets in the mainland China, the Group believed that it could capture more business and investment opportunities by engaging in the securities investment and trading business as well as money lending business. The interest yields from the money lending business and the dividend income as well as capital gains from the securities investment and trading business would bring better returns to the Company and its Shareholders as a whole.

The Company has sufficient management expertise and qualified personnel at operational level to operate its securities investment and trading business as well as money lending business. These businesses are principally operated and supervised by Mr. Lo Yuen Wa Peter (“**Mr. Lo**”) and Ms. Sun Dixie (“**Ms. Sun**”), both of whom are executive directors of the Company, and Mr. Ng Sheung Yan Howard (“**Mr. Ng**”), the assistant accounting manager of the Group.

The experience and qualifications of Mr. Lo, Ms. Sun and Mr. Ng are set out below:-

Mr. Lo graduated from the University of Liverpool and obtained his professional qualification in Accountancy in the United Kingdom. He is a member of the Institute of Chartered Accountants in England and Wales and of the Hong Kong Institute of Certified Public Accountants. He has 29 years’ experience in auditing, accounting, investment, financial and corporate management.

Ms. Sun graduated from Beijing Second Foreign Language Institute with a bachelor’s degree in economics in 1992 and obtained a master’s degree in business administration from the University of New South Wales in 1997. She has over 15 years of experience in investment and banking industry.

Mr. Ng is a member of CPA Australia and recognized as a professional accountant in Hong Kong. Mr. Ng received his bachelor’s degree in accounting. He has more than 20 years of extensive experience in professional accounting and finance fields.

LETTER FROM THE BOARD

Win Wind Group has a proven track record and was extremely profitable as can be seen in the audited consolidated financial information of Win Wind Group outlined above. After making the investment in the Convertible Note and learning more about Win Wind Group, the Company is increasingly confident and optimistic about Win Wind Group's business model and financial performance going forward. Both the Company and Win Wind are engaged in the financial services industry. The Company also considers that further investment through the Subscription Agreement may achieve a synergy effect between both parties. The Company could achieve a synergy effect in many aspects including but not limited to the following:

- (a) Information sharing – Information and its analysis is crucial for decision making in respect of securities investment and trading. The Company and Win Wind may share public information about the market conditions in general as well as their research and analysis after the strategic alliance is created;
- (b) Business networks sharing – Both Win Wind and the Company have their own business networks and client base and they may expand their existing networks by mutual referral;
- (c) Cooperation in business opportunities – If opportunities arise and good investment target is identified, the Company and Win Wind may co-operate in such form or way that both parties consider fit so that they may share the profits and, at the same time, share the burden of capital requirement and the costs and risk.

In addition, the Directors consider the terms of the Subscription Agreement to be commercially attractive in that the CO Subscription Shares are issued by the Company at a premium of about 17.65% of the audited consolidated net asset value per Share.

Furthermore, the transactions contemplated under the Subscription Agreement would enable the Company to reap the potential benefits as outlined in the paragraph above with an overall effect of no net cash outlay (apart from professional and other fees in connection with the consummation of the WW Subscription and the CO Subscription). Instead, the CN Redemption would replenish the cash fund of the Group.

Based on the above, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and on normal commercial terms, and the transactions contemplated under the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

The Company intends to maintain and continue to develop its existing business. The Company has not entered into any agreements, arrangements, understanding or negotiations about any acquisition and/or disposal of assets or business, or termination and/or shrinking of and of the Company's existing business.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the WW Subscription exceeds 25% but are below 100%, the subscription of the WW Shares under the Subscription Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company does not hold any WW Shares. However, the Company holds the Convertible Note of Win Wind in an aggregate principal amount HK\$150 million with the initial conversion price of HK\$30.00 per WW Share and such Convertible Note is to be fully redeemed on Completion.

As at the Latest Practicable Date, Win Wind and its associates hold 1,792,350 Shares, representing approximately 0.04% of the existing issued share capital of the Company. As Win Wind is a party to the Subscription Agreement, it has a material interest in the transactions contemplated thereunder. Win Wind and its associates, to the extent they hold Shares at the SGM, will be required to abstain from voting at the SGM on the resolution proposed to approve the Subscription Agreement (including the grant of the Specific Mandate).

Immediately upon Completion, the Company will hold 13,600,000 WW Shares, representing approximately 11.78% of the enlarged issued share capital of Win Wind. Win Wind and its associates will hold 2,041,792,350 Shares, representing approximately 28.58% of the enlarged issued share capital of the Company.

SGM

The SGM is convened to be held at 7/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Friday, 8 July 2016 at 10:00 a.m., the notice of which is set out on pages SGM-1 to SGM-2 of this circular, for the Shareholders to consider and, if thought fit, pass the relevant resolution to approve, among other matters, the Subscription Agreement and the transactions contemplated thereunder including the grant of Specific Mandate to issue and allot the CO Subscription Shares.

In compliance with the Listing Rules, the resolution will be voted by way of poll at the SGM.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

RECOMMENDATIONS

The Directors believe that the terms of (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate to issue and allot the CO Subscription Shares, are fair and reasonable and in the interest of the Shareholders and the Company as a whole and therefore recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

WARNING

As the Completion of the Subscription Agreement is subject to the satisfaction of the Conditions contained therein and it may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
China Opto Holdings Limited
Lam How Mun Peter
Chairman

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Financial information on the Group for each of the three financial years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinaopto.com.hk>):

- Annual report of the Company for the year ended 31 December 2013 posted on 10 April 2014 (pages 27 to 71);
- Annual report of the Company for the year ended 31 December 2014 posted on 9 April 2015 (pages 22 to 71); and
- Annual report of the Company for the year ended 31 December 2015 posted on 27 April 2016 (pages 28 to 87).

The management discussion and analysis of the Company for the years ended 31 December 2013, 2014 and 2015 are disclosed in the published annual report of the Company for the relevant years.

2. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 30 April 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had no outstanding borrowings.

Pledge of Assets

At 30 April 2016, the Group's available-for-sale investments and financial assets at fair value through profit or loss with aggregate carrying values of HK\$10,680,000 and HK\$58,301,000 respectively were pledged to secure margin facilities granted by a licensed securities company in Hong Kong to the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2016, the Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities or guarantees outstanding.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources, the existing available credit facilities of the Group and the proceeds from the CN Redemption, the Group has sufficient working capital for its present requirements for at least twelve months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the business update announcement on 6 April 2016, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

5. REVIEW OF OPERATIONS AND PROSPECTS**Review of Operations**

The Group reported a consolidated revenue of HK\$286.0 million for the year ended 31 December 2015, representing a decrease of 28.0% as compared to HK\$397.0 million for the financial year 2014, consisting of packaging business of HK\$341.4 million but offset by treasury investment loss of HK\$55.4 million. The profit attributable to Shareholders was approximately HK\$255.3 million, an increase of HK\$245.0 million, as compared to HK\$10.3 million for the previous financial year. Such increases were primarily due to the one-off gains on disposals of the Group's interests in subsidiaries and associate.

Packaging Business

The revenue of the packaging business for the year decreased by 14.0% to HK\$341.4 million (2014: HK\$397.0 million), mainly due to the disposal of a non-wholly owned subsidiary, Theme Production House Limited, during the year. Hong Kong and Mainland China were still the largest markets and accounted for 45.6% of the total revenue (2014: 43.2%) while sales to Europe and North and South America accounted for 30.2% (2014: 27.6%) and 16.9% (2014: 18.7%) respectively.

The gross profit margin for the year was 17.8%, an increase of 1.1% as compared to 16.7% for the previous year, resulting from the decrease in material costs and the Group's continuous efforts in enhancing its operational efficiency. The segment profit amounted to HK\$12.8 million (2014: HK\$22.3 million), a decrease of HK\$9.5 million, mainly due to the combined effects of disposal of interest in subsidiaries and properties, and written off bad debts.

Treasury Investment Business

Year 2015 marked the transformation that the Group released its illiquid assets and invested into a broad set of financial assets. During the year under review, the stock market in Hong Kong and elsewhere experienced extreme volatility. The Group's securities portfolio recorded the fair value loss on equity investments at fair value through profit or loss and the gain on disposal of available-for-sale listed equity investments of HK\$57.5 million and HK\$30.6 million respectively. In addition, the Group earned dividend and interest income amounted to HK\$2.1 million.

Prospects

Surrounded by a cloud of uncertainty, for 2016, the consumer market worldwide is likely to remain in a slow growth path in spite of a loose monetary policy in the Eurozone and growing domestic demands in the United States. The packaging business has to face the major challenges in Mainland China, which include shortages in workforce, increase in wages and fringe benefits payments.

The equity market performance has been sluggish since the second half of 2015 and continued to be unsatisfactory in early 2016. Market conditions are expected to be tough in the foreseeable future. A weakening local economy, rising interest rates in the United States and further slowdown in the economic growth in China are factors likely to exert pressure on the financial market and performance in the equity trading sector in the year ahead.

In view of the change of its economy to consumption-driven growth from investment-driven mode by China, the Group has been actively diversifying its business, seeking opportunities for expansion which may benefit from the change of the macro-environment to establish goals for growth and prosperity.



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香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

22 June 2016

The Directors
China Opto Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) regarding Win Wind Capital Limited (“**Win Wind**”) and its subsidiaries (hereinafter collectively referred to as “**Win Wind Group**”) for each of the three years ended 31 March 2014, 2015 and 2016 (the “**Relevant Periods**”) for inclusion in the circular issued by China Opto Holdings Limited (the “**Company**”) dated 22 June 2016 (the “**Circular**”), in connection with, amongst others, the proposed subscription of shares of Win Wind (the “**Subscription**”) by the Company.

Win Wind was incorporated with limited liability in the British Virgin Islands on 28 April 1998. The registered address of Win Wind is Coastal Building, Wickham’s Cay II, P.O. Box 2221, Road Town, Tortola, the British Virgin Islands.

Particulars of Win Wind’s subsidiaries at the end of each of the Relevant Periods and at the date of this report are as follows:

Name of subsidiary	Place of incorporation/operation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to Win Wind			As at date of report	Principal activities
				31 March 2014	31 March 2015	31 March 2016		
Ample Spring International Limited	British Virgin Islands (“BVI”)	12 May 2006	US\$2	– (Note 1)	100%	100%	100%	Investment holding
Assets & Equity Holdings Limited	BVI	17 July 2012	HK\$40,000,008	100%	100%	100%	100%	Proprietary trading
Brilliant Limo Service Co. Limited	BVI	23 March 2015	Nil	– (Note 3)	100%	100%	100%	Provision of nominee services
Enerchine Asset Management Limited	Hong Kong	11 January 2013	HK\$1	100%	100%	100%	100%	Provision of financial services
Enerchine Capital Limited	Cayman Islands	19 June 2013	HK\$0.1	100%	100%	100%	100%	Investment holding
Enerchine Corporate Finance Limited	Hong Kong	20 August 1991	HK\$10,000,000	100%	100%	100%	100%	Corporate finance advisory services
Enerchine Group Investments Limited	Hong Kong	11 January 2013	HK\$1	100%	100%	100%	100%	Investment holding
Enerchine Investment Management Limited	Hong Kong	27 August 2001	HK\$1,000,000	100%	100%	100%	100%	Consultancy services & investment management
Enerchine Proprietary Trading Limited	BVI	25 March 2013	US\$1	100%	100%	100%	100%	Proprietary trading
Enerchine Nominee Ltd.	BVI	19 June 2013	Nil	100%	100%	100%	100%	Provision of corporate services
Enerchine Nominee Limited	Hong Kong	12 January 2011	HK\$1	100%	100%	100%	100%	Provision of nominee services

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

Name of subsidiary	Place of incorporation/operation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest attributable to Win Wind			As at date of report	Principal activities
				31 March 2014	31 March 2015	31 March 2016		
Enerchine Secretarial Services Limited	Hong Kong	11 January 2013	HK\$1	100%	100%	100%	100%	Investment holding
Gain All Investments Limited	BVI	2 April 2007	HK\$122,229,521.84	– (Note 2)	– (Note 2)	100%	100%	Provision of nominee services
Global Mind Investment Limited	BVI	24 October 2014	US\$1	– (Note 3)	100%	100%	100%	Investment holding
Global Value Group Limited	BVI	23 October 2014	US\$1	– (Note 3)	100%	100%	100%	Investment holding
High Gear Limited	BVI	23 October 2014	HK\$44,752,978.56	– (Note 2)	– (Note 2)	100%	100%	Investment holding
Kenson Investment Limited	Bermuda	30 January 2015	US\$1	– (Note 3)	100%	100%	100%	Securities investment
Kenson Investment Limited	Marshall Islands	12 March 2014	US\$1	100%	100%	100%	100%	Securities investment
Kingswood Shine Limited	Hong Kong	25 July 2014	HK\$80,000,001	– (Note 2)	– (Note 2)	100%	100%	Provision of nominee services
Luxwealth Development Limited	BVI	2 July 2014	US\$1	– (Note 2)	– (Note 2)	100%	100%	Investment holding
Novelty Limo Services Co. Limited	BVI	23 March 2015	Nil	– (Note 3)	100%	100%	100%	Provision of nominee services
Nu Kenson Limited	BVI	12 August 2015	US\$1	– (Note 3)	– (Note 3)	100%	100%	Investment holding
Triumph Way Limited	Hong Kong	2 December 2005	HK\$9,000,001	– (Note 2)	– (Note 2)	100%	100%	Provision of nominee services
Uprite Limited	BVI	3 July 2007	HK\$78,000	– (Note 2)	– (Note 2)	100%	100%	Investment holding
Wens Limited	BVI	19 August 2015	US\$1	– (Note 3)	– (Note 3)	100%	100%	Investment holding
Win Wind Capital I Limited	Samoa	5 July 2013	US\$100	100%	100%	100%	100%	Investment holding
Win Wind Capital Group Limited	BVI	13 August 2015	US\$1	– (Note 3)	– (Note 3)	100%	100%	Investment holding
Win Wind Capital Group Limited	Cayman Islands	13 August 2015	US\$1	– (Note 3)	– (Note 3)	100%	100%	Investment holding
Win Wind Corporate Services Limited	Hong Kong	19 February 2013	HK\$1	100%	100%	100%	100%	Provision of management services
Win Wind Group Limited	BVI	26 June 2013	Nil	100%	100%	100%	100%	Investment holding
Win Wind Holdings Limited	BVI	26 June 2013	Nil	100%	100%	100%	100%	Investment holding
Win Wind Intermediary Financial Services Limited	BVI	20 June 2013	HK\$585,324,215.58	100%	100%	100%	100%	Investment holding
Win Wind Investment (Holdings) Limited	Hong Kong	21 November 1995	HK\$4	100%	100%	100%	100%	Investment holding
WWind Investments Limited	BVI	19 June 2013	Nil	100%	100%	100%	100%	Investment holding
Win Wind Resources Limited	Hong Kong	11 January 2013	HK\$150,000,001	100%	100%	100%	100%	Money lending
Win Wind Securities Limited	Hong Kong	24 May 1994	HK\$589,000,000	100%	100%	100%	100%	Securities brokerage & financial services
Win Wind Value Investments Limited	BVI	20 May 2015	Nil	– (Note 3)	– (Note 3)	100%	100%	Investment holding
Winning Trio Limited	BVI	16 July 2015	US\$1	– (Note 2)	– (Note 2)	100%	100%	Investment holding
Wise Union Limited	BVI	17 September 2014	US\$1	– (Note 3)	100%	100%	100%	Investment holding

Note 1 The company was acquired by the Win Wind Group after 31 March 2014.

Note 2 The companies were acquired by the Win Wind Group after 31 March 2015.

Note 3 The companies were incorporated by Win Wind or its subsidiaries.

Win Wind and all its subsidiaries have adopted 31 March as their financial year end date.

No audited financial statements have been prepared for Win Wind and its subsidiaries incorporated in the BVI, Bermuda, Marshall Islands, Cayman Islands and Samoa during the Relevant Periods as they were incorporated in jurisdiction where there is no statutory audit requirements.

We have acted as the statutory auditor of the subsidiaries incorporated in Hong Kong for the two years ended 31 March 2015 and 2016 and Jonten Hopkins CPA Limited acted as the statutory auditor of these companies for the year ended 31 March 2014. The statutory financial statements of these companies for the year ended 31 March 2016 are not yet due for issuance.

For the purpose of this report, the directors of Win Wind have prepared the consolidated financial statements of the Win Wind Group for the Relevant Periods in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) (the “**Underlying Financial Statements**”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Win Wind Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of section A below. No adjustment is considered necessary to the Underlying Financial Statements in preparing this report for inclusion in the Circular.

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

In our opinion, on the basis of presentation set out in note 2 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Win Wind Group as at 31 March 2014, 2015 and 2016 and of the financial performance and cash flows of the Win Wind Group for the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

(A) FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
		2014	2015	2016
	Notes	HK\$'000	HK\$'000	HK\$'000
Revenue	7	54,055	40,390	36,629
Other income	8	2,698	34,913	7,189
Other gains and losses	8	196	(924)	(50,277)
Gain on financial assets at fair value through profit or loss		362,941	519,556	269,289
Depreciation on property, plant and equipment		(206)	(144)	(9,950)
Employee benefit expenses		(9,431)	(10,967)	(16,143)
Other expenses	10	(21,112)	(42,052)	(67,668)
Share of results of an associate	17	(2,420)	(5,566)	–
Finance costs	9	<u>(255)</u>	<u>(5,590)</u>	<u>(13,617)</u>
Profit before taxation		386,466	529,616	155,452
Taxation	11	<u>(62,030)</u>	<u>(84,275)</u>	<u>(46,910)</u>
Profit for the year	12	324,436	445,341	108,542
Other comprehensive income for the year				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Fair value change in available-for-sale investments		<u>–</u>	<u>1,410</u>	<u>6,881</u>
Total comprehensive income for the year		<u>324,436</u>	<u>446,751</u>	<u>115,423</u>
Earnings per share	15			
Basic		<u>5.48</u>	<u>5.28</u>	<u>1.07</u>
Diluted		<u>5.48</u>	<u>5.28</u>	<u>1.07</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March		
		2014	2015	2016
	Notes	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS				
Property, plant and equipment	16	564	302	163,388
Available-for-sale investments	17	–	599,617	887,520
Interest in an associate	18	42,580	45,633	–
Intangible assets		1,650	1,650	1,650
Other deposits	19	255	280	520
Other receivables	20	32,840	51,835	27,131
Deposits paid for acquisition of property, plant and equipment	16	–	1,500	37,248
Deposit paid for an acquisition of a subsidiary	30	–	61,202	–
		<u>77,889</u>	<u>762,019</u>	<u>1,117,457</u>
CURRENT ASSETS				
Accounts receivable and other receivables, deposits and prepayments	20	462,126	830,284	281,486
Amount due from immediate holding company	24	–	–	2,426
Financial assets at fair value through profit or loss	21	760,772	1,798,584	1,591,680
Bank balances – trust and segregated accounts	22	9,416	27,032	43,054
Bank balances (general accounts) and cash	22	<u>126,304</u>	<u>77,366</u>	<u>160,730</u>
		1,358,618	2,733,266	2,079,376
Assets classified as held for sale	31	–	–	5,745
		<u>1,358,618</u>	<u>2,733,266</u>	<u>2,085,121</u>
CURRENT LIABILITIES				
Accounts payable and other payables	23	32,244	106,339	77,032
Tax liabilities		6,755	4,518	46,930
Amount due to immediate holding company	24	–	38,760	–
Other borrowings	25	–	500,000	–
		38,999	649,617	123,962
Liabilities associated with assets held for sale	31	–	–	346
		<u>38,999</u>	<u>649,617</u>	<u>124,308</u>
NET CURRENT ASSETS		<u>1,319,619</u>	<u>2,083,649</u>	<u>1,960,813</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

		As at 31 March		
	<i>Notes</i>	2014	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES				
Deferred taxation	26	55,045	131,454	130,387
Convertible notes liability	27	<u>—</u>	<u>—</u>	<u>104,396</u>
		<u>55,045</u>	<u>131,454</u>	<u>234,783</u>
NET ASSETS		<u><u>1,342,463</u></u>	<u><u>2,714,214</u></u>	<u><u>2,843,487</u></u>
CAPITAL AND RESERVES				
Share capital	28	1,017,664	1,942,664	1,942,664
Reserves		<u>324,799</u>	<u>771,550</u>	<u>900,823</u>
Equity attributable to owner of Win Wind		<u><u>1,342,463</u></u>	<u><u>2,714,214</u></u>	<u><u>2,843,487</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Merger reserve HK\$'000 (Note 3)	Investment revaluation reserve HK\$'000 (Note 3)	Convertible notes reserve HK\$'000 (Note 27)	(Accumulated losses) retained profits HK\$'000	Total HK\$'000
At 1 April 2013	318,664	9,366	–	–	(9,003)	319,027
Profit and total comprehensive income for the year	–	–	–	–	324,436	324,436
Issue of shares	699,000	–	–	–	–	699,000
At 31 March 2014	1,017,664	9,366	–	–	315,433	1,342,463
Profit for the year	–	–	–	–	445,341	445,341
Fair value change in available-for-sale investments	–	–	1,410	–	–	1,410
Total comprehensive income for the year	–	–	1,410	–	445,341	446,751
Issue of shares	925,000	–	–	–	–	925,000
At 31 March 2015	1,942,664	9,366	1,410	–	760,774	2,714,214
Profit for the year	–	–	–	–	108,542	108,542
Fair value change in available-for-sale investments	–	–	6,881	–	–	6,881
Total comprehensive income for the year	–	–	6,881	–	108,542	115,423
Issue of convertible notes	–	–	–	48,850	–	48,850
Dividend paid (Note 14)	–	–	–	–	(35,000)	(35,000)
At 31 March 2016	1,942,664	9,366	8,291	48,850	834,316	2,843,487

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before taxation	386,466	529,616	155,452
Adjustments for:			
Interest income	(838)	(2,699)	(46)
Interest income from margin clients	(11,762)	(5,537)	(1,495)
Loan interest income	(23,513)	(22,181)	(20,311)
Finance costs	255	5,590	13,617
Impairment loss in respect of loans receivables	–	875	3,435
Loss (gain) on disposal of property, plant and equipment	–	50	(2,478)
Share of results of an associate	2,420	5,566	–
Dividend income	(9)	(25,310)	(2,751)
Gain on disposal of an available-for-sale investment	–	–	(3,313)
Impairment loss in respect of an available-for-sale investment	–	–	49,400
Loss on disposal of an associate	–	–	3,218
Depreciation	<u>206</u>	<u>144</u>	<u>9,950</u>
Operating cash flows before movements in working capital	353,225	486,114	204,678
(Increase) decrease in financial assets at fair value through profit or loss	(501,728)	(1,037,812)	206,904
(Increase) decrease in accounts receivable and other receivables, prepayments and deposits	(470,976)	(388,053)	570,120
Decrease (increase) in bank balances – trust and segregated accounts	4,793	(17,616)	(16,022)
Increase (decrease) in accounts payable and other payables	<u>15,440</u>	<u>74,095</u>	<u>(29,133)</u>
Cash (used in) generated from operations	(599,246)	(883,272)	936,547
Interest income from margin clients	11,762	5,537	1,495
Loan interest income	23,513	22,181	20,311
Income tax refunded (paid)	<u>271</u>	<u>(10,103)</u>	<u>(5,394)</u>
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	<u>(563,700)</u>	<u>(865,657)</u>	<u>952,959</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INVESTING ACTIVITIES			
Bank interest received	838	2,699	46
Purchase of property, plant and equipment	(166)	(61)	(170,888)
Deposit paid for an acquisition of a subsidiary (Note 30)	–	(61,202)	–
Deposits paid for acquisition of property, plant and equipment	–	(1,500)	(37,248)
Dividends received	9	25,310	2,751
Proceeds from disposal of property, plant and equipment	–	129	61,500
Purchase of available-for-sale investments	–	(598,207)	(333,053)
Advance to immediate holding company	–	–	(2,426)
Net cash flow arising from acquisition of subsidiaries	–	–	20
Investment in an associate	(45,000)	(8,619)	–
Proceed from disposal of an investment in an associate	–	–	42,415
Proceed from disposal of available-for-sale investments	<u>–</u>	<u>–</u>	<u>5,944</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(44,319)</u>	<u>(641,451)</u>	<u>(430,939)</u>
FINANCING ACTIVITIES			
Interest paid on borrowings	(255)	(5,590)	(10,371)
New borrowings raised	–	500,000	–
Settlement of borrowings	–	–	(500,000)
Advance from immediate holding company	200,000	38,760	–
Repayment to immediate holding company	(200,000)	–	(38,760)
Proceed from issue of convertible notes	–	–	150,000
Dividend paid	–	–	(35,000)
Proceeds from issuance of shares	<u>699,000</u>	<u>925,000</u>	<u>–</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>698,745</u>	<u>1,458,170</u>	<u>(434,131)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	90,726	(48,938)	87,889
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>35,578</u>	<u>126,304</u>	<u>77,366</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
represented by bank balances			
(general accounts) and cash	<u>126,304</u>	<u>77,366</u>	<u>165,255</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Included in assets classified as held for sale (<i>Note 31</i>)	–	–	4,525
Bank balances (general accounts) and cash	<u>126,304</u>	<u>77,366</u>	<u>160,730</u>
	<u><u>126,304</u></u>	<u><u>77,366</u></u>	<u><u>165,255</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. General

Win Wind is an investment holding company and the Win Wind Group is principally engaged in the financial services sector, i.e. provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and management services. Enerchina Holdings Limited is the immediate and ultimate holding company of Win Wind.

The Financial Information are presented in Hong Kong dollars, which is also the functional currency of Win Wind.

2. Application of New And Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Win Wind Group has applied all HKFRSs which are effective for the Win Wind Group’s accounting period beginning on 1 April 2015, consistently throughout the Relevant Periods.

The Win Wind Group has not early applied the following new or revised HKFRSs that have been issued which may be relevant to the Win Wind Group but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
HKFRS 16	Leases ²

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

² Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets; b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, 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 subsequent accounting periods. Debt instruments 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, 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) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of Win Wind anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Win Wind Group’s financial assets (e.g. the Win Wind Group’s certain unlisted shares that are currently classified as available-for-sale investments at cost will have to be redesignated as and measured at either fair value through profit or loss, or fair value through other comprehensive income, upon the adoption of HKFRS 9; less allowance for expected credit loss on financial assets will have to be recognised and measured upon adoption of HKFRS 9). Regarding the Win Wind Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 – Revenue from contracts with customers

HKFRS 15 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 with 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 obligation in the contract.
- Step 5: Recognise revenue when the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when a performance obligation is satisfied. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of Win Wind anticipate that the application of HKFRS 15 may affect the amount reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until Win Wind performs a detailed review.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. It distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors.

Application of HKFRS 16 will result in Win Wind's recognition of right-of-use assets and corresponding liabilities in respect of many of Win Wind's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments in note 33 to these Financial Information. The directors of Win Wind anticipate that the application of HKFRS 16 in the future may have an impact on Win Wind's Financial Information however, it is not practicable to provide a reasonable estimate of the effect until Win Wind performs a detailed review.

Except for above, the directors of Win Wind anticipate that the application of the other new and revised HKFRSs will have no material impact on the Financial Information.

3. Significant Accounting Policies

The Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with HKFRSs issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on fair value of the consideration given in exchange for goods or 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 Win Wind 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 the Financial Information is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 “Impairment of assets”.

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 principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of Win Wind and entities controlled by Win Wind and its subsidiaries. Control is achieved when Win Wind:

- 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 Win Wind Group 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 Win Wind Group obtains control over the subsidiary and ceases when the Win Wind Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Win Wind Group gains control until the date when the Win Wind Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Win Wind. Total comprehensive income of subsidiaries is attributed to the owners of Win Wind.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Win Wind Group are eliminated in full on consolidation.

Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling 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 in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling 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.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

As of 1 April 2013, the merger reserves amounted to HK\$9,366,000, which is the result of share exchange transactions between Win Wind Investment (Holdings) Limited and Enerchine Corporate Finance Limited, and between Win Wind Intermediary Financial Services Limited and Win Wind Capital Limited.

Interests in associates

An associate is an entity over which the Win Wind Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Win Wind Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Win Wind Group's share of the profit or loss and other comprehensive income of the associate. When the Win Wind Group's share of losses of an associate exceeds the Win Wind Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Win Wind Group's net investment in the associate), the Win Wind Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Win Wind Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Win Wind Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Win Wind Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Win Wind Group's Financial Information only to the extent of interests in the associate that are not related to the Win Wind Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Fee and commission income is recognised when the services are provided, or when the relevant significant acts have been completed in accordance with the terms of the agreements.

Advisory and other fee income are recognised when the relevant services have been rendered.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Win Wind Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Win Wind Group and the amount of income can be measured reliably. Interest income 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 held for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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 the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Win Wind 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 Win Wind Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Win Wind Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 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 for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represents financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Win Wind Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

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 other deposits, accounts receivable and other receivables, bank balances – trust and segregated accounts and bank balances (general accounts) and cash are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Win Wind Group designated the investments in unlisted shares, an investment fund and certain listed shares as available-for-sale financial assets on initial recognition of those items.

Investments held by the Win Wind Group that are classified as available-for-sale financial assets and are either traded in an active market or valued by appropriate valuation techniques as disclosed in note 6 to these Financial Information are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Win Wind Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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.

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.
- disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets in 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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

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 premiums 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.

Convertible notes containing liability (including early redemption option) and equity components

Convertible notes issued by the Win Wind Group that contain both the liability (together with the early redemption option which is closely related to the host liability component) and equity (conversion option) components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Win Wind Group's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the convertible notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of Win Wind, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including accounts payable and other payables and convertible notes liability are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Win Wind Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, 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 Win Wind Group derecognises financial liabilities when, and only when, the Win Wind Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable 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 Win Wind Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Borrowing costs

All other borrowing costs are recognised as and included in finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the Financial Information 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 term of historical cost in a foreign currency are not re-translated.

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

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 Win Wind Group's liability for 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 differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases 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 differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 investments in subsidiaries, except where the Win Wind 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 and interests 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 the 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 tax rates (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 Win Wind 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.

4. Key Sources of Estimation Uncertainty

In the application of the Win Wind Group's accounting policies, which are described in note 3, the directors of Win Wind are required to make 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 on-going 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.

The following 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 within the next financial year.

Impairment of loans receivable

The impairment of loans receivable of the Win Wind Group is estimated based on the evaluation of collectability and ageing analysis of individual account receivable and loans performed by the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and borrower. If the financial conditions of customers and borrowers of the Win Wind Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairments may be required. As at 31 March 2014, 2015 and 2016, the carrying amounts of accounts receivable arising from secured margin clients and loans to independent third parties are HK\$276,534,000, HK\$84,483,000 and HK\$9,939,000 and HK\$186,400,000, HK\$717,063,000 and HK\$264,682,000 respectively.

5. Capital Risk Management

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

The capital structure of the Win Wind Group consists of convertible notes liability and equity attributable to owner of Win Wind, comprising issued share capital and reserves.

The directors of Win Wind review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Win Wind will balance its overall capital structure through the payment of dividends and new share issues and raise of new loan borrowings.

6. Financial Instruments

Categories of financial instruments

	As at 31 March		
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	630,941	986,797	515,347
Financial assets at FVTPL	760,772	1,798,584	1,591,680
Available-for-sale investments	–	599,617	887,520
Financial liabilities			
Amortised cost	<u>32,244</u>	<u>645,099</u>	<u>181,428</u>

Financial risk management objectives and policies

The Win Wind Group's major financial instruments include other deposits, financial assets at fair value through profit or loss, amount due from (to) immediate holding company, accounts receivable and other receivables, available-for-sale investments, bank balances – trust and segregated accounts, bank balances (general accounts) and cash, accounts payable and other payables, other borrowings and convertible notes liability. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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. The risks associated and the management policies remain unchanged during the Relevant Periods.

Market risks

Interest rate risk

The Win Wind Group is exposed to fair value interest rate risk in relation to fixed-rate convertible notes liabilities (see note 27), fixed-rate loans to independent third parties (see note 20) and cash flow interest rate risk in relation to variable-rate bank balances. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The management considers that the Win Wind Group's exposure to cash flow interest rate risk on variable-rate bank balances as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

Price risk

The Win Wind Group is exposed to price risk through its investments in listed and unlisted equity securities, and unlisted investment funds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Win Wind Group's price risk is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong. Other than this, the Win Wind Group does not have any concentration on price risk in listed shares or unlisted investment funds.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date from financial assets at fair value through profit or loss and available-for-sale investments (including investments in listed and unlisted equity securities and unlisted investment fund, but excluding unlisted equity securities stated at cost).

If the prices of the respective equity securities had been 15% higher/lower, profit after tax for the years ended 31 March 2014, 2015 and 2016 would increase/decrease by HK\$98,483,000, HK\$225,273,000 and HK\$199,363,000, respectively, as a result of the changes in fair value of financial assets at fair value through profit or loss and investment revaluation reserve for the years ended 31 March 2015 and 2016 would increase/decrease by HK\$6,941,000 and HK\$25,906,000, respectively, as a result of the changes in unlisted shares in overseas, listed equity securities and unlisted investment funds classified as available-for-sale investments carried at fair value.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Win Wind Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Win Wind 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 Win Wind Group reviews the recoverable amount of each individual accounts receivable and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Win Wind consider that the Win Wind Group's credit risk is significantly reduced.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the management of the Win Wind Group is responsible to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, management of the Win Wind Group reviews the recoverable amount of loans receivable and accounts receivable from provision of financial, consultancy and corporate finance advisory services and secured margin clients as disclosed in note 20 on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Win Wind consider that the Win Wind Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The credit risk on accounts receivable from a clearing house is limited because the counterparty has high credit ratings assigned by international credit rating agencies.

The Win Wind Group has concentration of credit risk on accounts receivable from cash clients as 98.97%, 99.85%, 99.88% of the total was due from the top five customers as at 31 March 2014, 2015 and 2016 respectively. It has concentration of credit risk on accounts receivable from margin clients as 64.09%, 73.62% and 96.23% of the total was due from the top five customers as at 31 March 2014, 2015 and 2016 respectively. These accounts receivables are secured by clients' securities held by the Win Wind Group.

The Win Wind Group has concentration of credit risk as 57.98%, 45.32% and 78.72% of the total loans receivable was due from the Win Wind Groups' five largest customers as at 31 March 2014, 2015 and 2016 respectively. These loans receivables are due from individuals and corporates without previous default records. Management of the Win Wind Group monitors these exposure from time to time to assess their recoverability.

Liquidity risk

In the management of the liquidity risk, the Win Wind Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Win Wind Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Win Wind Group's remaining contractual maturity for its 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 Win Wind Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity and interest risk tables

	Average effective interest rate %	On demand or less than 1 year HK\$'000	1 – 2 years HK\$'000	2 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 March 2014						
<i>Non-derivative financial liabilities</i>						
Amounts due to cash clients	–	1,055	–	–	1,055	1,055
Amounts due to margin clients	6%-24%	8,476	–	–	8,476	8,476
Accounts payable arising from provision of securities brokerage business with HKSCC	–	663	–	–	663	663
Other payables and accrued charges	–	22,050	–	–	22,050	22,050
		<u>32,244</u>	<u>–</u>	<u>–</u>	<u>32,244</u>	<u>32,244</u>
As at 31 March 2015						
<i>Non-derivative financial liabilities</i>						
Amounts due to cash clients	–	54,015	–	–	54,015	54,015
Amounts due to margin clients	6%-24%	25,758	–	–	25,758	25,758
Amount due to immediate holding company	–	38,760	–	–	38,760	38,760
Other borrowings	8%	509,534	–	–	509,534	500,000
Other payables and accrued charges	–	14,271	–	–	14,271	14,271
Accounts payable arising from provision of securities business with HKSCC	–	12,295	–	–	12,295	12,295
		<u>654,633</u>	<u>–</u>	<u>–</u>	<u>654,633</u>	<u>645,099</u>
As at 31 March 2016						
<i>Non-derivative financial liabilities</i>						
Amounts due to cash clients	–	1,255	–	–	1,255	1,255
Amounts due to margin clients	6%-24%	43,924	–	–	43,924	43,924
Accounts payable arising from provision of securities brokerage business with HKSCC	–	17,269	–	–	17,269	17,269
Other payables and accrued charges	–	14,584	–	–	14,584	14,584
Convertible notes (note)	15.83%	3,000	155,260	–	158,260	104,396
		<u>80,032</u>	<u>155,260</u>	<u>–</u>	<u>235,292</u>	<u>181,428</u>

Note: The amount of undiscounted cash flows represents the redemption amount including the relevant interest payment of the convertible notes required on the assumption that no early conversion and redemption would take place before its maturity.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

Fair value measurements of financial instruments

Fair value of the Win Wind Group's financial assets that are measured at fair value on a recurring basis

The Win Wind Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31 March			Fair value hierarchy	Valuation technique
	2014	2015	2016		
	HK\$'000	HK\$'000	HK\$'000		
1. Investments in listed equity securities classified as financial assets at FVTPL	760,772	1,798,584	1,591,680	Level 1	Quoted bid prices in an active market
2. Investments in unlisted investment funds classified as available-for-sale investments	–	40,161	42,019	Level 2	Derived from quoted prices from pricing services based on net asset value of the funds
3. Investments in listed equity securities classified as available-for-sale investments	–	6,112	30,688	Level 1	Quoted from quoted price in active market
4. Investments in equity interest classified as available-for-sale investments	–	–	100,000	Level 3	Based on the net asset value of the investee as the investee's assets mainly comprise Hong Kong listed shares

There were no transfers between Level 1 and 2 during the Relevant Periods.

Reconciliation of Level 3 fair value investments of financial assets

	Available-for-sale investments HK\$'000
At 1 April 2013, 31 March 2014 and 31 March 2015	–
Addition	<u>100,000</u>
At 31 March 2016	<u><u>100,000</u></u>

Fair value of the Win Wind Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of Win Wind estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of Win Wind considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The chief financial officer of Win Wind is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Win Wind Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Win Wind Group used other valuation methods and techniques to perform the valuation. Quoted prices from market or pricing services agent are used if available. If these quoted prices are not available, net asset value of the investee comprising mainly of assets with estimated fair values is used to perform the valuation. The chief financial officer monitors the applicability of these valuation methods and techniques closely to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

7. Revenue and Segment Information

Revenue

Revenue represents the fair value of amounts received and receivable for services provided by the Win Wind Group to external customers, and is analysed as follows:

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Fee and commission income	7,231	3,860	5,243
Interest income from margin clients	11,762	5,537	1,495
Interest income from loans receivable	23,513	22,181	20,311
Advisory and other fee income	<u>11,549</u>	<u>8,812</u>	<u>9,580</u>
Total	<u>54,055</u>	<u>40,390</u>	<u>36,629</u>

The Win Wind Group determines its operating segments based on the reports reviewed by the directors of Win Wind who are also the chief operating decision makers ("CODM") that are used to make strategic decisions. Information reported to the chief operating decision makers is based on the business lines operated by the Win Wind Group. No operating segments have been aggregated to form the following reportable segments.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

Details of the Win Wind Group's operating and reportable segments are as follows:

- (a) the provision of securities brokerage and provision of financial, consultancy and corporate financial advisory services (the "**Financial Services**");
- (b) securities trading and investments; and
- (c) money lending.

Segment revenue and results

An analysis of the Win Wind Group's operating and reportable segment revenue and segment results is as below:

For the year ended 31 March 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment revenue				
Revenue from financial services	30,542	–	–	30,542
Revenue from money lending	–	–	23,513	23,513
	<u>30,542</u>	<u>–</u>	<u>23,513</u>	<u>54,055</u>
Gains on financial assets at fair value through profit or loss	–	362,941	–	362,941
	<u>–</u>	<u>362,941</u>	<u>–</u>	<u>362,941</u>
Segment revenue	<u>30,542</u>	<u>362,941</u>	<u>23,513</u>	<u>416,996</u>
Segment profit	<u>25,775</u>	<u>361,661</u>	<u>18,718</u>	406,154
Unallocated other income				838
Net exchange gain				196
Share of results of an associate				(2,420)
Central corporate expenses				<u>(18,302)</u>
Profit before taxation				<u>386,466</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

For the year ended 31 March 2015

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment revenue				
Revenue from financial services	18,209	–	–	18,209
Revenue from money lending	–	–	22,181	22,181
	18,209	–	22,181	40,390
Gains on financial assets at fair value through profit or loss	–	519,556	–	519,556
Segment revenue	18,209	519,556	22,181	559,946
Segment (loss) profit	(1,094)	543,579	13,279	555,764
Unallocated other income				2,699
Net exchange gain				1
Loss on disposal of property, plant and equipment				(50)
Share of results of an associate				(5,566)
Central corporate expenses				(23,232)
Profit before taxation				529,616

For the year ended 31 March 2016

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment revenue				
Revenue from financial services	16,318	–	–	16,318
Revenue from money lending	–	–	20,311	20,311
	16,318	–	20,311	36,629
Gains on financial assets at fair value through profit or loss	–	269,289	–	269,289
Segment revenue	16,318	269,289	20,311	305,918
Segment (loss) profit	(27,988)	221,049	4,742	197,803
Unallocated other income				46
Net exchange loss				(15)
Gain on disposal of property, plant and equipment				2,478
Loss on disposal of an associate				(3,218)
Central corporate expenses				(41,642)
Profit before taxation				155,452

Segment revenue includes revenue from financial services and money lending operations. In addition, the chief operation decision makers also consider gains on financial assets at fair value through profit or loss as segment revenue.

The accounting policies of the reportable and operating segment are the same as the Win Wind Group's accounting policies. Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, net foreign exchange gain (loss), (loss) gain on disposal of property, plant and equipment, loss on disposal of an associate, share of results of an associate, central corporate expenses and taxation. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Win Wind Group's assets and liabilities by reportable and operating segment:

At 31 March 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Consolidated HK\$'000
Segment assets	<u>289,011</u>	<u>786,295</u>	<u>190,846</u>	1,266,152
Property, plant and equipment				564
Interest in an associate				42,580
Unallocated other receivables, deposits and prepayments				907
Bank balances (general accounts) and cash				<u>126,304</u>
Consolidated assets				<u>1,436,507</u>
Segment liabilities	<u>26,841</u>	<u>9</u>	<u>4,845</u>	31,695
Unallocated other payables				549
Tax liabilities				6,755
Deferred taxation				<u>55,045</u>
Consolidated liabilities				<u>94,044</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

At 31 March 2015

	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>180,755</u>	<u>2,398,208</u>	<u>728,984</u>	3,307,947
Property, plant and equipment				302
Deposit paid for an acquisition of a subsidiary				61,202
Interest in an associate				45,633
Unallocated other receivables, deposits and prepayments				2,835
Bank balances (general accounts) and cash				<u>77,366</u>
Consolidated assets				<u>3,495,285</u>
Segment liabilities	<u>94,503</u>	<u>9</u>	<u>511,279</u>	605,791
Unallocated other payables				548
Tax liabilities				4,518
Amount due to immediate holding company				38,760
Deferred taxation				<u>131,454</u>
Consolidated liabilities				<u>781,071</u>

At 31 March 2016

	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment assets	<u>77,321</u>	<u>2,479,238</u>	<u>273,802</u>	2,830,361
Property, plant and equipment				163,388
Deposit paid for acquisition of property, plant and equipment				37,248
Unallocated other receivables, deposits and prepayments				2,680
Amount due from immediate holding company				2,426
Bank balances (general accounts) and cash				160,730
Assets classified as held for sale				<u>5,745</u>
Consolidated assets				<u>3,202,578</u>
Segment liabilities	<u>66,741</u>	<u>7,842</u>	<u>2,348</u>	76,931
Unallocated other payables				101
Tax liabilities				46,930
Deferred taxation				130,387
Convertible notes liability				104,396
Liabilities associated with assets held for sale				<u>346</u>
Consolidated liabilities				<u>359,091</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than property, plant and equipment, deposit paid for acquisition of property, plant and equipment, deposit paid for an investment, interest in an associate, certain other receivables, deposits and prepayments, the amount due from immediate holding company, assets classified as held for sale and bank balances (general accounts) and cash.
- all liabilities are allocated to operating and reportable segments other than certain other payables, tax payable, the amount due to immediate holding company, other borrowings, deferred tax liabilities, liabilities associated with assets held for sale and convertible notes liability.

Other segment information

For the year ended 31 March 2014

	Financial services HK\$'000	Securities trading and investments HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment profit which are regularly reviewed by the CODM:					
Interest expenses	–	8	247	–	255
Entertainment expenses	4,052	–	360	–	4,412
Amounts not included in the measure of segment profit or segment assets which are regularly reviewed by the CODM:					
Interest income on bank balances	–	–	–	838	838
Share of results of an associate	–	–	–	2,420	2,420
Income tax expenses	4,530	55,044	2,456	–	62,030
Additions of property, plant and equipment	–	–	–	166	166
Depreciation of property, plant and equipment	–	–	–	206	206
	<u>–</u>	<u>–</u>	<u>–</u>	<u>206</u>	<u>206</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

For the year ended 31 March 2015

	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit which are regularly reviewed by the CODM:					
Interest expenses	–	1	5,589	–	5,590
Entertainment expenses	18,704	–	1,409	–	20,113
Impairment loss in respect of loans receivable	–	–	875	–	875
Amounts not included in the measure of segment profit or segment assets which are regularly reviewed by the CODM:					
Interest income on bank balances	–	–	–	2,699	2,699
Share of results of an associate	–	–	–	5,566	5,566
Income tax expenses	2,933	79,959	1,383	–	84,275
Additions of property, plant and equipment	–	–	–	61	61
Loss on disposal of property, plant and equipment	–	–	–	50	50
Depreciation of property, plant and equipment	–	–	–	144	144
	<u>–</u>	<u>–</u>	<u>–</u>	<u>144</u>	<u>144</u>

For the year ended 31 March 2016

	Financial services <i>HK\$'000</i>	Securities trading and investments <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit which are regularly reviewed by the CODM:					
Interest expenses	–	198	9,425	3,994	13,617
Entertainment expenses	31,110	–	627	–	31,737
Impairment loss in respect of loans receivable	–	–	3,435	–	3,435
Gain on disposal of an available for-sale investment	–	3,313	–	–	3,313
Impairment loss in respect of an available-for-sale investment	–	49,400	–	–	49,400
Amounts not included in the measure of segment profit or segment assets which are regularly reviewed by the CODM:					
Interest income on bank balances	–	–	–	46	46
Loss on disposal of an associate	–	–	–	3,218	3,218
Income tax expenses	18,486	28,063	361	–	46,910
Additions of property, plant and equipment	–	–	–	170,888	170,888
Gain on disposal of property, plant and equipment	–	–	–	2,478	2,478
Depreciation of property, plant and equipment	–	–	–	9,950	9,950
	<u>–</u>	<u>–</u>	<u>–</u>	<u>9,950</u>	<u>9,950</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

Geographical information

No geographical segment information is presented as the Win Wind Group's revenue are all derived from Hong Kong based on the location of services provided and all the Win Wind Group's non-current assets are located in Hong Kong.

Information about major customers

No individual customer was accounted for over 10% of the Win Wind Group's total revenue during the Relevant Periods.

8. Other Income and Other Gains and Losses, Net

Other income

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Interest income on bank balances	838	2,699	46
Dividend income from financial assets at fair value through profit or loss	9	25,310	2,751
Others	1,851	6,904	4,392
	<u>2,698</u>	<u>34,913</u>	<u>7,189</u>

Other gains and losses, net

	Year ended 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Net foreign exchange gain (loss)	196	1	(15)
(Loss) gain on disposal of property, plant and equipment	–	(50)	2,478
Gain on disposal of an available-for-sale investment	–	–	3,313
Impairment loss in respect of an available-for-sale investment	–	–	(49,400)
Loss on disposal of an associate	–	–	(3,218)
Impairment loss in respect of loans receivable	–	(875)	(3,435)
	<u>196</u>	<u>(924)</u>	<u>(50,277)</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

9. Finance Costs

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on			
– other borrowings	255	5,590	9,623
– convertible notes	–	–	3,994
	<u>255</u>	<u>5,590</u>	<u>13,617</u>

10. Other expenses

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditors' remuneration	431	650	530
Donation	789	450	1,648
Entertainment expenses	4,412	20,113	31,737
Legal and professional fee	1,220	5,422	3,005
Operating lease payments in respect of rented premises	5,663	8,110	10,901
Yacht related expenses	–	–	4,439
Other operating expenses	<u>8,597</u>	<u>7,307</u>	<u>15,408</u>
	<u>21,112</u>	<u>42,052</u>	<u>67,668</u>

11. Taxation

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:			
Hong Kong Profits Tax			
– Provision for the year	7,005	7,974	48,025
– Overprovision in respect of prior years	(20)	(108)	(48)
Deferred tax	<u>55,045</u>	<u>76,409</u>	<u>(1,067)</u>
	<u>62,030</u>	<u>84,275</u>	<u>46,910</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Periods.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

The taxation 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:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>386,466</u>	<u>529,616</u>	<u>155,452</u>
Taxation at domestic income tax rate of 16.5%	63,767	87,387	25,650
Tax effect of income not taxable for tax purposes	(867)	(4,177)	(1,887)
Tax effect of share of results of an associate	399	918	–
Tax effect of expenses not deductible for tax purposes	53	115	10,867
Tax effect of tax losses not recognised	85	140	12,360
Utilisation of tax loss previously not recognised	(1,393)	–	–
Overprovision in respect of prior years	(20)	(108)	(48)
Others	<u>6</u>	<u>–</u>	<u>(32)</u>
Taxation for the year	<u>62,030</u>	<u>84,275</u>	<u>46,910</u>

12. Profit for the Year

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):			
Auditors' remuneration	431	650	530
Operating lease payments in respect of rented premises	<u>5,663</u>	<u>8,110</u>	<u>10,901</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

13. Directors', Chief Executive's and Employees' Emoluments

Directors' emoluments

Details of emoluments paid to the directors of Win Wind for the service in connection with the management of the affairs of the Win Wind Group during the Relevant Periods are as follows:

	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contribution HK\$'000	Total HK\$'000
For the year ended 31 March 2014				
Sam Nickolas David Hing Cheong	–	551	13	564
Sun Dixie Hui	–	1,101	13	1,114
Wong Wan Men, Margaret	–	750	15	765
	<u>–</u>	<u>2,402</u>	<u>41</u>	<u>2,443</u>

	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contribution HK\$'000	Total HK\$'000
For the year ended 31 March 2015				
Sam Nickolas David Hing Cheong	–	600	18	618
Sun Dixie Hui	–	1,000	18	1,018
Wong Wan Men, Margaret	–	900	18	918
Chan Kwok On	–	300	8	308
	<u>–</u>	<u>2,800</u>	<u>62</u>	<u>2,862</u>

	Directors' fee HK\$'000	Salaries and allowances HK\$'000	Retirement benefits scheme contribution HK\$'000	Total HK\$'000
For the year ended 31 March 2016				
Sam Nickolas David Hing Cheong	–	600	18	618
Sun Dixie Hui	–	600	18	618
Wong Wan Men, Margaret	–	900	18	918
Chow Chi Wah, Vincent	–	425	8	433
Chan Kwok On	–	790	14	804
	<u>–</u>	<u>3,315</u>	<u>76</u>	<u>3,391</u>

The emoluments stated above were mainly for their services in connection with their roles as directors of Win Wind and subsidiary undertakings.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

On 3 November 2014, Mr. Chan Kwok On has been appointed as director of Win Wind. He resigned from his position on 31 December 2015.

During the Relevant Periods, no remuneration was paid by Win Wind to the directors as an inducement to join or upon joining Win Wind or as compensation for loss of office. The directors of Win Wind have not waived any remuneration during the Relevant Periods.

Employees' emoluments

The five highest paid individuals of the Win Wind Group include two, three, two directors of Win Wind for the three years ended 31 March 2014, 2015 and 2016 respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining three, two, three individuals for the years ended 31 March 2014, 2015 and 2016 respectively, are as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	1,870	1,680	2,078
Contributions to retirement benefit scheme	<u>44</u>	<u>35</u>	<u>48</u>
	<u><u>1,914</u></u>	<u><u>1,715</u></u>	<u><u>2,126</u></u>

The number of highest paid employees who are not the directors of Win Wind whose remuneration fell within the following bands is as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>No. of employees</i>	<i>No. of employees</i>	<i>No. of employees</i>
Nil to HK\$1,000,000	3	2	3
HK\$1,000,000 to HK\$1,500,000	<u>-</u>	<u>-</u>	<u>-</u>

During the Relevant Periods, no emoluments were paid by the Win Wind Group to the five highest paid individuals as an inducement to join or upon joining the Win Wind Group.

14. Dividend

Dividend paid by Win Wind to the shareholder of Win Wind during the Relevant Periods are as follows:

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend declared and paid (2016 Interim – HK\$34 cents per share)	<u>-</u>	<u>-</u>	<u>35,000</u>

15. Earnings Per Shares

The calculation of the basic and diluted earnings per share attributable to the shareholder of Win Wind is based on the following data:

Earnings

	Year ended 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to the shareholder of Win Wind)	<u>324,436</u>	<u>445,341</u>	<u>108,542</u>

Number of shares

	Year ended 31 March		
	2014	2015	2016
Weighted average number of ordinary shares in issue during the year, for the purpose of basic and diluted earnings per share	<u>59,211,000</u>	<u>84,366,000</u>	<u>101,825,007</u>

No diluted earnings per share is presented for the years ended 31 March 2014 and 2015, as the Win Wind Group did not have any outstanding potential ordinary shares in issue during those years. For the year ended 31 March 2016, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible notes issued by Win Wind since their exercise would result in increase in earnings per share.

16. Property, Plant and Equipment

	Leasehold improvement HK\$'000	Yacht HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 April 2013	–	–	631	315	946
Additions	82	–	84	–	166
At 31 March 2014	82	–	715	315	1,112
Additions	–	–	61	–	61
Disposals	–	–	–	(315)	(315)
At 31 March 2015	82	–	776	–	858
Additions	–	154,510	590	15,788	170,888
Disposals	–	(61,592)	–	–	(61,592)
Addition via acquisition of a subsidiary	–	61,182	–	–	61,182
Transfer to assets classified as held for sale	–	–	(82)	–	(82)
At 31 March 2016	82	154,100	1,284	15,788	171,254
ACCUMULATED DEPRECIATION					
At 1 April 2013	–	–	291	51	342
Provided for the year	16	–	127	63	206
At 31 March 2014	16	–	418	114	548
Provided for the year	16	–	106	22	144
Eliminated on disposals	–	–	–	(136)	(136)
At 31 March 2015	32	–	524	–	556
Provided for the year	16	8,249	156	1,529	9,950
Eliminated on disposals	–	(2,570)	–	–	(2,570)
Transfer to assets classified as held for sale	–	–	(70)	–	(70)
At 31 March 2016	48	5,679	610	1,529	7,866
CARRYING VALUES					
At 31 March 2014	66	–	297	201	564
At 31 March 2015	50	–	252	–	302
At 31 March 2016	34	148,421	674	14,259	163,388

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	20%
Yacht	10%
Furniture, fixture and equipment	20%
Motor vehicles	20%

As of 31 March 2015 and 2016, the Win Wind Group paid HK\$1,500,000 and HK\$37,248,000 as deposits for acquisition for property, plant and equipment respectively.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

17. Available-for-sale Investments

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Unlisted shares in overseas, at cost			
<i>(Note i & iii)</i>	–	553,344	714,813
Unlisted shares in overseas, at fair value			
<i>(Note ii)</i>	–	–	100,000
Unlisted investment fund, at fair value	–	40,161	42,019
Listed shares in Hong Kong, at fair value	–	6,112	30,688
	<u>–</u>	<u>6,112</u>	<u>30,688</u>
 Total	 <u>–</u>	 <u>599,617</u>	 <u>887,520</u>

Notes:

- (i) Investments in unlisted equity securities issued by private entities are held for an identified long-term strategic purpose. The available-for-sale investments are measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of Win Wind are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 March 2016, the Win Wind Group subscribed for 7.07% of the enlarged share capital of an entity incorporated in the Marshall Islands, which is principally engaged in investment in private equities and money lending business in Hong Kong, with a cash consideration of HK\$209,000,000.

The Win Wind Group has disposed of its interests in an unlisted equity investment in a company incorporated in overseas with carrying amount of HK\$2,631,000 at a consideration of HK\$5,944,000 during the year ended 31 March 2016. There is a gain of HK\$3,313,000 recognised upon the disposal.

During the year ended 31 March 2015, the Win Wind Group subscribed for 1.99% of the enlarged share capital of an entity incorporated in the BVI, which is principally engaged in property investment and investment in artworks in Hong Kong and other investment in private entities in overseas, with a cash consideration of HK\$50,713,000. Also, the Win Wind Group acquired 5.98% of another entity with a consideration of HK\$2,631,000.

As at 31 March 2015 and 2016, the Win Wind Group owns approximately 9.07% and 7.99%, respectively, of the issued share capital of HEC Capital Limited (“**HEC Capital**”), an unlisted private company incorporated in Cayman Islands, with a carrying amount of HK\$500,000,000 and HK\$500,000,000, respectively. The principal activities of HEC Capital and its subsidiaries are in property investment, securities trading, investment in private equities and funds, provision of securities brokerage services, money lending business in Hong Kong and investment in forest assets in PRC.

- (ii) During the year ended 31 March 2016, the Win Wind Group subscribed for 5.48% of the enlarged share capital of an unlisted entity incorporated in the BVI, which is principally engaged in securities investment in Hong Kong, with a cash consideration of HK\$100,000,000. The investment is measured at fair value subsequent to initial recognition.

- (iii) For the available-for-sale investments stated at cost less impairment, the management of the Win Wind Group reviews the latest available financial information about the investees' financial positions, such as net asset value per share and consequently considers no objective evidence of impairment was identified at 31 March 2014, 2015 and 2016 for these investments, except as disclosed below.

During the year ended 31 March 2016, an impairment loss of HK\$49,400,000 is recognised against the carrying amount of the unlisted investment in a private entity incorporated in the Marshall Islands due to the significant decrease in net asset of that private entity because of impairment of its underlying investments. Other than this, the directors of the Win Wind Group consider no further impairment should be recognised during the years ended 31 March 2014, 2015 and 2016.

18. Interest in an Associate

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Cost of investment in an associate			
Unlisted shares	45,000	53,619	—
Share of post-acquisition losses	<u>(2,420)</u>	<u>(7,986)</u>	<u>—</u>
	<u>42,580</u>	<u>45,633</u>	<u>—</u>

During the year ended 31 March 2016, the Win Wind Group disposed of its interests in the associate to an independent third party at a cash consideration of HK\$42,415,000 which resulted in a loss of HK\$3,218,000 upon disposal.

As at 31 March 2014 and 2015, the Win Wind Group had interests in the following associate:

Name of entity	Form of business structure	Country of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Win Wind Group			Proportion of voting power held			Principal activities
					2014	2015	2016	2014	2015	2016	
Gain All Investments Limited	Incorporated	BVI	Hong Kong	Ordinary	34.61	49.92	—	34.61	49.92	—	Investment holding in a yacht

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

The summarised financial information as at 31 March 2014 and 2015 in respect of the Win Wind Group's associate prepared in accordance with HKFRS is set out below:

	2014 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets	25,924	114,659
Current assets	95,361	603
Current liabilities	<u>(5,063)</u>	<u>(10,186)</u>
Net assets	<u>116,222</u>	<u>105,076</u>
Win Wind Group's share of net assets of associate	<u>42,580</u>	<u>45,633</u>
Revenue	<u>—</u>	<u>—</u>
Loss and total comprehensive expense for the year	<u>(5,871)</u>	<u>(11,146)</u>
Win Wind Group's share of losses and total comprehensive expense of an associate for the year	<u>(2,420)</u>	<u>(5,566)</u>

There are no significant restrictions on the ability of the associate to transfer funds to the Win Wind Group in the form of cash dividends, or to repay loans or advance made by the Win Wind Group.

19. Other Deposits

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Statutory and other deposits with exchanges and clearing houses	<u>255</u>	<u>280</u>	<u>520</u>

The above deposits are non-interest bearing.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

20. Accounts Receivable and Other Receivables, Deposits and Prepayments

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
<u>Current assets</u>			
Accounts receivable arising from the business of advisory for corporate finance and investment management	270	570	300
Accounts receivable from cash clients	22	13,002	17,622
Accounts receivable from margin clients (Note)	276,534	84,483	9,939
Accounts receivable arising from the provision of securities brokerage business with Hong Kong Securities Clearing Company Limited ("HKSCC")	639	50,518	–
Loans to independent third parties (note)	153,560	665,228	237,551
Deposits with securities brokers	25,523	–	2,313
Other receivables, deposits and prepayments	<u>5,578</u>	<u>16,483</u>	<u>13,761</u>
	<u>462,126</u>	<u>830,284</u>	<u>281,486</u>
 <u>Non-current assets</u>			
Loans to independent third parties (note)	<u>32,840</u>	<u>51,835</u>	<u>27,131</u>
 Loans to independent third parties (note)			
Non-current portion	32,840	51,835	27,131
Current portion	<u>153,560</u>	<u>665,228</u>	<u>237,551</u>
	<u>186,400</u>	<u>717,063</u>	<u>264,682</u>

Note: Loans receivable as at 31 March 2014, 2015 and 2016 include fixed rate loan advances to independent third parties of HK\$97,300,000, HK\$73,340,000 and HK\$59,051,000, respectively, which are secured by the pledge of certain collaterals and personal guarantees, and have contractual loan period between 3 months and 7 years as at 31 March 2014, 2015 and 2016 under the Win Wind Group's money lending operation. The management of the Win Wind Group believes that the amount is considered recoverable given the fair value of the collaterals is sufficient to cover the entire loan balance for each of the secured loan advances. The remaining balances of HK\$89,100,000, HK\$643,723,000 and HK\$205,631,000 as at 31 March 2014, 2015 and 2016, respectively granted to independent third parties, are unsecured and have contracted loan period between 6 months to 37 years. The average interest rates for the secured loans receivable were ranging from 8% to 12%, from 7% to 12% and from 5% to 10% per annum, and for the unsecured loans receivable from 5% to 24%, from 7% to 24% and from 7% to 24% per annum, during the years ended 31 March 2014, 2015 and 2016 respectively.

As at 31 March 2014, 2015 and 2016, the Win Wind Group has provided to its borrowers undrawn committed facilities amounting in aggregate to HK\$21,500,000, HK\$24,000 and HK\$50,260,000 respectively in relation to these secured and unsecured loans receivable for customers to draw down.

The amount granted to individuals depends on management's assessment of credit risk on the customers by evaluation on background check (such as their professional, their salaries and current working position) and repayment abilities by means by analysis of the market value of the securities portfolio of the customers in the Win Wind Group's brokerage accounts. The Win Wind Group determines the allowance of impaired debts based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement, including assessment of change of credit quality and the past collection history of each customer. There are no loans receivable which were past due at the end of reporting period and the directors of Win Wind consider that no impairment was necessary.

Accounts receivable from margin loans are repayable on demand and bear interest ranging from 6% to 24%, 6% to 24% and 6% to 24%, respectively, per annum during the years ended 31 March 2014, 2015 and 2016. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$1,340,431,000, HK\$405,918,000 and HK\$119,194,000, respectively, as at 31 March 2014, 2015 and 2016. The fair value of pledged marketable securities of the individual margin clients is higher than the corresponding outstanding loans. The Win Wind Group is permitted to sell or repledge the marketable securities if the customers default on the payment when requested by the Win Wind Group. In the opinion of the directors of Win Wind, no aged analysis is disclosed as the aged analysis does not give additional value. Entire amount of accounts receivable arising from secured margin clients are neither past due nor impaired as at 31 March 2014, 2015 and 2016.

The settlement terms of accounts receivable arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of Win Wind, the aged analysis does not give additional value in view of the nature of brokerage business.

The concentration of credit risk on loans receivable, and accounts receivables from cash and margin clients were disclosed in credit risk section in note 6 of this Financial Information.

21. Financial Assets at Fair Value through Profit or Loss

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Investments held for trading:			
Listed shares in Hong Kong	<u>760,772</u>	<u>1,798,584</u>	<u>1,591,680</u>

22. Bank Balances (General Accounts) and Cash/Bank Balances – Trust and Segregated Accounts

Bank balances – trust and segregated accounts

The Win Wind Group receives and holds money deposited by clients and other institutions in the course of the conduct of the regulated activities of its ordinary business. These clients' monies are maintained in one or more segregated bank accounts. The Win Wind Group has recognised the corresponding accounts payable to respective clients and other institutions (*note 23*). However, the Win Wind Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts comprise cash held by the Win Wind Group and short-term bank deposits at market interest rates with an original maturity of three months or less.

Bank balances carry interest at prevailing market rate ranging from 0.001% to 0.35%, 0.001% to 0.35% and 0.001% to 0.35%, respectively, per annum during the years ended 31 March 2014, 2015 and 2016.

23. Accounts Payable and Other Payables

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Accounts payable arising from the provision of securities brokerage business with HKSCC	663	12,295	17,269
Accounts payable to cash clients	1,055	54,015	1,255
Accounts payable to margin clients	8,476	25,758	43,924
Other payables and accrued charges	<u>22,050</u>	<u>14,271</u>	<u>14,584</u>
	<u>32,244</u>	<u>106,339</u>	<u>77,032</u>

The settlement terms of accounts payable arising from the provision of securities brokerage business with HKSCC are usually two days after trade date. No aged analysis is disclosed as in the opinion of directors of Win Wind, the aged analysis does not give additional value in view of the nature of brokerage business.

Accounts payable to cash clients are repayable on demand. In the opinion of the directors of Win Wind, no aged analysis is disclosed as the aged analysis does not give additional value.

Included in the other payables and accrued charges as of 31 March 2016, there are margin loan payables to securities brokers of HK\$7,842,000, pledged by certain of the Win Wind Group's investment in listed shares amounting to HK\$591,860,000.

24. Amount Due from (to) Immediate Holding Company

The amounts are non-trading in nature, unsecured, repayable on demand, and non-interest bearing.

25. Other Borrowings

Other borrowings represent the loan of HK\$500,000,000 borrowed from an independent third party on 9 February 2015. It is unsecured, interest bearing at a fixed rate of 8% per annum. The loan, together with interest, was repaid on 26 June 2015.

26. Deferred Taxation

The following are the major deferred tax liabilities recognised by the Win Wind Group and movement thereon during the Relevant Periods.

	Property, plant and equipment HK\$'000	Unrealised gain on financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
At 1 April 2013	–	–	–
Charge to profit or loss	–	55,045	55,045
At 31 March 2014	–	55,045	55,045
Charge to profit or loss	–	76,409	76,409
At 31 March 2015	–	131,454	131,454
Charge (credit) to profit or loss	18,000	(19,067)	(1,067)
At 31 March 2016	18,000	112,387	130,387

Deferred tax asset has not been recognised in the Financial Information in respect of the estimated tax losses of HK\$1,230,000, HK\$2,078,000 and HK\$76,987,000 of certain subsidiaries as at 31 March 2014, 2015 and 2016, respectively, available to offset future assessable profit due to the unpredictability of future profit streams. Estimated tax losses may be carried forward indefinitely.

27. Convertible Notes

On 28 December 2015, Win Wind issued 2% per annum convertible notes with a principal amount of HK\$150,000,000 which will mature on their third anniversary following the issue of convertible notes (“**Convertible Notes**”) at 100% of principal amount to an independent third party (“**Noteholder**”). The Convertible Notes are denominated in Hong Kong dollars and will be redeemed at 100% of the principal amount upon maturity.

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

The Noteholder has the right to convert, the whole or any part of the outstanding principal amount of the Convertible Notes into the ordinary shares of Win Wind at HK\$30 per share (subject to anti-dilution adjustments) for the period commencing on the date of issue and ending on the maturity date (“**Conversion Period**”).

Also, Win Wind may redeem the convertible notes in whole or in part, at an amount equal to the principal amount outstanding and interest accrued up to redemption date, anytime before maturity. This early redemption option is closely related to the host liability component.

The Convertible Notes contain two components, liability (together with the closely related early redemption option) and equity component. The equity component is presented in equity under the heading convertible notes reserve. The effective interest rate of the liability component is approximately 15.83% per annum. The convertible notes have been valued as at 28 December 2015 by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Win Wind Group.

The movement in the liability component was disclosed as follows:

	<i>HK\$'000</i>
At 1 April 2013, 31 March 2014 and 31 March 2015	–
Issuance of Convertible Notes	101,150
Imputed interests	3,994
Interest paid	<u>(748)</u>
At 31 March 2016	<u><u>104,396</u></u>

28. Share Capital

	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares with no par value		
<i>Authorised:</i>		
At 1 April 2013, 31 March 2014 and 2015	500,000,000	–
Increase in authorised share capital	<u>9,500,000,000</u>	<u>–</u>
At 31 March 2016	<u><u>10,000,000,000</u></u>	<u><u>–</u></u>
<i>Issued and fully paid:</i>		
At 1 April 2013	10,000,007	318,664
Issue of shares	<u>54,950,000</u>	<u>699,000</u>
At 31 March 2014	64,950,007	1,017,664
Issue of shares	<u>36,875,000</u>	<u>925,000</u>
At 31 March 2015 and 2016	<u><u>101,825,007</u></u>	<u><u>1,942,664</u></u>

29. Financial Assets and Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements and Similar Agreements

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Win Wind Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Win Wind Group's consolidated statement of financial position.

Under the continuous net settlement arrangement, money obligations receivable and payable with HKSCC due to or from the group entity on the same settlement date are settled on a net basis. The Win Wind Group has legally enforceable right to set off the amounts of receivables and payables with cash clients and margin clients that are due to be settled on the same date.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Win Wind Group's consolidated statement of financial position are as follows:

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000	Related amount not set off in the consolidated statement of financial position Financial instruments HK\$'000	Collateral received HK\$'000	Net amount HK\$'000
As at 31 March 2014						
Accounts receivable arising from the provision of securities business with HKSCC	1,643	(1,004)	639	(639)	–	–
Accounts receivable from margin clients	295,357	(18,823)	276,534	–	(276,534)	–
Accounts receivable from cash clients	22	–	22	(21)	(1)	–
Statutory deposits	255	–	255	(24)	–	231
Deposits with securities brokers	25,523	–	25,523	–	–	25,523
Bank balances-trust and segregated accounts	9,416	–	9,416	(9,407)	–	9
As at 31 March 2015						
Accounts receivable arising from the provision of securities business with HKSCC	52,434	(1,916)	50,518	(12,295)	–	38,223
Accounts receivable from margin clients	96,976	(12,493)	84,483	–	(84,483)	–
Accounts receivable from cash clients	13,086	(84)	13,002	(47)	(12,943)	12
Statutory deposits	280	–	280	–	–	280
Bank balances-trust and segregated accounts	27,032	–	27,032	(27,023)	–	9
As at 31 March 2016						
Accounts receivable arising from the provision of securities business with HKSCC	385	(385)	–	–	–	–
Statutory deposits	520	–	520	(520)	–	–
Accounts receivable from margin clients	10,116	(177)	9,939	–	(9,939)	–
Accounts receivable from cash clients	17,622	–	17,622	–	(17,622)	–
Deposits with securities brokers	2,313	–	2,313	–	–	2,313
Bank balances-trust and segregated accounts	43,054	–	43,054	(43,054)	–	–
Financial assets at fair value through profit or loss	1,591,680	–	1,591,680	(7,842)	–	1,583,838

	Gross amounts of recognised financial assets set off in the consolidated statement of financial position HK\$'000	Gross amounts of recognised financial liabilities presented in the consolidated statement of financial position HK\$'000	Related amount not set off in the consolidated statement of financial position Financial instruments HK\$'000	Collateral pledged HK\$'000	Net amount HK\$'000
As at 31 March 2014					
Accounts payable to cash clients	1,055	–	1,055	(1,030)	–
Accounts payable arising from the provision of securities business with HKSCC	1,667	(1,004)	663	(663)	–
Accounts payable to margin clients	<u>27,299</u>	<u>(18,823)</u>	<u>8,476</u>	<u>(8,398)</u>	<u>78</u>
As at 31 March 2015					
Accounts payable to cash clients	54,099	(84)	54,015	(2,954)	–
Accounts payable arising from the provision of securities business with HKSCC	14,211	(1,916)	12,295	(12,295)	–
Accounts payable to margin clients	<u>38,251</u>	<u>(12,493)</u>	<u>25,758</u>	<u>(24,116)</u>	<u>1,642</u>
As at 31 March 2016					
Accounts payable to cash clients	1,255	–	1,255	–	–
Accounts payable arising from the provision of securities business with HKSCC	17,654	(385)	17,269	(520)	–
Accounts payable to margin clients	44,101	(177)	43,924	(43,054)	–
Margin loans payable to securities brokers	<u>7,842</u>	<u>–</u>	<u>7,842</u>	<u>(7,842)</u>	<u>–</u>

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Win Wind Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities, which is amortised cost.

30. Acquisition of a Subsidiary

On 24 December 2014, Win Wind Group Limited, a wholly-owned subsidiary of Win Wind, entered into a sale and purchase agreement with an independent third party to acquire the entire equity interest in High Gear Limited (“**High Gear**”), an entity incorporated in the BVI, at a consideration of Euro 7.1 million (equivalent to HK\$61,202,000) (“**Acquisition**”) which was to be satisfied by cash. The Acquisition was completed on 15 April 2015. The main asset of High Gear is a yacht in Hong Kong.

Assets acquired at the date of Acquisition:

	<i>HK\$'000</i>
Property, plant and equipment	61,182
Bank balances (general accounts) and cash	<u>20</u>
	<u>61,202</u>

APPENDIX II FINANCIAL INFORMATION OF WIN WIND GROUP

Net cash inflow arising on acquisition:

	<i>HK\$'000</i>
Cash consideration paid	(61,202)
Amount paid in previous period (<i>Note</i>)	61,202
Add: Bank balances (general accounts) and cash acquired	<u>20</u>
	<u><u>20</u></u>

Note: A deposit of Euro 7.1 million (equivalent to HK\$61,202,000) was paid by the Win Wind Group as at 31 March 2015 and included in deposit paid for an investment in the consolidated statement of financial position.

31. Disposal Group held for sale

On 9 June 2015, the directors resolved to dispose of Enerchine Investment Management Limited (“**EIML**”), a wholly-owned subsidiary of Win Wind Group for providing asset management services (that forms part of the “financial services” segment). Negotiations with interested party have subsequently taken place. The assets and liabilities attributable to EIML, which is expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). EIML is included in the Win Wind Group’s financial services for segment reporting purposes (see note 7). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the EIML classified as held for sale are as follows:

	31 March 2016
	<i>HK\$'000</i>
Property, plant and equipment	12
Accounts receivable and other receivables	1,208
Cash and bank balance	<u>4,525</u>
	<u><u>5,745</u></u>
	<i>HK\$'000</i>
Accounts payable and other payables	(174)
Tax payable	<u>(172)</u>
	<u><u>(346)</u></u>

No gain or loss relating to the disposal group classified as held for sale has been recognised in other comprehensive income and accumulated in equity.

On 8 June 2016, the Securities and Futures Commission has approved the change of substantial shareholder of EIML. The disposal of EIML is expected to be completed by the end of June 2016.

32. Retirement Benefit Schemes

In December 2000, the Win Wind Group enrolled all employees in a Mandatory Provident Fund (“MPF”) Scheme. The assets of the MPF Scheme are held separately from those of the Win Wind Group under the control of trustees. The retirement benefit cost for the MPF charged to the consolidated statement of profit or loss and other comprehensive income represents contributions paid and payable to the fund by the Win Wind Group at rates specified in the rules of the MPF Scheme.

During the Relevant Periods, the total expense recognised in the consolidated statement of profit or loss and other comprehensive income are approximately HK\$243,000, HK\$298,000 and HK\$499,000 for the years ended 31 March 2014, 2015 and 2016 respectively.

33. Operating Lease Commitments

As at 31 March 2014, 2015 and 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31 March		
	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000
Within one year	5,123	7,536	6,744
After one year but within five years	<u>4,252</u>	<u>129</u>	<u>2,784</u>
	<u>9,375</u>	<u>7,665</u>	<u>9,528</u>

The Win Wind Group leases its office premises under operating lease arrangements. Leases for office premises are negotiated for fixed terms ranged from 1 to 3 years during the Relevant Periods.

34. Capital Commitments

	As at 31 March		
	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Note)</i>
Capital expenditure contracted for but not provided in the Financial Information			
– acquisition of property, plant and equipment	<u>–</u>	<u>8,752</u>	<u>37,248</u>
	<u>–</u>	<u>8,752</u>	<u>37,248</u>

Note: The amount represents the outstanding commitment that the Win Wind Group has to pay upon completion of the contract in addition to the deposits paid amounted to HK\$37,248,000, included in deposits paid for acquisition of property, plant and equipment on the consolidated statement of financial position at 31 March 2016.

35. Related Party Transactions

Other than those disclosed elsewhere in this report, the Win Wind Group does not have any related party transactions and balances for the Relevant Periods.

The key management personnel are the directors of Win Wind. The details of the remuneration paid to them are set out in note 13.

36. Subsequent Financial Statements

No audited financial statements have been prepared by Win Wind and its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Win Wind Group's operations for the three years ended 31 March 2014, 2015 and 2016, respectively. The following financial information is based on the accountant's report of Win Wind Group as set out above in Appendix II.

Win Wind Group principally engages in the financial services sector, including the provision of securities brokerage services, placing and underwriting services, the provision of corporate finance advisory services, trading and investment of securities, provision of margin financing, money lending services, investment advisory and management services as well as investment holdings.

BUSINESS REVIEW

For the year ended 31 March 2014, 2015 and 2016, Win Wind Group's turnover amounted to approximately HK\$417.0 million, HK\$559.9 million and HK\$305.9 million respectively, representing an increase of 34% for the year 2015 and a decrease of 45% for the year 2016. Profit for the year increased by 37% to HK\$445.3 million for the year 2015 and decreased by 76% to HK\$108.5 million for the year 2016. The increase in net profit for the year 2015 resulted in a substantial increase in gain on financial assets at fair value through profit or loss but at the same time, an increase in other expenses. For the year 2016, the significant decrease in net profit was mainly due to a decrease in gain on financial assets at fair value through profit or loss, an increase in other expenses and impairment loss in respect of an available-for-sale investment.

Brokerage Services

Brokerage commission income generated from provision of securities brokerage services amounted to HK\$7.2 million, HK\$3.9 million and HK\$5.2 million for the years 2014, 2015, 2016 respectively.

Interest income generated from provision of margin financing services amounted to HK\$11.8 million, HK\$5.5 million and HK\$1.5 million for the years 2014, 2015 and 2016 respectively.

Money Lending

Interest income from the provision of money lending services decreased by 6% to HK\$22.2 million for the year 2015 and decreased by 8% to HK\$20.3 million for the year 2016. Even though the amount of loans issued increased for the year 2015, the interest income decreased due to a significant amount of the loans having been issued towards the year end but for a shorter loan period. Interest income decreased for the year 2016 as a result of fewer loans being granted to customers.

Corporate Finance

Win Wind Securities Limited (formerly known as Enerchine Securities Limited), a wholly-owned subsidiary of Win Wind, has placed and underwritten securities with a value of HK\$611.5 million, HK\$12,244.7 million and HK\$868.0 million for the years ending 2014, 2015 and 2016 respectively, and generated placement commission income of HK\$3.9 million, HK\$1.6 million and HK\$6.0 million for the years 2014, 2015 and 2016 respectively. Win Wind Securities Limited has executed 9, 12 and 9 placements and underwritings on behalf of 9, 11 and 8 listed company clients during the years 2014, 2015 and 2016 respectively.

Corporate finance advisory fees decreased by 36% to HK\$3.1 million and decreased by 8% to HK\$2.8 million for the years 2015 and 2016 respectively as a result of decrease in customers' portfolio.

Investment Advisory

Investment advisory services income decreased by approximately 15% to HK\$5.8 million for the year 2015 and increased by 17% to HK\$6.8 million for the year 2016.

Proprietary Trading

Win Wind Group engages in proprietary trading of listed securities, which is classified as financial assets at fair value through profit or loss. The fair value of the portfolio amounted to HK\$760.8 million, HK\$1,798.6 million and HK\$1,591.7 million for the years 2014, 2015, 2016 respectively, with a gain on fair value of HK\$362.9 million, HK\$519.6 million and HK\$269.3 million for the years 2014, 2015 and 2016 respectively. Dividend income increased by approximately 281,122% to HK\$25.3 million for the year 2015 when compared to HK\$9,000 in the year 2014, and decreased by approximately 89% to HK\$2.8 million for the year 2016 when compared to HK\$25.3 million in the year 2015, which was mainly due to fewer dividends received by Win Wind Group from listed securities.

FINANCIAL POSITION

Win Wind Group's financial services business is not exposed to foreign exchange risk as most of the transactions are denominated in HK\$. No financial instruments were used for hedging purposes.

Win Wind Group's cash and cash equivalents, represented by bank balances (general accounts) and cash, amounted to HK\$126.3 million, HK\$77.4 million and HK\$160.7 million as at 31 March 2014, 2015 and 2016 respectively and are mostly denominated in RMB, HK\$ and USD.

Capital Commitments

As at 31 March 2016, Win Wind Group had capital commitments in respect of the acquisition of property, plant and equipment amounting to HK\$37.2 million that have not been provided for in the financial statements.

PROSPECTS

Win Wind expects that the capital markets in Hong Kong and China will remain challenging for 2016, with major economic indicators for both economies continue to show signs of slowing down. In particular, monetary policies that will be implemented by the Governments of U.S., China, European Union and Japan in order to accelerate their economic growth, may cause the capital markets to be volatile, as speculations on the timing and magnitude of these policies by market participants can cause severe turbulence in the market. Apart from concerns in international finance, political factors such as uncertainties in U.S. elections and political instability observed in the Asia region may increase the volatility of the market even further.

Notwithstanding the foregoing, Win Wind believes that there are still opportunities to acquire decent medium and long-term investments, and with appropriate risk management and control measures in place, they are capable of uncovering such opportunities that will enhance the value of Win Wind for all shareholders.

Win Wind is cautiously optimistic with the financial services business in both Hong Kong and China, and has proceeded by enhancing the capability of Win Wind to develop new businesses.

Win Wind will continue to add competent staff to Win Wind Group in order to enhance and expand its capability to cope with the ever-changing financial and investment environment. Win Wind will also make investments in its infrastructure and keep up with developments to maintain its competitive edge as well as stay ahead of other service providers.

INTRODUCTION

The following is an illustrative and unaudited pro forma consolidated statement of financial position of the Group (“**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the WW Subscription, together with the transactions contemplated under the Subscription Agreement including the issue of the CO Subscription Shares and the redemption of the Convertible Note (the “**Transaction**”), as if these had taken place on 31 December 2015.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Transaction been completed as at 31 December 2015.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP****UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

	The Group as at 31 December 2015 HK\$'000 (audited) Note 1	Pro Forma Adjustments HK\$'000 (unaudited)	Notes	Pro Forma The Group as at 31 December 2015 HK\$'000 (unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	6,195			6,195
Available-for-sale investments	195,065	505,920	2	703,147
		2,162	4	
Prepayments	<u>2,196</u>			<u>2,196</u>
Total non-current assets	<u>203,456</u>			<u>711,538</u>
CURRENT ASSETS				
Inventories	27,989			27,989
Trade and bills receivables	37,932			37,932
Loan and interest receivables	30,223			30,223
Prepayments, deposits and other receivables	9,371			9,371
Financial assets at fair value through profit or loss	667,376	(150,000)	3	517,376
Cash and cash equivalents	36,179	150,000	3	184,017
		(2,162)	4	
	809,070			806,908
Assets of a disposal group classified as held for sale	<u>2,278</u>			<u>2,278</u>
Total current assets	<u>811,348</u>			<u>809,186</u>
CURRENT LIABILITIES				
Trade and bills payables	16,343			16,343
Other payables and accruals	18,014			18,014
Tax payable	138			138
Interest-bearing other borrowings	<u>201,053</u>			<u>201,053</u>
Total current liabilities	<u>235,548</u>			<u>235,548</u>
NET CURRENT ASSETS	<u>575,800</u>			<u>573,638</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>779,256</u>			<u>1,285,176</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	<u>146</u>			<u>146</u>
Net assets	<u>779,110</u>			<u>1,285,030</u>

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

	The Group as at 31 December 2015 HK\$'000 (audited) Note 1	Pro Forma Adjustments HK\$'000 (unaudited)	Notes	Pro Forma The Group as at 31 December 2015 HK\$'000 (unaudited)
EQUITY				
Equity attributable to owners of the parent				
Share capital	45,286	20,400	2	65,686
Reserves	<u>733,824</u>	<u>485,520</u>	2	<u>1,219,344</u>
Total equity	<u>779,110</u>			<u>1,285,030</u>

Notes:

1. The consolidated statement of financial position of the Group as at 31 December 2015 is extracted from the published 2015 Annual Report of the Company.
2. Upon Completion, the Group's investment in 13,600,000 WW Subscription Shares will be accounted for as an available-for-sale investment in the consolidated financial statements of the Group. Moreover, as the WW Subscription Shares are unlisted equity security, in the opinion of the Directors, the fair value of such unlisted equity investment cannot be reliably measured as the range of reasonable fair value estimates is significant, and accordingly, such investment will be stated at cost less any impairment losses at the end of each reporting period in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*.

Pursuant to the Subscription Agreement, the consideration for the WW Subscription which amounts to HK\$408,000,000 shall be satisfied by way of allotment and issue of 2,040,000,000 CO Subscription Shares by the Company, credited as fully paid at an issue price of HK\$0.20 per CO Subscription Share. Accordingly, the Group's cost of investment in the WW Subscription Shares upon completion shall be measured at the fair value of the CO Subscription Shares on the date on which such shares are issued to Win Wind upon Completion.

For the purpose of this Unaudited Pro Forma Financial Information, the fair value of each CO Subscription share is based on the closing price of HK\$0.248 of the Shares as at 31 December 2015. On this basis, this adjustment reflects the Group's investment cost and the issue of 2,040,000,000 CO Subscription Shares credited as fully paid to the share capital and share premium of HK\$20,400,000 and HK\$485,520,000, respectively assuming the CO Subscription Shares were issued on 31 December 2015. The fair value of the CO Subscription Shares to be recorded in the consolidated financial statements of the Group as consideration for the WW Subscription and cost of investment upon Completion shall be based on the fair value of the CO Subscription Shares issued on the date of Completion, which could be materially different from the fair value as shown in this Unaudited Pro Forma Financial Information.

3. Upon Completion, Win Wind will fully redeem the Convertible Note held by the Group of HK\$150,000,000 in cash.
4. The transaction costs including legal fees and other professional fees related to the Transaction was approximated to HK\$2,162,000.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular and received from Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

22 June 2016

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

The Board of Directors
China Opto Holdings Limited
7/F, China United Centre
28 Marble Road
North Point
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Opto Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purpose only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2015 and the related notes set out in Appendix III to the circular dated 22 June 2016 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”) in connection with the proposed subscription of shares in Win Wind Capital Limited, together with the transactions contemplated under the subscription agreement including the issue of shares of the Company and the redemption of convertible note (the “**Transaction**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes 1 to 4 in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 31 December 2015 as if the Transaction had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2015 as set out in the annual report of the Company dated 21 March 2016.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

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

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

RESPONSIBILITY STATEMENT

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

SHARE CAPITAL

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

<i>Authorised:</i>	<i>HK\$</i>
10,000,000,000 Shares	100,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>	<i>HK\$</i>
5,103,692,751 Shares	51,036,927.51

The authorised and issued share capital of the Company immediately upon the Completion of the CO Subscription (assuming there is no further issue or repurchase of Shares between the Latest Practicable Date and the date of Completion) will be as follows:

<i>Authorised:</i>	<i>HK\$</i>
10,000,000,000 Shares	100,000,000.00
<i>Issued and fully paid or credited as fully paid:</i>	<i>HK\$</i>
7,143,692,751 Shares	71,436,927.51

As at the Latest Practicable Date, the Company did not have any derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

DISCLOSURE OF INTERESTS

(i) Interests of Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Directors	Capacity	Number of Shares	Approximate percentage of shareholding
Dr. Lam How Mun Peter	Beneficial owner	398,150	0.01
Ms. Poon Ho Yee Agnes	Beneficial owner	130,000	0.00

As at the Latest Practicable Date, no options over Shares have been granted to the current Directors under the share option scheme of the Company.

(ii) Interests of substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no person or company had an interest or short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

Interests in the Company

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Ou	Beneficial owner and interest of controlled corporations/family interest and corporate interest	2,048,184,675 (Note)	40.13

Name of Shareholders	Capacity	Number of Shares	Approximate percentage of shareholding
Asia Pacific	Beneficial owner and interest of controlled corporations/beneficial interest and corporate interest	2,048,184,675 (Note)	40.13
Enerchina	Interest of controlled corporations	2,041,792,350 (Note)	40.00
Win Wind	Direct interest	2,040,000,000 (Note)	39.97

Note:

The 2,048,184,675 Shares represented the aggregate of: (i) 3,657,700 Shares held by Asia Pacific directly; (ii) 1,792,350 Shares held by Roxy Link Limited, a direct wholly-owned subsidiary of Multiwin Corporation which was in turn an indirect wholly-owned subsidiary of Enerchina; (iii) 2,734,625 Shares held by Smart Orient Investments Limited, a direct wholly-owned subsidiary of Sinolink; and (iv) 2,040,000,000 Shares to be held by Win Wind upon Completion. (These 2,040,000,000 Shares have not yet been issued as at the Latest Practicable Date and only will be issued upon Completion.) Mr. Ou was the sole shareholder of Asia Pacific and through Asia Pacific held a total of 44.90% of the issued shares of Sinolink and 36.38% of the issued shares of Enerchina.

DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group. As at the Latest Practicable Date, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company or other members of the Group within a year without payment of any compensation (other than statutory compensation)).

LITIGATION

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

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, save as disclosed in the business update announcement on 6 April 2016 the Directors are not aware of any material adverse change in the financial position or trading position of the Company since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up.

COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined under the Listing Rules), nor their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under the Listing Rules.

EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Ernst & Young	Certified Public Accountants

As at the Latest Practicable Date, each of the experts named above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) had been entered into by members of the Group within two years preceding the Latest Practicable Date and are or may be material:

- (a) The Subscription Agreement;
- (b) a joint venture agreement dated 30 December 2015 entered into between Marvel Galaxy Limited (an indirect wholly-owned subsidiary of the Company) (“**MGL**”), Freeman Financial Investment Corporation (“**FFIC**”) and FreeOpt Holdings Limited (“**FreeOpt**”), pursuant to which MGL and FFIC conditionally agreed to cooperate to set-up FreeOpt for single purpose of carrying out business of provision of finance and money lending by contributing HK\$150 million each to the initial share capital of FreeOpt so that MGL and FFIC will each hold 50% equity interest in FreeOpt;
- (c) a subscription agreement dated 23 December 2015 entered into between Big Focus Limited (an indirect wholly-owned subsidiary of the Company, as the subscriber) and Win Wind pursuant to which Win Wind has conditionally agreed to issue, and Big Focus Limited has conditionally agreed to subscribe an interest at the rate of 2% per annum bearing convertible redeemable note in an aggregate principal amount of HK\$150 million;
- (d) a subscription and cancellation agreement dated 2 December 2015 entered into between the Company and Freeman Securities Limited (as the subscriber) pursuant to which (i) the Company and the subscriber agreed to terminate the first warrants deed of variations and the second warrants deed of variations with immediate effect; (ii) in consideration of the Company’s acceptance of the cancellation of all of the first warrants and the second warrants, the subscriber conditionally agreed to subscribe for the 575,063,972 subscription shares of the Company at the subscription price of HK\$0.16 per subscription share; and (iii) in consideration of the subscriber’s subscription of the subscription shares, the Company conditionally agreed to cancel the whole of the first warrants and the second warrants, upon and in accordance with the terms of the subscription and cancellation agreement;
- (e) a conditional placing agreement dated 30 November 2015 and a supplemental agreement dated 1 December 2015 entered into between the Company and Enhanced Securities Limited (as the placing agent) pursuant to which Enhanced Securities Limited has conditionally agreed to procure, on a best effort basis, the placees to subscribe for the placing shares at the placing price of HK\$0.16 per placing share during the placing period;
- (f) a subscription agreement dated 5 November 2015 entered into between Victor Choice Global Limited (an indirect wholly-owned subsidiary of the Company, as the subscriber) and Co-Lead Holdings Limited (“**Co-Lead**”) pursuant to which Co-Lead has conditionally agreed to issue, and Victor Choice Global Limited has conditionally agreed to subscribe, or procure its nominee(s) to subscribe, 225 Co-Lead shares at the consideration of HK\$90 million;
- (g) a share subscription agreement dated 17 July 2015 entered into between Victor Choice Global Limited (an indirect wholly-owned subsidiary of the Company, as the subscriber) and Freewill Holdings Limited (“**FHL**”) pursuant to which FHL has conditionally agreed to issue, and Victor Choice Global Limited has conditionally agreed to subscribe, or procure its nominee(s) to subscribe, 14,550,000 FHL shares at the consideration of HK\$80,025,000;

- (h) a conditional placing agreement dated 13 May 2015 and a supplemental agreement dated 8 June 2015 entered into between the Company and Freeman Securities Limited (as the placing agent) pursuant to which the Company agreed to grant and the placing agent agreed to procure not less than six placees to subscribe for 287,531,992 unlisted warrants, on a fully-underwritten basis, at the placing price of HK\$0.01 per warrant;
- (i) a conditional agreement dated 4 May 2015 entered into between Big Focus Limited (an indirect wholly-owned subsidiary of the Company, as the vendor) and Mr. Yee Chan Chian (as the purchaser) pursuant to which Big Focus Limited has agreed to sell and Mr. Yee Chan Chian has agreed to purchase 510,000 shares of HK\$1.00 each in the issued share capital of Theme Production House Limited, representing 51% of the then entire issued share capital of Theme Production House Limited, for a consideration of HK\$7.5 million;
- (j) a conditional placing agreement dated 21 April 2015 and three supplemental agreements dated 29 April 2015, 15 May 2015 and 8 June 2015 entered into between the Company and Freeman Securities Limited (as the placing agent) pursuant to which the Company agreed to grant and the placing agent agreed to procure not less than six placees to subscribe for 287,531,980 unlisted warrants, on a fully-underwritten basis, at the placing price of HK\$0.01 per warrant;
- (k) a conditional agreement dated 20 April 2015 and a supplemental agreement dated 31 August 2015 entered into between Hihup Global Limited (an indirect wholly-owned subsidiary of the Company, as the purchaser), Mistler Investments Limited (as the vendor), and Long Wei Betty (as the guarantor) pursuant to which Hihup Global Limited has conditionally agreed to acquire, and Mistler Investments Limited has conditionally agreed to sell the entire equity interest in High Gear Holdings Limited (a wholly-owned subsidiary of the vendor) at a total consideration of HK\$496,250,000;
- (l) a sale and purchase agreement dated 30 March 2015 entered into between Onestep Enterprises Limited (an indirect wholly-owned subsidiary of the Company, as the vendor) and Technical Group Holdings Limited (as the purchaser) pursuant to which Onestep Enterprises Limited has sold and Technical Group Holdings Limited has purchased 3,000 shares of US\$1.00 each in the issued share capital of Technical International Holdings Limited, representing 30% of the then issued share capital of Technical International Holdings Limited, for a consideration of HK\$6 million;
- (m) a conditional agreement dated 16 February 2015 entered into between Qualipak Development Limited (a direct wholly-owned subsidiary of the Company, as the vendor) and Million Brilliance Limited (as the purchaser) in relation to, amongst other things, the sale and purchase of the entire issued share capital in Empire New Assets Limited together with assignment of the shareholder's loan for a consideration of HK\$90 million; and
- (n) a conditional agreement dated 28 November 2014 entered into between Qualipak Development Limited (a direct wholly-owned subsidiary of the Company, as the vendor) and Sino Green Holdings Limited (as purchaser) pursuant to which Qualipak Development Limited has agreed to sell and Sino Green Holdings Limited has agreed to purchase the entire issued share capital of King Place Investments Limited together with assignment of the shareholder's loan for a consideration of HK\$92 million.

CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	7th Floor, China United Centre 28 Marble Road North Point Hong Kong
Authorised representatives	Ms. Poon Ho Yee Agnes Ms. Sun Dixie Hui
Company secretary	Ms. Fung Pui Ling <i>(a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators)</i>
Legal adviser to the Company in relation to the Subscription Agreement	Ching & Solicitors Suite 2001 20th Floor, China United Centre 28 Marble Road North Point Hong Kong
Auditor and reporting accountants	Ernst & Young <i>Certified Public Accountants</i>
Share registrar and transfer office of the Company	Principal share registrar and transfer office MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda Hong Kong branch share registrar and transfer office Tricor Secretaries Limited Level 22, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	BNP Paribas, Hong Kong branch 63/F, Two IFC, 8 Finance Street Central, Hong Kong The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

MISCELLANEOUS

This circular and the accompanying form of proxy have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2013, 2014 and 2015;
- (c) the accountants' reports on Win Wind, the text of which is set out in Appendix II to this circular;
- (d) the independent reporting accountants' assurance report on the compilation of pro forma financial information as set out in Appendix III to this circular;
- (e) the consent letters referred to in the paragraph under the heading "Experts and Consents" in this appendix to this circular;
- (f) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this appendix to this circular; and
- (g) this circular.

NOTICE OF SGM



CHINA OPTO
HOLDINGS LIMITED

China Opto Holdings Limited 中國新進控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1332)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China Opto Holdings Limited (the “**Company**”) will be held at 7/F, China United Centre, 28 Marble Road, North Point, Hong Kong, on Friday, 8 July 2016 at 10:00 a.m. for the purpose of considering and, if though fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:-

ORDINARY RESOLUTION

“THAT

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) dated 30 March 2016 and entered into between the Company and Win Wind Capital Limited (“**Win Wind**”) (a copy of which is produced to the Meeting marked as “A” and signed by the chairman of the Meeting for the purpose of identification) in relation to (i) the subscription by the Company of 13,600,000 shares of no par value each in the share capital of Win Wind; (ii) the subscription by Win Wind of 2,040,000,000 shares (the “**CO Subscription Shares**”) of HK\$0.01 each in the share capital of the Company; and (iii) the redemption of the whole of the principal amount of HK\$150 million of the 2% per annum convertible redeemable note together with all accrued interests thereon by Win Wind, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue and allotment of the CO Subscription Shares to Win Wind or as it may direct at a subscription price of HK\$0.20 per CO Subscription Share in accordance with the terms and conditions in the Subscription Agreement be and is hereby approved; and

NOTICE OF SGM

- (c) any one or more directors of the Company be and are hereby authorised to do all things and acts and sign all documents which he may consider necessary, desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Subscription Agreement and the transactions contemplated thereunder including but not limited to the issue and allotment of the CO Subscription Shares, and to agree to such variation, amendments or waivers of matters relating thereto as are, in the opinion of the board of directors of the Company, necessary, appropriate or desirable and in the interest of the Company and its shareholders as a whole.”

By order of the Board
China Opto Holdings Limited
Lam How Mun Peter
Chairman

Hong Kong, 22 June 2016

Notes:

1. A member who is entitled to attend and vote at the Meeting is entitled to appoint one or more proxies or a duly authorised corporate representative to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude a member from attending the Meeting and voting in person. In such event, his form of proxy will be deemed to have been revoked.
3. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.