

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in **China Best Group Holding Limited**, you should at once hand the Prospectus Documents (as defined herein) to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Terms used in this cover-page have the same meanings as defined in the Prospectus.

Dealings in the Shares and the Offer Shares may be settled through CCASS (as defined herein) established and operated by HKSCC (as defined herein). You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of these documents.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or, under contingent situation, such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.



**CHINA BEST GROUP HOLDING LIMITED**

**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

**OPEN OFFER ON THE BASIS OF ONE OFFER SHARE  
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE**

**Underwriter to the Open Offer**



**金利豐證券**

**KINGSTON SECURITIES**

The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. on Tuesday, 6 January 2015. The procedures for application are set out on pages 17 and 19 of this Prospectus.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder on the occurrence of certain events. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 6 to 7 of this prospectus at any time prior to the Latest Time for Termination.

**If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Open Offer will not proceed.**

Shareholders should note that the Shares have dealt in on an ex-entitlement basis commencing from Thursday, 27 November 2014 and that dealings in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions of the Open Offer are fulfilled (which is expected to be 4:00 p.m. on Monday, 12 January 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Announcement”	the Company’s announcement dated 10 November 2014 in relation to the terms and conditions of the Open Offer pursuant to the Underwriting Agreement
“Application Form(s)”	the form(s) of application to be used by the Qualifying Shareholders to apply for the Offer Shares in the agreed form
“associate”	has the meaning ascribed under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Bye-laws”	the bye-laws of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time

## DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	10 November 2014, being the date of the Announcement
“Latest Practicable Date”	15 December 2014, being the latest practicable date for ascertaining certain information for inclusion in this Prospectus
“Latest Time for Acceptance”	the latest time for acceptance for the Offer Shares at 4:00 p.m., on Tuesday, 6 January 2015 or such other time as may be agreed between the Company and the Underwriter
“Latest Time for Termination”	the latest time for terminating the Underwriting Agreement at 4:00 p.m., on Monday, 12 January 2015, or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the share option scheme adopted by the Company on 22 May 2012
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whose address is/are in a place(s) outside Hong Kong where, the Directors, based on legal opinions provided by legal advisers of the Company, consider it is necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to such Overseas Shareholder(s)
“Offer Shares”	1,458,995,422 new Shares to be allotted and issued pursuant to the Open Offer
“Old Share Option Scheme”	the Company’s share option scheme adopted on 18 March 2002 and terminated on 17 March 2012

## DEFINITIONS

“Open Offer”	the proposed issue by way of open offer to the Qualifying Shareholders on the basis of one (1) Offer Share for every two (2) existing Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholder(s)”	the Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) are outside of Hong Kong
“PRC”	the People’s Republic of China
“Prospectus”	the document containing details of the Open Offer to be despatched to the Qualifying Shareholders
“Prospectus Documents”	collectively the Prospectus and the Application Form(s)
“Prospectus Posting Date”	Thursday, 18 December 2014 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents to the Qualifying Shareholders (or the Prospectus only in case of Non-Qualifying Shareholder(s))
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Thursday, 4 December 2014, or such other date as may be agreed between the Company and the Underwriter for determining entitlements to the Open Offer
Registrar”	Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company

## DEFINITIONS

“Share Options”	the outstanding options to subscribe for 112,824,078 and 243,000,000 new Shares pursuant to the Old Share Option Scheme and the New Share Option Scheme respectively
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.15 per Offer Share
“Substantial Shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activity for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Underwriting Agreement”	the underwriting agreement dated 10 November 2014 and entered into among the Company and the Underwriter in relation to the underwriting arrangement in respect of the Open Offer
“Underwritten Shares”	all the Offer Shares which are fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of United States
“%”	per cent.

## EXPECTED TIMETABLE

*All times and dates stated in this Prospectus refer to Hong Kong local times and dates. Dates or deadlines specified in expected timetables below stated in this Prospectus are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to Shareholders as and when appropriate.*

2014/2015  
(Hong Kong time)

Despatch of Prospectus Documents	Thursday, 18 December
Latest time for acceptance of, and payment for, the Offer Shares	4:00 p.m. on Tuesday, 6 January
Latest time to terminate the Underwriting Agreement and for the Open Offer to become unconditional	4:00 p.m. on Monday, 12 January
Announcement of results of the Open Offer	Wednesday, 14 January
Certificates for fully paid Offer Shares to be despatched on or before	Thursday, 15 January
Despatch of refund cheques to the Shareholders if the Open Offer is terminated	Thursday, 15 January
Commencement of dealings in fully-paid Offer Shares	9:00 a.m. on Friday, 16 January

*Notes:*

- All times and dates refer to Hong Kong local times and dates.
- The Latest Time for Acceptance will not take place if there is:
  - a tropical cyclone warning signal number 8 or above, or
  - a "black" rainstorm warning
  - in force in Hong Kong at any local time at or before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 6 January 2015. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - in force in Hong Kong at any local time between 9:00 a.m. and 4:00 p.m. on Tuesday, 6 January 2015. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Tuesday, 6 January 2015, the dates mentioned in this section headed "Expected timetable" may be affected. An announcement will be made by the Company in such event advising the revised dates.

- Dates or deadlines specified in this Prospectus for events in the expected timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by agreement between the Company and the Underwriter and in accordance with the applicable rules and regulations. Any consequential changes to the expected timetable for the Open Offer will be published by way of an announcement.

## TERMINATION OF THE UNDERWRITING AGREEMENT

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to the Latest Time for Termination (provided that for the purposes of the termination clause of the Underwriting Agreement, if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 5:00 p.m. on that day):

### Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or



## TERMINATION OF THE UNDERWRITING AGREEMENT

- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (b) any specified event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.



**CHINA BEST GROUP HOLDING LIMITED**

**國華集團控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 370)**

*Executive Directors:*

Mr. Li Yang (*Deputy Chairman*)  
Mr. Li Xiaolong (*Chief Executive Officer*)  
Mr. Yin Shibo  
Mr. Tang Hon Kwo  
Mr. Wang Jian

*Non-executive Director:*

Mr. Kuk Peter Z (*Chairman*)

*Independent non-executive Directors:*

Mr. Chan Fong Kong Francis  
Mr. Chen Zhenguo  
Mr. Yuan Guangming

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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

26/F, World-Wide House  
19 Des Voeux Road Central  
Central  
Hong Kong

18 December 2014

*To the Qualifying Shareholders, and for information only, to the Non-Qualifying Shareholders*

Dear Sir or Madam,

**OPEN OFFER ON THE BASIS OF ONE OFFER SHARE  
FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE**

**INTRODUCTION**

On 10 November 2014, the Company announced that it is proposed to raise not less than approximately HK\$218.85 million and not more than approximately HK\$245.54 million before expenses by issuing not less than 1,458,995,422 Offer Shares and not more than 1,636,907,461 Offer Shares at the Subscription Price of HK\$0.15 per Offer Share on the basis of one (1) Offer Share for every two (2) existing Shares held on the Record Date and payable in full upon application.

\* *For identification purposes only*

## LETTER FROM THE BOARD

Qualifying Shareholders are not entitled to apply for excess Offer Shares and any such Offer Shares not taken up by the Qualifying Shareholders in excess of their respective entitlements under the Open Offer will be underwritten by the Underwriter. The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The purpose of this Prospectus is to provide you with further details of (i) Open Offer including the procedures for application and payment for the Offer Shares; (ii) financial information of the Group; and (iii) general information of the Group.

### OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE

#### Issue statistics

Basis of the entitlement:	One (1) Offer Share for every two (2) existing Shares held on the Record Date
Subscription Price:	HK\$0.15 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	2,917,990,845 Shares
Number of Offer Shares:	1,458,995,422 Offer Shares
Number of Offer Shares underwritten by the Underwriter:	All the Offer Shares, being 1,458,995,422 Offer Shares
Number of enlarged Shares in issue upon completion of the Open Offer:	4,376,986,267 Shares

As at the Latest Practicable Date, there were outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 355,824,078 Shares, being 112,824,078 new Shares and 243,000,000 new Shares pursuant to the Old Share Option Scheme and the New Share Option Scheme respectively. Among the 112,824,078 new Shares pursuant to the Old Share Option Scheme, 67,649,498 new Shares are vested and exercisable at HK\$0.3695 per Share during an exercise period from 26 September 2005 to 25 September 2015; 27,194,648 new Shares are vested and exercisable at HK\$0.6275 per Share during an exercise period from 20 August 2007 to 20 August 2017; 13,484,949 new Shares are vested and exercisable at HK\$0.685 per Share during an exercise period from 7 September 2007 to 7 September 2017 and 4,494,983 new Shares are vested and exercisable at HK\$0.7385 per Share during an exercise period from 28 September 2007 to 28 September 2017. For the 243,000,000 new Shares pursuant to the New Share Option Scheme, all of them are vested and exercisable at HK\$0.3000 per Share during an exercise period from 3 November 2014 to 2 November 2015. Save as and except for the Share Options, as at Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

## LETTER FROM THE BOARD

To the extent that the Open Offer may lead to adjustments on the exercise price and/or the number of Shares to be issued upon exercise of the Share Options, the Company will notify the holders of the Share Options regarding adjustments to be made (if any) pursuant to the terms of the Old Share Option Scheme and the New Share Option Scheme. Further announcement will be made by the Company in respect of such adjustment, as and when appropriate.

The 1,458,995,422 Offer Shares proposed to be allotted and issued, represents approximately 50.00% of the Company's issued share capital of 2,917,990,845 Shares as at the Latest Practicable Date and approximately 33.33% of the Company's issued share capital of 4,376,986,267 Shares to be enlarged by the allotment and issue of 1,458,995,422 Offer Shares immediately after completion of the Open Offer.

### **Basis of entitlement**

The basis of the entitlement shall be one (1) Offer Share for every two (2) existing Shares held on the Record Date at the Subscription Price. Acceptance for all or any part entitlement of a Qualifying Shareholder should be made by completing the Application Form and lodging the same with a remittance for the Offer Shares being accepted for.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (a) the Prospectus Documents to the Qualifying Shareholders; and (b) the Overseas Letter together with the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Open Offer, the Shareholders must (a) at the close of business on the Record Date be registered on the register of members of the Company; and (b) not being the Non-Qualifying Shareholders.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) for registration with Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 28 November 2014.

### **Closure of register of members for the Open Offer**

The Company's register of members has been closed from Monday, 1 December 2014 to Thursday, 4 December 2014, both days inclusive, to determine the eligibility of the Qualifying Shareholders. No transfer of Shares has been registered during this book closure period.

## LETTER FROM THE BOARD

### Subscription Price

The Subscription Price is HK\$0.15 per Offer Share, payable in full upon application.

The Subscription Price represents:

- (a) a discount of approximately 39.76% to the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 30.56% to the theoretical ex-entitlement price of approximately HK\$0.216 based on the closing price of HK\$0.249 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 40.24% to the average closing price of approximately HK\$0.251 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 9.09% to the closing price of HK\$0.165 per Share as at the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to, among others, the prevailing market price of the Shares and the trading liquidity of the Shares. The Directors consider that each Qualifying Shareholder will be entitled to subscribe for the Offer Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date and the terms of the Open Offer, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to share in the potential growth of the Company, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

After deducting all relevant expenses relating to the Open Offer, the maximum net price per Offer Share will be approximately HK\$0.145.

### Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, the Prospectus Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong. Shareholder whose address on the register of members of the Company is in a place outside Hong Kong, may not be eligible to take part in the Open Offer. The Company will send this Prospectus (but not the Application Form), for information purposes only, to the Non-Qualifying Shareholders (if any), if and to the extent legally and practically permissible.

Based on the register of members of the Company as at the Record Date, there was one Overseas Shareholder situated in the United States of America.

## LETTER FROM THE BOARD

The Company has complied with the necessary requirements specified in Rule 13.36(2)(a) of the Listing Rules (including notes 1 and 2 thereto) and has made enquiries with its legal adviser in regarding whether there is any legal restriction under the applicable securities legislation of the relevant jurisdiction or requirements of any relevant regulatory bodies or stock exchange with respect to the issue of the Offer Shares to such Overseas Shareholder.

Based on the legal advice provided by the legal adviser from the United States of America, the Directors are of the view that it is inexpedient to extend the Offer Shares to the Overseas Shareholder in the United States of America, due to the time and costs involved in the registration of the Prospectus Documents and/or compliance with the applicable legal or regulatory requirements or special formalities in this jurisdiction if the Open Offer is to be lawfully made to such Overseas Shareholder.

No person receiving a copy of this Prospectus and/or the Application Form in any territory or jurisdiction outside Hong Kong may treat it as an offer or an invitation to apply for the Offer Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. It is the responsibility of any person outside Hong Kong (including the ultimate beneficial owner(s) of the Qualifying Shareholders) wishing to make an application for the Offer Shares to satisfy himself as to the observance of the laws and regulations of all relevant jurisdiction, including obtaining any government or other consents, and payment of any taxes and duties required to be paid in such jurisdiction in connection therewith. Completion and return of the Application Form will constitute a warranty and representation by the relevant applicant(s) to the Company that all registration, legal and regulatory requirements of all relevant territories other than Hong Kong in connection with the acceptance of the Offer Shares have been duly complied with by such applicant(s). For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties. If you are in any doubt as to your position, you should consult your professional advisers.

It is the responsibility of the Shareholders, including Overseas Shareholders, to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Offer Shares.

### **Ranking of the Offer Shares**

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offer Shares in their fully-paid form.

### **Share certificates and refund cheques for the Open Offer**

Subject to the fulfillment of the conditions of the Open Offer, certificates for all fully paid Offer Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Thursday, 15 January 2015. If the Open Offer is terminated, refund cheques will be despatched on or before Thursday, 15 January 2015 by ordinary post at the respective Shareholders' own risk.

## LETTER FROM THE BOARD

### **No application for excess Offer Shares**

Considering that the Open Offer will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro-rata shareholding interests in the Company, if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures.

Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders and any Offer Shares not taken up by the Qualifying Shareholders will be underwritten by the Underwriter.

**Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their Shareholding in the Company will be diluted.**

### **Fractions of the Offer Shares**

Fractional entitlements to the Offer Shares will not be issued to the Qualifying Shareholders but will be rounded down to nearest whole number. Any Offer Shares created from the aggregation of fractions of Offer Shares will be aggregated and taken up by the Underwriter.

### **Application for the Offer Shares**

The Application Form in respect of the entitlement of the Offer Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Offer Shares as shown therein by completing such form and lodging the same with a remittance for the Offer Shares being taken up with the Registrar by the Latest Time for Acceptance.

### **Application for listing**

The Company has applied to the Stock Exchange for the listing of and permission to deal in the Offer Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the listing of, and permission to deal in the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

## LETTER FROM THE BOARD

### THE UNDERWRITING AGREEMENT

Date: 10 November 2014 (after trading hours of the Stock Exchange)

Underwriter: Kingston Securities Limited

Number of Offer Shares to be underwritten: All the Offer Shares, being 1,458,995,422 Offer Shares

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are third parties independent of the Company and are not a connected person of the Company and any member of the Group or their respective directors, chief executives, substantial shareholders, connected persons or any associates of them.

Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares not taken up:

- (a) the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares not taken up which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 29.9% of the voting rights of the Company upon the completion of the Open Offer; and
- (b) the Underwriter shall use its best endeavours to ensure that (i) each of the subscribers of the Underwritten Shares not taken up procured by it shall be third party independent of, not acting in concert with and not connected with the Company, any of the directors or chief executive or substantial shareholders of the Company or their respective associates; and (ii) the public float requirements under Rule 8.08 of the Listing Rules remains to be fulfilled by the Company upon completion of the Open Offer.

### Underwriting Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum Underwritten Shares. Such commission rate was determined after arm's length negotiation between the Company and the Underwriter with reference to the size of the Open Offer, the commission rates in current open offers conducted by listed companies and the current and expected market conditions. The Directors (including the independent non-executive Directors) are of the view that the terms of the Underwriting Agreement, including the commission rate, accord with the market practice, are fair and reasonable so far as the Company and the Shareholders are concerned.



## LETTER FROM THE BOARD

### Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

## LETTER FROM THE BOARD

- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Open Offer; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, or the Prospectus Documents or other announcements or circulars in connection with the Open Offer, the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (a) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement above comes to the knowledge of the Underwriter; or
- (b) any specified event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

Upon the giving of notice in accordance with the above, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

### **Conditions of the Open Offer**

The Open Offer is conditional upon:

- (a) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

## LETTER FROM THE BOARD

- (b) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (d) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms; and
- (e) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement.

None of the above conditions are waivable. If any of the conditions of the Open Offer is not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

### PROCEDURES FOR APPLICATION

The Application Form is enclosed with this Prospectus which entitles the Qualifying Shareholders to whom it is addressed to subscribe for the number of Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may subscribe for any number of Offer Shares only up to the number set out in the Application Form.

If Qualifying Shareholders wish to exercise their rights to subscribe for all the Offer Shares offered to them as specified in the Application Form or to exercise their rights to subscribe for any number less than their entitlements under the Open Offer, they must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offer Shares they have subscribed for with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Tuesday, 6 January 2015. All remittance(s) must be made in Hong Kong dollars and cheques must be drawn on an account with, or bankers' cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "**China Best Group Holding Limited – Open Offer Account**" and crossed "**Account Payee Only**".

## LETTER FROM THE BOARD

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:00 p.m. on Tuesday, 6 January 2015, the relevant assured allotment of Offer Shares and all rights and entitlements in relation thereto shall be deemed to have been declined and will be cancelled.

The Application Form contains full information regarding the procedures to be followed if you wish to accept the whole or part of your assured entitlement.

All cheques or cashier's orders accompanying completed Application Form will be presented for payment upon receipt and all interests earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of an Application Form with a cheque and/or cashier's order, will constitute a warranty by the applicant that the cheque and/or cashier's order will be honoured on first presentation. Any application in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Open Offer are not fulfilled and/or the Underwriting Agreement is terminated in accordance with its terms before the Latest Time for Termination, the monies received in respect of acceptance of Offer Shares will be refunded, without interests, by sending a cheque made out to the applicant (or in the case of joint applicants, to the first named applicant) and crossed "**Account Payee Only**", through ordinary post at the risk of the applicant(s) to the address specified in the register of members of the Company on or before Thursday, 15 January 2015.

Save as described under the paragraph headed "Rights of Overseas Shareholders" above, no action has been taken to permit the offering of the Offer Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving this Prospectus or the Application Form in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone receiving the Prospectus Documents outside Hong Kong wishing to make an application for the Offer Shares to satisfy himself/herself/itself before subscribing for the assured allotted Offer Shares, as to the full observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in any such jurisdiction in connection therewith. The Company reserves the right to refuse to accept any application for the Offer Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Offer Shares will be accepted from any person who is a Non-Qualifying Shareholder.

## LETTER FROM THE BOARD

The Company will not allot any fractions of Offer Shares. The Application Form is for use only by the person(s) name therein and is not transferable.

No receipt will be issued in respect of any application monies received.

### Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or dealing in the Offer Shares. It is emphasized that none of the Company, the Directors or any other parties involved in the Open Offer accept responsibility for any tax effects or liability of holders of the Offer Shares resulting from the accepting, holding or disposal of, or dealing in the Offer Shares.

### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company before and after the completion of the Open Offer:

Shareholders	As at		Immediately upon completion		Immediately upon completion	
	the Latest Practicable Date		of the Open Offer (assuming		of the Open Offer (assuming	
	No. of	Approximate	all Offer Shares are taken up		none of the Offer Shares are	
	Shares	%	by the Qualifying		taken up by the Qualifying	
			Shareholders)		Shareholders)	
			No. of	Approximate	No. of	Approximate
			Shares	%	Shares	%
Honghu Capital Company Limited ("Honghu") (Note 1)	400,000,000	13.71	600,000,000	13.71	400,000,000	9.14
<b>Directors</b>						
Mr. Li Yang (Note 2)	-	0.00	-	0.00	-	0.00
Mr. Li Xiaolong (Note 2)	-	0.00	-	0.00	-	0.00
Mr. Yin Shibo (Note 2)	26,161,600	0.90	39,242,400	0.90	26,161,600	0.60
Mr. Tang Hon Kwo (Note 2)	-	0.00	-	0.00	-	0.00
Mr. Wang Jian (Note 2)	-	0.00	-	0.00	-	0.00
Mr. Kuk Peter Z (Note 3)	120,000,000	4.11	180,000,000	4.11	120,000,000	2.74
<b>Sub-total</b>	<b>146,161,600</b>	<b>5.01</b>	<b>219,242,400</b>	<b>5.01</b>	<b>146,161,600</b>	<b>3.34</b>
Underwriter (Note 4)	-	0.00	-	0.00	1,458,995,422	33.33
Public Shareholders	2,371,829,245	81.28	3,557,743,867	81.28	2,371,829,245	54.19
<b>Total:</b>	<b>2,917,990,845</b>	<b>100.00</b>	<b>4,376,986,267</b>	<b>100.00</b>	<b>4,376,986,267</b>	<b>100.00</b>

## LETTER FROM THE BOARD

*Notes:*

1. Honghu is wholly-owned by Mr. Deng Junjie.
2. Mr. Li Yang, Mr. Li Xiaolong, Mr. Yin Shibo, Mr. Tang Hon Kwo and Mr. Wang Jian are executive Directors. Mr. Yin Shibo held 26,161,600 Shares and 24,300,000 Share Options. Each of Mr. Li Yang, Mr. Li Xiaolong, Mr. Tang Hon Kwo and Mr. Wang Jian held 24,300,000 Share Options respectively.
3. Mr. Kuk Peter Z is a non-executive Director and held 120,000,000 Shares and 24,300,000 Share Options.
4. Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Underwritten Shares not taken up which will result in the shareholding of it and parties acting in concert with it in the Company to exceed 29.9% of the voting rights of the Company upon the completion of the Open Offer.
5. The percentages are subject to rounding error.
6. The scenario is for illustrative purpose only.

### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities and fuel oil, iron ore, and other commodities.

The gross proceeds from the Open Offer will be approximately HK\$218.85 million. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be approximately HK\$211.99 million.

In order to diversify the business portfolio and broaden the income base of the Group, the Company intends to apply the maximum net proceeds from the Open Offer of approximately HK\$211.99 million solely for capital injection into a wholly foreign owned enterprise in the PRC (the "WFOE") for the purpose of establishing a financial leasing business in the PRC, which is expected to commence business in the first quarter of 2015. Such financial leasing business includes but not limited to new energy vehicles, their batteries and charging facilities leasing and medical equipment leasing. The Company expects the income from the financial leasing business will strengthen the income base of the Group and intends to develop the financial leasing business as one of the principal businesses of the Group in the future.

The Board considers that the Open Offer represent an opportunity for the Group to broaden its Shareholder and capital base thereby increasing the liquidity of the Shares. The Board also believes that the Open Offer will enable the Group to enhance its financial position. The Open Offer will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the potential future development of the Group. The Directors (including the independent non-executive Directors) consider that the Underwriting Agreement is entered into upon normal commercial terms and that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

## LETTER FROM THE BOARD

### WARNING OF THE RISK OF DEALING IN THE SHARES

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares have been dealt in on an ex-entitlement basis commencing from Tuesday, 27 November 2014 and that dealing in Shares may take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on 4:00 p.m. on Monday, 12 January 2015), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

### FINANCIAL LEASING BUSINESS OF THE GROUP

#### Business model and development

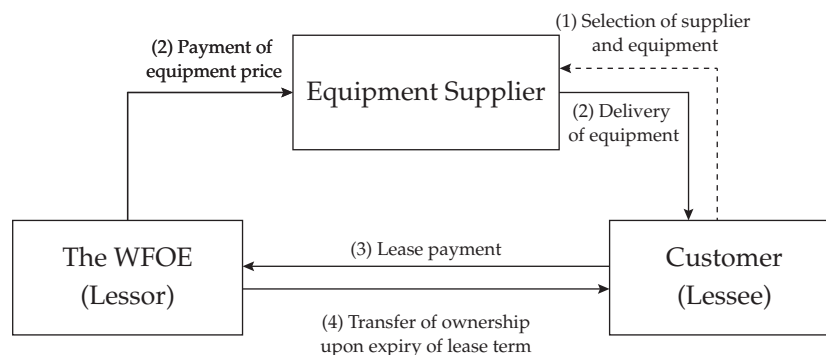
The Group intends to expand its business spectrum through the WFOE to provide customized financing solutions by way of two types of leasing services, namely, (a) direct financial leasing; and (b) sale-leaseback.

#### *(a) Direct financial leasing*

A direct financial leasing transaction usually involves the following steps: (i) the customer, as the lessee, will select an asset; (ii) the WFOE, as the lessor, will then purchase that asset; (iii) the lessee use that asset for the duration of the lease; (iv) the lessee will make a series of rental payments; and (v) the lessee has the option to acquire ownership of the asset from the WFOE, usually for a nominal value, upon expiry of the lease term.

## LETTER FROM THE BOARD

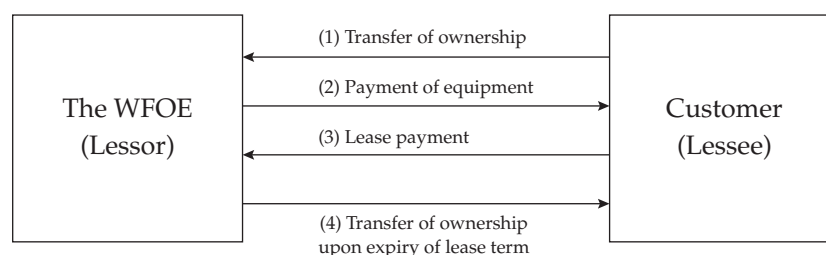
The relationship model of direct financial leasing is reflected in the diagram below:



### (b) Sale-leaseback

Sale-leaseback is a form of financial leasing where the lessor purchases the asset from the lessee who originally owned such asset but subsequently sells it to the lessor to satisfy its financing needs. The lessee then leases the asset back from the lessor for a period of time, such that the lessee can continue to use the asset (but not as an owner).

The relationship model of sale-leaseback arrangement is reflected in the diagram below:



The Group focuses on the financial leasing of two main industries, namely, new energy vehicles (and its accessories) and medical equipment.

### Financial leasing of public transport new energy vehicles

Due to scarcity of resources and environmental pollution caused by motor vehicle emissions since the economic reform in the PRC, there has been an increasing demand for new energy vehicles which is considered a more environmentally friendly solution. According to the *Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (No. 32 [2010] of the State Council)* promulgated and effected on 10 October 2014, one of the focuses of national development is the promotion of the rapid development of emerging industries including the fields of energy conservation, environmental protection and new energy. In this regard, the Group's new business plan will undoubtedly be in line with the direction of the PRC Government.



## LETTER FROM THE BOARD

The WFOE intends to collaborate with and acquire new energy vehicles from the PRC new energy vehicle supplier(s). Under such arrangement, the WFOE will enter into direct financial leasing agreements (“vehicle leases”) for a fixed term with various public transport operators (“vehicle lessees”) for leasing of a number of public transport new energy vehicles. During the term of the vehicle leases, the WFOE will have the ownership of all the leased vehicles and the vehicle lessees will pay a monthly rent to use them. Upon the expiration of the vehicle leases, the vehicle lessees will have an option to purchase all the leased vehicles for a nominal value.

As a parallel business plan, the WFOE also intends to engage and acquire from the PRC supplier(s) the necessary new energy vehicle accessories. Meanwhile, the WFOE will also enter into direct financial leasing agreements (“accessory leases”) with new energy vehicle accessories manufacturer(s) (“accessory lessee(s)”) for leasing vehicle accessories and charging facilities. During the term of the accessory lease, the WFOE will have the ownership of all the leased new energy vehicle accessories and/or charging facilities and the accessory lessee will pay a monthly rent to use them. Upon the expiration of the accessory leases, the accessory lessee will have an option to purchase all the leased new energy vehicle accessories and/or charging facilities for a nominal value.

### **Financial leasing of medical equipment**

The demand for medical equipment has been growing strong since 2000. The WFOE intends to carry on its financial leasing services by way of a sale-leaseback arrangement which allows hospitals to have more cash from selling the medical equipment while they can at the same time continue using the medical equipment. The WFOE intends to enter into sale-leaseback agreement(s) (“hospital leases”) with hospital(s) (“hospital lessee(s)”) in the PRC to assist them in retaining sufficient funds for developing and upgrading medical services. In doing so, the hospital lessee(s) will sell the equipment previously owned by them for a sum of cash in return. During the lease, the WFOE will have the ownership of all the leased medical equipment and the hospital lessee(s) will pay a monthly rent so that they can continue to use the medical equipment in the capacity of a lessee. Upon the expiration of the hospital leases, the hospital lessee(s) will have an option to purchase all the leased medical equipment for a nominal value.

### **The impact of establishing new financial leasing business on the Group**

The Board believes that financial leasing industry in the PRC is still underdeveloped and that the Group’s target industries still enjoy sustainable growth potential. Hence, there are promising opportunities to explore the attractive growth potential of financial leasing industry in the PRC and the Group’s target industries as described above. The Board also believes that there is a substantial growth potential in market demand for the Group’s financial leasing services due to the increase of private sector enterprises in the PRC for the benefit of more flexible capital movements. Given the flexibility of capital use that financial leasing offers, the Board believes that the use of financial leasing will become a more popular and thereby have a favourable impact on the Group’s financial performance and development as a whole.

## **RISK FACTORS**

### **The business model of financial leasing business depends on the continuing leasing of the leased products**

The cash inflows will be used to fund the purchase of the leased products. The Group's business model of financial leasing business depends on the continue leasing of the leased products for constant cash inflows of lease income which will be used for the purchase of more advanced equipment so that the Group is able to keep up with the repaid technological change in the market and the customers' desires. The Group's ability to lease its products is, however, subject to a number of factors outside of its control such as economic change in the PRC, the demand and supply of the leased products and the financial leasing services in the PRC, and the market value of the leased products the Group owns or plans to purchase. If the Group is unable to lease its products at the appropriate time and on favourable terms, its financing leasing business and its operating results could be materially affected by the consequences such as the unexpected long off-lease time of the products and insufficient cash flows generated from the lease agreements.

### **Risk relating to unstable cash inflows**

The Group cannot assure you that the financial leasing business will generate stable cash inflows nor the Group is able to assure you that the customers will make the lease payments promptly.

If the Group cannot maintain stable cash inflows, it may need to re-schedule the implementation of the Group's growth strategies and future investments opportunities which may arise. The Group may also need to arrange other financing activities, the availability of which is subject to the condition of the capital and credit markets and the Group's financial condition at such time which may subject the Group to comply with onerous undertakings and covenants, which could restrict the Group's financial leasing business and adversely affect its operating results and financial conditions.

### **Risk relating to competition**

The Group faces increasing competitions from existing industry. Some of competitors are significantly larger than the Group in terms of operational size, have a longer operating history, and have greater resources or lower costs of capital. Competition for a leasing transaction is based primarily upon the lease rates, delivery time, lease terms, management expertise, product conditions, specifications and the availability of the types of the products necessary to meet the needs of the customers. In addition, some competing financial leasing companies may have a lower overall cost of capital and may provide other value-adding services to potential customers that the Group may not be able to provide.

There is no assurance that the Group will be able to attract or retain its customers while competing against its competitors. If the Group is not able to successfully compete with its competitors, the Group's profitability could be adversely affected which could affect the Group's business reputation and operating results.

## LETTER FROM THE BOARD

**If customers encounter financial difficulties and the Group decides to restructure the leasing agreements, it would likely result in re-leasing the products on less favourable terms**

If a customer fails to make payments in full or in part under a lease or has advised the Group that it will fail to make payments in full or in part under a lease in the future, the Group may elect or be required to restructure the lease, which could result in less favourable terms or termination of a lease without receiving all or any of the past due amounts. The Group may be unable to agree upon acceptable terms for some or all of the requested restructurings. If the Group repossesses the leased products but is not able to re-lease them promptly at favourable rates, if at all, the financial leasing business and its operating results could be adversely affected.

**If customers fail to maintain the leased products properly, the market value of the leased products may decline**

If a leased product is not maintained properly in its full-life condition or such other condition acceptable to the Group or next customer, the Group may need to incur additional amount to restore the leased product to its appropriate condition. A product which has been leased before with less satisfactory maintenance condition or record would affect its market value and would be less likely to be re-leased or re-sold on favourable terms.

**The leased products may not at all times be adequately insured either as a result of customer's failure to maintain sufficient insurance during the lease term or insurers' unwillingness to cover certain risks**

The Group does not directly control the operation of the leased products. Nevertheless, as the Group owns the ownership and the title of the leased products, the Group could be sued or held strictly liable for losses resulting from the operation of the leased products. The Group requires its customers to obtain specified levels of insurance and indemnify the Group for, and insure against, liabilities arising out of their use and operation of the leased product and where the leased product is damaged or lost as a result of accidents. Customers may fail to maintain adequate insurance coverage during a lease term, which, although in contravention of the lease terms, would require the Group to take some corrective actions such as terminating the lease or taking out insurance for the products, either of which could adversely affect the financial leasing business and its operating result.

**Risk relating to the change in the government policies, rules and regulations and other regulatory control may affect the financial leasing business of the Group in the PRC**

Any change in government policies, rules and regulations in relation to the financial leasing business in its related industries may affect the operation of the Group, such as the introduction of new government policies, rules and regulations and qualification required to conduct the business of the Group. Any changes in political and economic conditions and the business environment in the PRC may also adversely affect the Group's business.

## LETTER FROM THE BOARD

### **Risk relating to foreign exchange**

Since the new financial leasing business will be denominated in RMB, and may be subject to exchange rate volatility, fluctuations in the exchange rate between RMB and HK\$ will affect the Group's ability to repatriate profits for the distribution of dividends to the Shareholders or to fund the Group's other business activities outside the PRC.

Fluctuations in the exchange rate may also cause the Group to incur foreign exchange losses which may have adverse effect on the Group's financial results. In addition, appreciation or depreciation in the value of RMB relative to HK\$ would affect the Group's financial results in HK\$ terms without giving effect to any underlying change in the Group's business or results of operations. Therefore, it is not guaranteed that any future exchange rate fluctuations in RMB could be favorable to the Group and might adversely affect the future investment strategy of the Group and thus the business growth of the Group.

### **PRC REGULATORY OVERVIEW**

#### **Overview**

The financial leasing business to be established will be conducted via the WFOE in the PRC. The key laws and regulations regulating the operations in the PRC include the following:-

- *The PRC Company Law (the "Company Law")*

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law, effective in 1994 and amended in 1999, 2004, 2005 and 2013. The Company Law is applicable to the PRC subsidiaries unless PRC laws on foreign investment stipulate otherwise.

The establishment, approval, registered capital requirement and day-to-day operational matters of wholly foreign-owned enterprises, are regulated by the Wholly Foreign-Owned Enterprise Law of the PRC, effective in 1986 and amended in 2000, and the Implementation Rules of the Wholly Foreign-owned Enterprise Law of the PRC, effective in 1990 and amended in 2001 and 2014.

Investment activities in the PRC by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, promulgated and amended from time to time by the Ministry of Commerce ("MOFCOM") and the National Development and Reform Commission ("NDRC"). The Catalogue divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalogue are generally permitted to receive foreign investment unless specifically restricted by other PRC regulations.

## LETTER FROM THE BOARD

Establishment of wholly foreign-owned enterprises is generally permitted in encouraged and permitted industries. Certain restricted industries are limited to equity or contractual joint ventures, while in some cases PRC partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects may also be subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category.

- *The PRC Contract Law*

The National People's Congress promulgated the PRC Contract Law on 15 March 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organisations. Chapter 14 of the PRC Contract Law sets mandatory rules about financial leasing contracts.

Under the PRC Contract Law, the financial leasing contracts shall be in written form at and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased object, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased object upon expiration of the lease.

Under the financial leasing contracts, the lessor shall conclude a purchase contract based on the lessees selections in respect of the seller and the leased property, and the seller shall deliver the lease property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property. Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee's selections in respect of the seller and the leased property.

In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The obligation to maintain and repair the leased object while in the possession of the lessee shall be performed by the lessee. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If the lessee becomes bankrupt, the leased property does not become part of the property available for distribution in the bankruptcy. If the leased property fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor shall not be liable, unless the lessee selected the leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

The lessor and the lessee may stipulate in which party ownership of the leased property shall vest upon expiration of the lease. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased object shall vest in the lessor. If the parties have stipulated that ownership of the leased property shall vest upon the lessee upon expiration of the lease, and the lessee has already paid most of the rent but is unable to pay the

## LETTER FROM THE BOARD

balance, and if the lessor terminates the contract and repossesses the leased property on those grounds, the lessee may demand a partial refund if the value of the leased property repossessed exceeds the rent and any other expenses owed by the lessee.

The PRC Contract Law includes a general mandate that the interest rate charged to a customer under a financial leasing contract shall take into account the purchase cost of the property or asset underlying a lease contract and should allow for a reasonable profit margin for the lessor, except as otherwise agreed upon by the contracting parties.

- *Enterprise Accounting Codes No. 21 – Leasing*

The Ministry of Finance promulgated the Enterprise Accounting Codes No. 21 Leasing (the “Codes”) on 15 February 2006 to regulate the accounting and information disclosure about financial leasing and operating leasing.

Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the financial leasing of a lessor.

In respect to financial leasing, the Codes require the lessor and the lessee to classify the leasing as financial leasing or as operating leasing at the commencement of the lease. The Codes also set out factors to be considered in such classification. The accounting treatment of financial leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in the Codes. The lessor and the lessee are also required to comply with several disclosure requirements in respect of their lease transaction on the notes of their balance sheet. In addition, they are required to disclose each sale-leaseback transaction as well as the important provisions of these sale-leaseback contracts.

- *The Administration Measures on Foreign Investment in Rental Industry*

Foreign investment in the car rental business is permitted since car rental business is not listed on the Catalogue.

In addition, the Administration Measures on Foreign Investment in Rental Industry, or the Measures, promulgated by MOFCOM on 3 February 2005 and effective on 5 March 2005, apply to FIEs that operate rental or financial leasing businesses. The rental and financing leasing businesses are primarily regulated by MOFCOM and its local counterparts. Under the Measures, foreign investors that intend to establish FIEs to engage in rental or financial leasing businesses must have total assets of not less than US\$5 million and the foreign-invested rental company must follow the general requirements of the Company Law and obtain an approval from MOFCOM or its relevant local counterparts for incorporation.

## LETTER FROM THE BOARD

A foreign-invested rental company must satisfy the following conditions: (i) the registered capital shall satisfy the requirements on the registered capital as provided in the Company Law; (ii) the duration of the operation of a foreign-invested rental company in the form of a limited liability company generally may not exceed 30 years; and (iii) a foreign-invested rental company shall comply with the requirements on the registered capital and total investment amount applied to the foreign-invested company. A foreign-invested financial leasing company must satisfy the following conditions: (i) the registered capital shall not be less than US\$10 million; (ii) the duration of the operation of a foreign-invested financial leasing company in the form of a limited liability company generally may not exceed 30 years; and (iii) a foreign-invested financial leasing company must be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years of experience in the business.

Under the Measures, the establishment of FIEs operating rental businesses must be approved by the branch of MOFCOM at the provincial level while the establishment of FIEs operating financial leasing businesses must be approved by central MOFCOM. In February 2009, MOFCOM issued a notice to authorize provincial branches of MOFCOM to approve the establishment and changes of the foreign invested financial leasing companies with total investment amount up to US\$50 million. In July 2013, MOFCOM issued a circular to set forth certain procedures for the inspection and administration of foreign invested financial leasing companies. In September 2013, MOFCOM issued the Administration Measures of Supervision on Financial Leasing Enterprises, or the Leasing Measures, to further strengthen and administer the business operation of financial leasing companies.

According to the Measures, foreign-invested financial leasing companies may conduct the following businesses: (i) financial leasing; (ii) rental; (iii) asset acquisitions and leasebacks inside or outside China; (iv) maintenance of assets underlying the leases and disposal of the residual value of assets underlying the leases; (v) lease transaction consultancy and security services; and (vi) other businesses approved by MOFCOM. Under the Measures, a “financial leasing business” is defined as a business in which a lessor, based on a lessee’s selection of seller and leased asset, purchases the asset underlying the lease from a seller, makes the leased asset available to the lessee for use and collects rental payments from the lessee. Foreign-invested financial leasing companies may operate their financial leasing business through various means, such as direct leases, sub-leases, sale-leasebacks, leveraged leases, entrusted leases and joint leases.

Pursuant to the Leasing Measures, the amount of total risky assets (total assets less cash, bank deposits, PRC treasury securities and entrusted lease assets) of a foreign-invested financial leasing company shall not exceed ten times the amount of its net assets.

The Measures further require that foreign-invested financial leasing companies shall submit a report on their business operations and audited financial statements of the past year to MOFCOM for filing purposes before March 31 of each year.

## LETTER FROM THE BOARD

- *Regulations on financial leasing*

On 22 October 2004, MOFCOM and SAT, jointly issued the Notice on Issues Concerning the Operation of Financial Leasing Business, or the Leasing Notice. Pursuant to the Leasing Notice, financial leasing companies may not engage in the following activities: (i) accepting savings or irregular savings; (ii) providing the lessee working capital loans or other loans under the lease; (iii) investing in the securities of financial institutions; (iv) interbank lending business and (v) other financial business without the approval of the China Banking Regulatory Commission. On 18 September 2013, MOFCOM issued the Leasing Measures, pursuant to which, financial leasing companies may carry out financial leasing businesses in such forms as direct lease, sublease, sale-and-lease-back, leveraged lease, entrusted lease and joint lease, and the risk assets of a financial leasing companies shall not exceed ten times of its total net assets. A financial leasing company shall not engage in: (i) such financial businesses as deposit taking, loan issuing, and loan issuing on commission, (ii) illegal fund-raising activities in the name of financial leasing, and (iii) inter-bank borrowing and other businesses without the approval from relevant authorities. Further, under the Leasing Measures, financial leasing companies shall (i) prepare and report the numerical statements and brief descriptions about the business conditions of last quarter within 15 business days after the end of each quarter, and (ii) prepare and report the numerical statements and descriptions about the business conditions of last year, and submit and report the financial statements of the last fiscal year (including the notes) audited by an accounting firm by 31 March of each year.

- *General regulations on automotive vehicles*

Regulations applicable to the automotive vehicles generally apply to rental vehicles as well. According to the Road Traffic Safety Law promulgated by the Nation People's Congress Standing Committee in October 2003 and amended in 2007 and 2011, or Road Traffic Safety Law, all automotive vehicles must be registered with relevant local administration authorities. Vehicle registration certificates, vehicle license plates and vehicle licenses must be obtained from the same authorities, and compulsory traffic accident insurance must be purchased for each vehicle. According to the Provisions on the Registration of Motor Vehicles promulgated by the Ministry of Public Security, or MPS, in September 2012, or the Registration Provisions, the owner of a motor vehicle shall register his/her title to such motor vehicle and apply for a driver's license with the motor vehicle authority. In addition, the creation, alteration, transfer or termination of the title of any motor vehicle may not challenge any bona fide third party if it is not registered with the competent governmental authority pursuant to Real Rights Law adopted by National People's Congress in 2007.



## LETTER FROM THE BOARD

- *Regulations on car rental business*

As the car rental industry is at an early stage of development in the PRC, regulations governing it continue to evolve. The Ministry of Transport, or MOT, and the National Planning Committee, the predecessor of NDRC, promulgated the Interim Rules on Administration of Car Rental Industry in 1998, which were abolished in 2007. Since then, there have been no national laws and regulations in place to specifically regulate the car rental industry in China until the Circular on Promoting the Health Development of Car Rental Industry promulgated by MOT in April 2011, which sets forth guidelines for the car rental industry, including, among others, encouraging large car rental enterprises to establish a national or regional car rental network.

According to the April 2011 MOT circular, local government authorities are required by the MOT to (i) promulgate local rules and regulations to improve and develop the regulatory environment of the car rental industry, (ii) promptly bring forth local development plans for the car rental industry, (iii) encourage large and reputable car rental companies with sound management to set up branches and establish national or regional networks, and provide simplified branch office registration process and better service for companies with a fleet of more than 1,000 cars, (iv) enhance the administration and management of the car rental industry, including requirements to obtain and carry a valid permit or license for each rental car, and prohibitions of car rental companies from engaging in road passenger transportation services without having the requisite business license for these services, (v) encourage car rental companies to develop various types of services through advanced technologies, (vi) create a favorable development environment for car rental companies, and (vii) enhance the administration of the car rental industry.

The car rental industry is primarily regulated by government authorities at local levels, where regulatory requirements on operating entities and vehicles vary from one location to another.

- *Regulations on penalties for violation of traffic laws and regulations*

According to the Road Traffic Safety Law and its implementing rules, the driver of the vehicle shall be subject to legal penalties and demerits, on cumulative basis, imposed by the competent traffic administrative department in connection with his/her conviction of traffic offenses, and in case that the driver of the vehicle cannot be identified or the driver refuses to accept the penalties and demerits, the competent traffic administrative department may impose the penalties on the owner of the vehicle. Further, according to the Registration Provisions, every vehicle shall be subject to periodic inspection, and such inspection can only be passed after the traffic accidents on such vehicle have been settled, the related fines have been paid up and penalty points have been deducted on the driver's license in relation to any violation of traffic laws and regulations.

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- *Regulations on auto insurance*

According to the Road Traffic Safety Law, traffic accident insurance must be purchased for each vehicle. Pursuant to relevant provisions of the Regulation on Compulsory Auto Liability Insurance, or the Insurance Regulation, effective as of 1 July 2006 and amended on 17 December 2012, the owner or manager of a motor vehicle operating on the roads within the PRC must apply for the compulsory traffic accident liability insurance for motor vehicles in accordance with the provisions of the Road Traffic Safety Law, and the insurance company must make indemnity payments within liability limit to all victims, other than persons in the insured vehicle, for death, personal injury or property losses suffered in a road traffic accident involving the insured motor vehicle.

The limits of liability for compulsory traffic accident insurance for motor vehicles are standardized throughout the PRC and are classified into the limit of indemnity for death, injury or disability, the limit of indemnity for medical expenses, the limit of indemnity for property losses and the limit of no-fault indemnity of the insured in a road traffic accident.

There is not specific Chinese law and regulations setting out restrictions on financial leasing of new energy vehicle batteries and charging facilities.

- *Regulations on Supervision and Control of Medical Equipment, Rules on Administration of License for Business Dealing in Medical Equipment, Official Replies to Relevant Issues about Medical Equipment Leasing and Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing*

The State Council promulgated the Regulations on Supervision and Control of Medical Equipment (the "Regulations on Medical Equipment") on 4 January 2000 to regulate the research, production, operation and use of medical equipment. According to the Regulations on Medical Equipment, establishment of a business dealing in category one medical equipment shall be filed for record with the drug regulatory bureaus at the provincial level. Establishment of a business dealing in category two and category three medical equipment shall be filed for review and approval with the drug regulatory bureaus at the provincial level and a license for business dealings in medical equipment shall be obtained.

The China Food and Drug Administration promulgated the Rules on Administration of License for Business Dealing in Medical Equipment on 9 August 2004 to regulate the administration and supervision of licenses for business dealings in medical equipment. According to these rules, entities engaged in business dealings in medical equipment shall submit relevant materials to the food/drug regulatory bureaus at the provincial level or the authorized food/drug regulatory agencies at the municipal level to apply for the license for business dealings in medical equipment.

## LETTER FROM THE BOARD

The China Food and Drug Administration promulgated the Official Replies to Relevant Issues about Medical Equipment Leasing and Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing on 15 April 2004 and 1 June 2005, respectively. Accordingly, medical equipment financial leasing conducted by financial leasing companies shall be categorized as business dealings in medical equipment and a license for business dealings in medical equipment shall be obtained in accordance with the Regulations on Medical Equipment.

- *PRC Enterprise Income Tax Law*

According to the PRC Enterprise Income Tax Law enacted on 1 January 2008, the Group would be subject to the PRC enterprise income tax at a rate of 25% on its worldwide taxable income as well as PRC enterprise income tax reporting obligations.

- *Regulation on PRC business tax and Value-added Tax*

Pursuant to the Circular on Transmitting the Circular of the State Council on Related Questions Concerning the Adjustment of the Taxation Policy for the Financial and Insurance Industries published by the Ministry of Finance and the State Administration of Taxation on 14 March 1997, the Circular of the Ministry of Finance and the State Administration of Taxation on Issue Concerning Taxation on the Turnover of the Business Tax of the Financing Leasing published on 24 June 1999, the Circular of the Ministry of Finance and the State Administration of Taxation on the Issue Concerning Some Policies on Business Tax published on 15 January 2003, Notice of MOFCOM and the State Administration of Taxation on Relevant Issues concerning Undertaking Financing Lease Business published on 22 October 2004, where an entity approved by the People's Bank of China, the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) and the State Economic and Trade Commission to operate the financial lease business engages in the financial lease business, the balance after the actual costs borne by the lessor for leasing the goods are subtracted from all the prices and price excluding expenses (including the scrap value) collected from the lessee shall be regarded as the turnover. The actual costs for leasing the goods as mentioned above include the price for purchasing the goods, customs duty, value-added tax, consumption tax, freight and expenses, installation fee, insurance premium and interest of loans (including interest of foreign exchange loans and RMB loans) which the lessor bears.

## LETTER FROM THE BOARD

Article 3 of the Supplementary Notice of the Ministry of Finance and the State Administration of Taxation on Relevant Policies on the Pilot Program of Levying Value-added Tax in Lieu of Business Tax on the Railway Transportation and Postal Service Sectors issued on 30 December 2013 provides the followings:-

- (1) The pilot taxpayers approved by the People's Bank of China, the China Banking Regulatory Commission or MOFCOM to engage in the financial leasing business may, prior to the maturity dates of the contracts on financing sale and leaseback of the tangible personal property they concluded prior to the issuance of the Document No. 106 [2013] of the Ministry of Finance, elect to determine the sales amounts in accordance with the relevant provisions of the Document No. 106 [2013] of the Ministry of Finance or the following provisions: where a taxpayer provides financing sale and leaseback of tangible personal properties, the sales amount thereof shall be the balance after deducting the paid loan interest (including interest on foreign currency borrowings and on RMB loans) and the interest on bonds issued from full prices and ex-price fees collected by the pilot taxpayer from the lessee.
- (2) If the registered capital of a pilot taxpayer engaged in the financial leasing business upon approval of the competent provincial commerce department authorized by MOFCOM and the state-level economic and technological development zone reaches RMB170 million prior to 31 March 2014, the pilot taxpayer shall, from the date of implementation of the pilot program in the local area, conduct the financial leasing business in accordance with the provisions of the Document No. 106 [2013] of the Ministry of Finance and Item (1), Article 3 of this Notice. If the registered capital thereof reaches RMB170 million after 1 April 2014, the pilot taxpayer shall, from the next month after it meets the standard, conduct the financial leasing business in accordance with the provisions of Document No. 106 [2013] of the Ministry of Finance and Item (1), Article 3 of this Notice.

- *Regulatory Body*

MOFCOM is the principal regulatory authority responsible for the supervision and regulation of foreign-invested financial leasing company operating in China. The Company's financial leasing business in the PRC is subject to the administration of MOFCOM.

MOFCOM is an executive agency of the State Council of the PRC. It is responsible for formulating policy on foreign trade, export and import regulations, foreign direct investments, consumer protection, market competition and negotiating bilateral and multilateral trade agreements.

## LETTER FROM THE BOARD

To establish a foreign-invested financial leasing company, the investor shall submit all application materials to MOFCOM's provincial branch at the place where the company will be located. MOFCOM's provincial branch shall, after preliminary examination of the submitted application materials, submit the application materials together with a preliminary examination opinion to MOFCOM within 15 working days from the date on which it receives all application materials. MOFCOM shall make a decision with respect to whether or not it shall grant an approval within 45 working days from the date on which it receives all application materials. If it decides to grant an approval, it shall issue the foreign investment enterprise approval certificate; if it decides not to grant an approval, it shall explain in written form. Pursuant to the *Decision of the State Council of PRC on the Fifth Batch of Administrative Examination and Approval Matters to be Cancelled or Delegated to Subordinate Authorities* promulgated and effected on 4 July 2010, the approval process for the establishment or modification of foreign-invested enterprises engaged in financial leasing business with a total investment amount of US\$300 million or less can be approved by provincial-level governmental authorities without the need to submit the application to national level authorities.

### SENIOR MANAGEMENT FOR FINANCIAL LEASING BUSINESS

The Group proposes to form a team for the WFOE to be established for the financial leasing business in the PRC.

The senior management is headed by Mr. Li Xiaolong, the executive Director and Chief Executive Officer of the Company. Mr. Li will be supervising the development and business operation of the WFOE. For details of his biography, please refer to "Appendix III-8. Particular of Directors".

Particulars of two proposed senior officers in the team are as follows:

**Mr. Chen Jiang (陳江)**, aged 46, obtained a Bachelor degree in Economic Information and Computer Appliance from the Southwest University of Science and Technology. Mr. Chen has more than 24 years of experience in finance, securities, investments and risk management industry in the PRC. Since 2008, Mr. Chen has been assuming senior executive positions in several financial leasing companies in the PRC. Mr. Chen will be appointed as a general manager of the WFOE to be established for the financial leasing business and responsible for its day-to-day management, administration and business operation.

**Mr. Zhu Sao Cheng (朱騷成)**, aged 59, obtained a Bachelor degree from Jiangxi Normal University in English and a master degree in Finance from Hunan College of Finance and Economics. From 1978 to 1992, Mr. Zhu had been working in Jiangxi branch of the Bank of China. From 1993 to 2010, Mr. Zhu had been serving at various management positions at various branches of the Industrial and Commercial Bank of China mainly responsible for corporate banking services. From 2010 until present, Mr. Zhu is a one of the committee members of the facilities review committee of the Shenzhen branch of Industrial and Commercial Bank of China responsible for providing consultancy services on reviewing and approving facilities provided to borrowers. Mr. Zhu will be appointed as a chief risk officer of the WFOE and mainly responsible for assessing and mitigating potential risks of providing the financial leasing services to customers.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITY OF THE COMPANY WITHIN 12 MONTHS TO THE LATEST PRACTICABLE DATE

Apart from the equity fund-raising activity mentioned below, the Company has not raised any fund by issuing equity securities during the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds received
29 September 2014	Placing of new shares under general mandate	Approximately HK\$85.35 million	Investment opportunities that may arise, including for the venture announced by the Company on 22 September 2014 in respect of a memorandum of understanding dated 22 September 2014 for a cartoon and comics-related business, licensing of comic brands and sale of children's clothing and articles in the PRC (the "Project").	Approximately HK\$24.90 million for investment in listed securities and approximately HK\$0.24 million for settlement of the professional fees incurred for the Project.  The Board intends to apply the remaining proceeds for any investment opportunities that may arise from time to time and for carrying out the Project.

### GENERAL

Since the Open Offer will not increase the issued share capital or the market capitalisation of the Company by more than 50% within the twelve-month period immediately preceding the Latest Practicable Date and the Open Offer is fully underwritten by the Underwriter who is not a Director, chief executive or Substantial Shareholder (or a close associate of any of them) pursuant to Rules 7.24(5) and 7.26(A) of the Listing Rules, the Open Offer is therefore not subject to Shareholders' approval requirement under the Listing Rules.

## LETTER FROM THE BOARD

### FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the manufacture and sales of coal, international air and sea freight forwarding and the provision of logistics services as well as trading of securities and fuel oil, iron ore, and other commodities.

#### Coal Business

The Group had a 55% equity interest in Gujiao City Hongxiang Coal Industry Co. Ltd. which is engaged in the manufacture and sales of coals in the PRC. For the six months ended 30 June 2014, the turnover of the Group's coal business dropped to approximately HK\$9.1 million in light of the continued decline in demand for coal products in the PRC market. Looking forward, the coal sector in the PRC is still in the cyclical adjustments stage and this business segment of the Group will inevitably have to face tough market conditions and unprecedented operating pressure. The Group has been focusing on cost control, including not but limited to slowing down sales and marketing of coal products.

#### Freight Forwarding Business

There has been no significant change in the Group's strategy and plan in its freight forwarding business. For the six months ended 30 June 2014, the turnover of the Group's freight forwarding business amounted to approximately HK\$3.0 million. The Board remains unenthusiastic about the prospect of freight forwarding business and will take strict control measures over its costs and credit risks.

#### Securities Investment Business

For the six months ended 30 June 2014, the turnover of the Group's securities investment business amounted to approximately HK\$24.3 million.

The investment market sentiment has been rejuvenated by positive events such as Shanghai-Hong Kong Stock Connect and stable economic development in the second half of 2014. The Group has been strengthening its investment in securities and related products.

#### Trading Business

Further to the Company's announcement dated 29 July 2014, the Group has devoted efforts in expanding its trading business in Hong Kong and the PRC. It is expected that the trading business will become one of principal business segments of the Group in the second half of 2014.

#### Material Acquisitions or Disposal

On 17 September 2014, the Group accepted and agreed to subscribe for 44,652,107 newly issued ordinary shares of GBP0.00025 (equivalent to approximately HK\$0.00316) of China New Energy Limited ("CNEL"), a company incorporated under the laws of Jersey with limited liability and the shares of which are listed on the Alternative Investment

## LETTER FROM THE BOARD

Market of the London Stock Exchange at a total consideration of approximately GBP595,000 (equivalent to approximately HK\$7,500,000). Through its wholly owned subsidiary, CNEL provides process technology, engineering designs, plant manufacturing and operational services in connection with the production of, inter alia, fuel ethanol, edible ethanol, biobutanol, bioacetic acid and other chemicals from agricultural plant materials and waste in the PRC.

On 22 September 2014, the Company entered into an memorandum of understanding with five independent third parties (the “Vendors”) who collectively own a majority of the issued share capital of Bobdog Holding Company, a company incorporated in the Cayman Islands (the “Target Company”), pursuant to which the Company intends to acquire the issued share capital of the Target Company owned by the Vendors. Through its wholly owned subsidiary, the Target Company carries out cartoon and comics-related businesses, licensing of its comics brand and the sales of children’s clothing and articles in the PRC.

The Group has been identifying and exploring suitable projects and/or investments with good profit potential and sustaining development for acquisition so as to maximize return to the Company and its shareholders.

### FURTHER INFORMATION

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

By Order of the Board  
**China Best Group Holding Limited**  
**Mr. Li Yang**  
*Deputy Chairman*



## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2011, 2012 and 2013 together with accompanying notes have been set out on pages 43 to 135 in the Company's annual report for the year 2011; pages 42 to 135 in the Company's annual report for the year 2012 and pages 42 to 135 in the Company's annual report for the year 2013 respectively, which are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.cbgroup.com.hk](http://www.cbgroup.com.hk)).

## 2. STATEMENT OF INDEBTEDNESS

### Borrowings

At the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had an unsecured loan from a non-controlling interest of a subsidiary of approximately HK\$27,878,000 and from an independent third party of approximately HK\$5,704,000.

### Contingent liabilities

At the close of business on 31 October 2014, the Group provided a financial guarantee of approximately HK\$60,000 to an independent third party for assurance of their customers in the event they default in payment.

### Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, the Group did not have loan capital issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), bank overdrafts, loans or other similar indebtedness, liabilities under acceptances credits, debentures, mortgages, charges, hire purchase commitments, finance lease commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2014.

### Material changes

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 October 2014.

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up.

## 3. WORKING CAPITAL OF THE GROUP

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's business prospects, the financial resources presently available to the Group including bank balances and cash and other internal resources, and the estimated net proceeds from the Open Offer, the Group has sufficient working capital for its requirements for at least twelve months from the date of this prospectus.

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Open Offer on the Group's unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2014 as if the Open Offer had been completed on 30 June 2014.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group as at 30 June 2014 or any dates following the Open Offer.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2014 as extracted from the published interim report of the Company and adjusted as described below.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2014 HK\$'000 (Note 1)	Estimated net proceeds from the Open Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2014 HK\$'000	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per share prior to the completion of the Open Offer as at 30 June 2014 HK\$ (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share immediately after the completion of the Open Offer as at 30 June 2014 HK\$ (Note 4)
Based on the 1,458,995,422 Offer Shares		260,189	211,986	472,175	0.11	0.12

*Notes:*

1. The consolidated net tangible assets attributable to owners of the Company as at 30 June 2014 is extracted from the published interim report of the Company for the six months ended 30 June 2014.
2. The estimated net proceeds from the Open Offer of approximately HK\$211,986,000 are based on the 1,458,995,422 Offer Shares to be issued at the subscription price of HK\$0.15 per share, after the deduction of the estimate related expenses, including, among others, underwriting commission, financial advisory fee and other professional fees, which are directly attributable to the Open Offer of approximately HK\$6,863,000.
3. The calculation of unaudited consolidated net tangible assets per share prior to the completion of the Open Offer is based on 2,431,670,845 shares in issue as at 30 June 2014.
4. The number of shares of 3,890,666,267 used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Open Offer is based on 1,458,995,422 Offer Shares to be issued from Open Offer.
5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2014.

**B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE GROUP**

SHINEWING (HK) CPA Limited  
43/F., The Lee Gardens  
33 Hysan Avenue  
Causeway Bay, Hong Kong

18 December 2014

The Directors  
China Best Group Holding Limited  
26/F, World-Wide House  
19 Des Voeux Road Central  
Central  
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Best Group Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2014 and related notes as set out on pages II-1 to II-2 of the prospectus in connection with the proposed issue by way of open offer to qualifying shareholders on the basis of one offer share for every two existing shares (the "Open Offer") issued by the Company dated 18 December 2014. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II to this prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed Open Offer on the Group's financial position as at 30 June 2014 as if the Open Offer had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial statements for the six months ended 30 June 2014, on which no audit or review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the

Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of the Open Offer on unadjusted financial information of the Group as if the Open Offer 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 Open Offer at 30 June 2014 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Pang Wai Hang**

Practising Certificate Number: P05044

Hong Kong

## 1. RESPONSIBILITY STATEMENT

The Prospectus Documents, for which the Directors collectively and individually accept full responsibility, include 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 these Prospectus Documents 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 in the Prospectus Documents misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer are as follows:

<i>Authorised share capital:</i>		<i>Approx. HK\$'000</i>
<u>50,000,000,000</u>	Shares	<u>2,500,000</u>

<i>Issued and fully paid share capital:</i>		
2,917,990,845	Shares as at the Latest Practicable Date	145,900

<i>Proposed to be issued under the Open Offer:</i>		
1,458,995,422	Offer Shares	72,950

<i>Upon Completion of the Open Offer:</i>		
4,376,986,267	Shares	218,850

As at the Latest Practicable Date, there were outstanding Share Options entitling the holders thereof to subscribe for an aggregate of 355,824,078 Shares, being 112,824,078 new Shares and 243,000,000 new Shares pursuant to the Old Share Option Scheme and the New Share Option Scheme respectively. Among the 112,824,078 new Shares pursuant to the Old Share Option Scheme, 67,649,498 new Shares are vested and exercisable at HK\$0.3695 per Share during an exercise period from 26 September 2005 to 25 September 2015; 27,194,648 new Shares are vested and exercisable at HK\$0.6275 per Share during an exercise period from 20 August 2007 to 20 August 2017; 13,484,949 new Shares are vested and exercisable at HK\$0.685 per Share during an exercise period from 7 September 2007 to 7 September 2017 and 4,494,983 new Shares are vested and exercisable at HK\$0.7385 per Share during an exercise period from 28 September 2007 to 28 September 2017. For the 243,000,000 new Shares pursuant to the New Share Option Scheme, all of them are vested and exercisable at HK\$0.3000 per Share during an exercise period from 3 November 2014 to 2 November 2015. Save as and except for the Share Options, as at the Latest Practicable Date, the

Company had no outstanding convertible securities, options and 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.

The issued Shares are listed and traded on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### 3. DISCLOSURE OF INTERESTS

#### (i) Directors

##### (a) Directors' interests in the Company

As at the Latest Practicable Date, the interests of the Directors in the Shares and the underlying shares of the Company and any of its associated corporations (within the meaning of 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Number of Shares or underlying Shares held	Approximate % of interest held
Mr. Kuk Peter Z	Beneficial owner	144,300,000	4.95%
Mr. Li Xiaolong	Beneficial owner	24,300,000	0.83%
Mr. Li Yang	Beneficial owner	24,300,000	0.83%
Mr. Tang Hon Kwo	Beneficial owner	24,300,000	0.83%
Mr. Wang Jian	Beneficial owner	24,300,000	0.83%
Mr. Yin Shibo	Beneficial owner	50,461,600	1.73%



Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of 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 maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange 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.

*(b) Directors' interests in assets and contracts of the Company*

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up.

*(c) Directors' Service Contracts*

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

**(ii) Substantial Shareholders**

As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company) had interests or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or, who were, directly or indirectly, interested in 10% 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 members of the Group or had any option in respect of such capital:

*Long Positions in the Shares*

Name of Substantial Shareholders	Capacity	Number of Shares or underlying Shares held	Approximate % of interest held
Deng Jun Jie	Interest in a controlled corporation	400,000,000	13.71
Honghu Capital Company Limited (Note 1)	Beneficial Owner	400,000,000	13.71
The Underwriter (Note 2)	Beneficial Owner	1,636,907,461	33.33
Galaxy Sky Investments Limited (Note 2)	Interest in controlled corporation	1,636,907,461	33.33
Kingston Capital Asia Limited (Note 2)	Interest in controlled corporation	1,636,907,461	33.33
Kingston Financial Group Limited (Note 2)	Interest in controlled corporation	1,636,907,461	33.33
Active Dynamic Limited (Note 2)	Interest in controlled corporation	1,636,907,461	33.33
Chu Yuet Wah (Note 2)	Interest in controlled corporation	1,636,907,461	33.33

Note 1: Honghu Capital Company Limited is wholly-owned by Mr. Deng Jun Jie.

Note 2: The total of 1,636,907,461 Shares represent the maximum of 1,636,907,461 Underwritten Shares which are underwritten by the Underwriter under the Underwriting Agreement. The Underwriter is wholly owned by Galaxy Sky Investments Limited which in turn is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is 100% owned by Kingston Financial Group Limited which is 42.90% owned by Active Dynamic Limited. Mrs. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.

Other than disclosed herein, as at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the Company had not been notified of any other interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or any persons (other than the Directors and chief executive of the Company) who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group.

As at the Latest Practicable Date, save and except for information above, no other Director nor any parties acting in concert with any of them was interested in any Shares or any convertible securities, warrants, options or derivative in respect of Shares.

#### 4. PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATION INFORMATION

<b>Registered office</b>	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda
<b>Head office and principal place of business in Hong Kong</b>	26/F, World-Wide House 19 Des Voeux Road Central, Central, Hong Kong
<b>Underwriter</b>	Kingston Securities Limited Suite 2801 One International Finance Centre 1 Harbour View Street, Central Hong Kong
<b>Legal adviser to the Company</b>	<i>As to Hong Kong laws</i> Robertsons 57/F., The Center 99 Queen's Road Central Hong Kong
<b>Auditor</b>	SHINEWING (HK) CPA Limited 43th Floor, The Lee Gardens 33 Hysan Avenue Causeway Bay, Hong Kong

<b>Principal Bankers</b>	Bank of Communications 20 Pedder Street, Central Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
<b>Hong Kong Branch Share Registrar and Transfer Office</b>	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Authorised representatives</b>	Mr. Li Yang Mr. Ho Yu (FCCA, HKICPA) 26/F, World-Wide House 19 Des Voeux Road Central Central Hong Kong
<b>Company Secretary</b>	Mr. Ho Yu (FCCA, HKICPA)
<b>Stock code</b>	370
<b>Website</b>	<a href="http://www.cbgroup.com.hk">http://www.cbgroup.com.hk</a>

## 5. DIRECTORS OF THE COMPANY

### Board of Directors

<i>Executive Directors</i>	<i>Address</i>	<i>Date of joining the Group</i>
Mr. Li Yang ( <i>Deputy Chairman</i> )	26/F, World-Wide House 19 Des Voeux Road Central Central, Hong Kong	5 September 2014
Mr. Li Xiaolong ( <i>Chief Executive Officer</i> )	26/F, World-Wide House 19 Des Voeux Road Central Central, Hong Kong	29 October 2014

<i>Executive Directors</i>	<i>Address</i>	<i>Date of joining the Group</i>
Mr. Yin Shibo	26/F, World-Wide House 19 Des Voeux Road Central Central, Hong Kong	16 July 2014
Mr. Tang Hon Kwo	26/F, World-Wide House 19 Des Voeux Road Central Central, Hong Kong	16 October 2014
Mr. Wang Jian	26/F, World-Wide House 19 Des Voeux Road Central Central, Hong Kong	16 October 2014
<i>Non-executive Director</i>		
Mr. Kuk Peter Z (Chairman)	No.51 Dong Zi Garden, Lane 189 Lin Ye Road, She Shan Zhen, Shong Jiang District, Shanghai, China	16 July 2014
<i>Independent non-executive Directors</i>		
Mr. Chan Fong Kong Francis	Flat F, 18/F, Conway Mansion 29 Conduit Road, Mid-levels Hong Kong	5 September 2014
Mr. Chen Zhenguo	Room A, 26/F, Tian Yi Ge, Block A, Tian Jian Yang Guang Hua Yuan, Futian District, Shenzhen, Guangdong, China	29 October 2014
Mr. Yuan Guangming	836, No. 2002, Shenyi Road, Yantian District, Shenzhen, Guangdong, China	16 October 2014

**Audit Committee**

Mr. Chan Fong Kong Francis

Mr. Chen Zhenguo

Mr. Yuan Guangming

**Remuneration Committee**

Mr. Li Yang

Mr. Yin Shibo

Mr. Chan Fong Kong Francis

Mr. Chen Zhenguo

Mr. Yuan Guangming

**Nomination Committee**

Mr. Li Yang

Mr. Yin Shibo

Mr. Chan Fong Kong Francis

Mr. Chen Zhenguo

Mr. Yuan Guangming

**6. LITIGATION**

On 17 April 2013, the Company, as one of the respondents, and certain of its former directors were served a petition (the "Petition") by the Securities and Futures Commission in relation to certain past transactions of the Group. The hearing for preliminary directions relating to the Petition was heard in the High Court on 31 July 2013. As set out in the announcement of the Company dated 19 June 2014, pursuant to an order made by the High Court on 9 May 2014, the parties attended the office of Deputy Clerk of Court (Civil), High Court on 18 June 2014, at which a date for the substantive hearing of the Petition has been set down by the parties, and will be held from 2 September 2015 to 8 September 2015. Based on the opinion of the independent legal adviser of the Company, the Directors consider that the Petition does not have significant financial and operating impact on the Group. Details of the Petition are set out in the announcements of the Company dated 18 April 2013, 31 July 2013 and 19 June 2014.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the sale and purchase agreement dated 10 December 2012 between Jet-Air (H.K.) Limited (“Jet-Air”) (as the vendor), a wholly-owned subsidiary of the Company, and Starring Development Limited (as the purchaser) in relation to the sale and purchase of Store No. 1, G/F, Tsuen Wan Industrial Centre, No. 220-248 Texaco Road, Tsuen Wan, New Territories, Hong Kong at a consideration of HK\$3,000,000;
- (ii) the deed of release dated 21 December 2012 executed by Graceful Mind Group Limited, a wholly-owned subsidiary of the Company, in favour of Great Soar Holdings Limited (“Great Soar”) in relation to the release of the share mortgage dated 23 September 2011 executed by the same parties over 321,875,000 Shares held by Great Soar;
- (iii) the placing letter dated 31 January 2013 (as amended and supplemented by the extension letter dated 22 March 2013) entered into between KCG Securities Asia Limited (“Placing Agent”) and Jet-Air in relation to the subscription of the convertible bonds and the promissory note pursuant to the placing agreement dated 18 December 2012 (as amended and supplemented by the extension letters dated 31 December 2012 and 18 March 2013) entered into between the Placing Agent and North Asia Resources Holdings Limited each in the aggregate principal amount of US\$7,000,000 (“the KCG Placing Letter”);
- (iv) the contract for Grant of State-owned Construction Land Use Right (Contract No.: 140181201307) with the Land Resources Bureau of Gujiao City dated 10 April 2013, pursuant to which Gujiao City Hongxiang Coal Industry Co. Ltd, a non-wholly owned subsidiary of the Company, acquired the land use right of a land parcel, i.e. 11026, at a price of RMB9,400,000 (equivalent to approximately HK\$11,750,000);
- (v) a termination agreement dated 11 June 2013 in respect of termination of the KCG Placing Letter;
- (vi) an acquisition agreement (the “Acquisition Agreement”) dated 16 August 2013 entered into between the Company as purchaser and (1) Rich Planet Investments Limited; (2) Noble Justice Holdings Limited; and (3) Evergreen Lake International Limited as vendors (“Vendors”) regarding the acquisition of the entire issued share capital of a target company which was then engaging in mining and processing of gold and holding two gold mines in the PRC at a consideration of HK\$1,020 million;

- (vii) a termination agreement dated 24 January 2014 entered into between the Company and the Vendors in respect of termination of the Acquisition Agreement;
- (viii) the subscription letter issued by China New Energy Limited, a company listed on AIM, on 17 September 2014, pursuant to which Jet-Air agreed to subscribe for 44,652,107 newly issued ordinary shares of GBP0.00025 (equivalent to approximately HK\$0.00316) each of China New Energy Limited at a total consideration of approximately GBP595,000 (equivalent to approximately HK\$7,500,000);
- (ix) the agreement dated 29 September 2014 entered into between the Company and Kingston Securities Limited in relation to the placing of up to 486,320,000 Shares at the placing price of HK\$0.18 per Share. The maximum gross proceeds from such placing was approximately HK\$87.54 million; and
- (x) the Underwriting Agreement.

## 8. PARTICULARS OF DIRECTORS

### Executive Directors

**Mr. Li Yang (Deputy Chairman)**, aged 43, obtained a junior college degree of Electronic Engineering from Shenzhen University. He completed an EMBA programme and obtained his EMBA from Shenzhen College of Economics and Management (深圳經濟管理學院). Mr. Li also completed a master degree programme of the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院), majoring in World Economics. Mr. Li has approximately 20 years of experience in investment activities and business management. Mr. Li has been a director of Brand Marvel Worldwide Consumer Products Corporation (TSXV symbol: BMW), a Canadian publicly traded company on the TSX Venture Exchange since December 2010. He is currently also assuming senior executive positions in several capital investment or management companies.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Li. Mr. Li has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Li will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Li is entitled to a director's remuneration of HK\$80,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.



**Mr. Li Xiaolong (Chief Executive Officer)**, aged 48, obtained his bachelor degree in finance from Zhongnan University of Economics (中南財經大學) in July 1990. In July 2001, he obtained his master degree in accounting from the Central University of Finance and Economics (中央財經大學). Mr. Li also completed his doctorate degree in economics from the Southwestern University of Finance and Economics (西南財經大學) in 2013. Mr. Li has over 20 years of experience in accounting, finance, business management and investment activities. Between June 2008 and April 2010 Mr. Li acted as the deputy general manager, chief financial officer and company secretary of Aerospace Environmental Engineering Co., Ltd. (航天環境工程有限公司). Prior to joining the Company, Mr. Li was the general manager of the investment department and the executive assistant to the president of China Aerospace Investment Holdings Ltd. (航天投資控股有限公司) and served as supervisor of Aerospace Science & Technology Finance Co., Ltd. (航天科技財務有限責任公司). Mr. Li will be supervising the development and business operation of the WFOE to be established for the financial leasing business in the PRC.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Li. Mr. Li has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Li will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Li is entitled to a director's remuneration of HK\$150,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition, and is subject to annual review.

**Mr. Yin Shibo**, aged 40, obtained a Bachelor degree in Economics from Guizhou University of Finance and Economics (formerly known as Guizhou College of Finance and Economics) and a Master degree in Business and Administration from Wuhan University. Mr. Yin has approximate 18 years extensive experience in finance industry, particularly in banking finance, project investment analysis and corporate finance management. He served at various positions in Agricultural Bank of China during 1997 to 2008 and was a branch manager before his leaving. Since 2008, he has devoted himself to the private equity industry and assumed senior management roles in several investment companies. Mr. Yin currently is a general manager of a trading company in the PRC. He has also obtained professional qualifications in the accountancy and finance in the PRC.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Yin. Mr. Yin has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Yin will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Yin is entitled to director's remuneration of HK\$80,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

**Mr. Tang Hon Kwo**, aged 45, has approximately 20 years of experience in investment activities and business management. Mr. Tang has also served since 1998 as director and deputy general manager of a Hong Kong private company and oversees the operational management and project investment activities.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Tang. Mr. Tang has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Tang will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Tang is entitled to director's remuneration of HK\$80,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

**Mr. Wang Jian**, aged 40, graduated from the department of fine art of Beijing Normal University. Mr. Wang worked at a renowned automobile company in the PRC from 1994 to 1997. From 2009 to 2012, Mr. Wang co-found an iron and steel product company in Shenzhen and served as its legal representative. Since 2012, he has assumed management positions at several natural resources related companies. He has a number of years of experience in investment activities and business management.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Wang. Mr. Wang has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Wang will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Wang is entitled to a director's remuneration of HK\$41,500 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

#### **Non-executive Director**

**Mr. Kuk Peter Z (Chairman)**, aged 60, graduated from the Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics). Mr. Kuk served as the Managing Director of Investment Banking Division and the Vice Chairman of China Business of Merrill Lynch (Asia Pacific) Limited and the Managing Director of Global Banking and Markets (GBM) and the Vice Chairman of China Region of the Hongkong and Shanghai Banking Corporation. Mr. Kuk was the Chief Strategy Adviser for markets and customers of

Deloitte Touche Tohmatsu and also served as a special assistant to the Chief Executive of Greater China. He was a managing partner of Ernst & Young, responsible for government and public affairs. He has been appointed as an independent non-executive director of Credit China Holdings Limited, a company listed in the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 8207) since 7 July 2014. He was also qualified as a certified public accountant in the PRC.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Kuk. Mr. Kuk has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Kuk will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Kuk is entitled to director's remuneration of HK\$180,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

#### **Independent non-executive Directors**

**Mr. Chan Fong Kong Francis**, aged 38, obtained a Bachelor degree of Commerce, majoring in Accounting and, Finance, from Deakin University. Mr. Chan has more than 10 years of experience in capital, investment, assurance and consultancy services industry. He served as a senior in assurance and advisory service team in a renowned international accounting firm from 2001 to 2005. Since 2005, Mr. Chan has been a senior consultant at a local consultancy firm in which apart from business consultancy services, he also involved in corporate restructuring and fund raising activities in Hong Kong and the PRC. Mr. Chan attained the Certified Practising Accountant status with CPA Australia and is currently a director of New Territories General Chamber of Commerce.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Chan. Mr. Chan has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Chan will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Chan is entitled to a director's fee of HK\$10,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

**Mr. Chen Zhenguo**, aged 44, obtained his bachelor degree in finance and insurance from China Institute of Finance and Banking (中國金融學院) in July 1993. He has approximately 17 years of experience in investment activities and business management. Mr. Chen was the project manager (investment banking) of United Securities Co., Ltd. (聯合證券有限公司) between April 1997 and February 2006. He joined Cybernaut Investment Limited (賽伯樂投資有限公司) between March 2006 and July 2008 as its vice president (investment). Since August 2008, Mr. Chen has been the executive director (investment) of Shanghai Fosun Venture Capital Investment Management Co., Ltd. (上海復星創業投資管理有限公司), its parent company Fosun International Limited was listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 0656).

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Chen. Mr. Chen has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Chen will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Chen is entitled to director's fee of HK\$10,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition, and is subject to annual review.

**Mr. Yuan Guangming**, aged 54, obtained a Bachelor degree from the department of Chinese studies of Wuhan University. Mr. Yuan has experience in business investment and management as well as in the media industry. From 1984 to 2003, he worked for several renowned television stations and media companies in the PRC. Since 2011, Mr. Yuan has been assuming senior executive positions in several capital investment or management companies.

As at the Latest Practicable Date, there is no service contract between the Company and Mr. Yuan. Mr. Yuan has not been appointed for any fixed term but will be subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws.

Pursuant to the Bye-laws, Mr. Yuan will hold office until the next general meeting of the Company and will be eligible for re-election at such meeting.

Mr. Yuan is entitled to a director's fee of HK\$10,000 per month, which is determined by the Board upon the recommendation of the Remuneration Committee by reference to his experience and responsibilities in the Company and the prevailing market condition and is subject to annual review.

## 9. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinion or advice contained in the Prospectus:

<b>Name</b>	<b>Qualification</b>
SHINEWING (HK) CPA Limited	Certified Public Accountants

SHINEWING (HK) CPA Limited has given and has not withdrawn its written consent to the issue of the Prospectus with the inclusion of its report and references to its name in the form and context in which it appear.

SHINEWING (HK) CPA Limited does not have any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

SHINEWING (HK) CPA Limited does not have or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up.

## 10. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of this Prospectus, together with copies of the Application Form and the written consent referred to in the paragraphs headed "Expert and Consent" in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## 11. LEGAL EFFECT

The Prospectus Documents and all acceptance of any offer or application contained in such documents are governed by and shall be construed in accordance with the Laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all person concerned bound by the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## 12. EXPENSES

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges, registration and other related expenses, are estimated to amount to approximately HK\$6.86 million and are payable by the Company.

**13. GENERAL**

In the event of inconsistency, the English text of this prospectus and the accompanying application form shall prevail over the Chinese text.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at 26/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong during normal business hours on any weekday other than public holidays from the date of the Prospectus, up to and including the Latest Time for Acceptance:

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the material contracts referred to in the paragraph headed “Material Contracts” in this Appendix;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2013 and 2012;
- (d) the accountants’ report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to the Prospectus;
- (e) the letter from the Board the text of which is set out on pages 8 to 38 to the Prospectus;
- (f) the written consent of the expert referred to in the section headed “Expert and Consent” in this Appendix; and
- (g) the Prospectus Documents.