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利記控股有限公司
LEE KEE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

**MAJOR TRANSACTION
PROPOSED ACQUISITION OF
THE REMAINING 50% SHAREHOLDING INTEREST AND
SHAREHOLDER'S LOAN IN
GENESIS BVI**

22nd August 2014

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DEFINITIONS

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

“Agreement for Sale and Purchase”	the agreement for sale and purchase dated 26th June 2014 entered into between the Vendor and Lee Kee HK in relation to, among others, the Proposed Acquisition
“Board”	the board of Directors
“Company”	Lee Kee Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Proposed Acquisition
“Deed of Assignment of Indebtedness”	the deed of assignment to be entered into among the Vendor, Lee Kee HK and Genesis BVI, Genesis HK or Genesis Ningbo (where applicable) in relation to, among others, the assignment of the Shareholder’s Loan and Other Indebtedness from the Vendor to Lee Kee HK
“Deed of Novation”	the deed(s) of novation to be entered into among the Vendor, Lee Kee HK and Genesis BVI, Genesis Alloys Ltd or Genesis Ningbo (where applicable) in relation to, among others, the novation of the Outstanding Debt from the Vendor to Lee Kee HK
“Directors”	the directors of the Company
“Enlarged Group”	the Group upon Completion
“Genesis BVI”	Genesis Recycling Technology (BVI) Limited, a company incorporated in the British Virgin Islands and is owned as to 50% by Lee Kee HK and 50% by the Vendor immediately before the completion of the Proposed Acquisition
“Genesis Group”	Genesis BVI and its subsidiaries
“Genesis HK”	Genesis Alloys Limited, a company incorporated in Hong Kong and is wholly-owned by Genesis BVI
“Genesis Ningbo”	Genesis Alloys (Ningbo) Limited, a wholly foreign owned enterprise established in the PRC and is an indirect wholly-owned subsidiary of Genesis BVI

DEFINITIONS

“Gold Alliance”	Gold Alliance Global Services Limited, the controlling Shareholder of the Company which is interested in approximately 72.40% of the issued share capital of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18th August 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lee Kee HK”	Lee Kee Group Limited, a company incorporated in Hong Kong, a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of the Securities on the Stock Exchange
“Other Indebtedness”	the aggregate sum of accounts payable due from the Genesis Group to the Vendor as at Completion
“Outstanding Debt”	the aggregate sum of accounts payable due from the Vendor to the Genesis Group as at Completion
“PRC”	The People’s Republic of China and, except where the context otherwise requires and for the purpose of this circular only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of 50% shareholding interest in Genesis BVI (comprising 157,500 B shares and 892,500 C shares) by Lee Kee HK from the Vendor pursuant to the terms and conditions of the Agreement for Sale and Purchase
“Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Shareholder’s Loan”	the shareholder’s loans in the sum of approximately HKD27,100,000 extended by the Vendor to Genesis BVI which will remain outstanding as at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Nyrstar Netherlands (Holdings) BV, a limited liability company incorporated in the Netherlands
“%”	per cent.

LETTER FROM THE BOARD



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 637)

Executive Directors:

Mr. CHAN Pak Chung (*Chairman of the Board*)
Ms. CHAN Yuen Shan, Clara (*Vice-Chairman,
Chief Executive Officer*)
Ms. MA Siu Tao

Registered Office:

P.O. Box 309 GT, Uglund House
South Church Street
George Town
Grand Cayman
Cayman Islands

Independent non-executive Directors:

Mr. CHUNG Wai Kwok, Jimmy
Mr. LEUNG Kwok Keung
Mr. HU Wai Kwok
Mr. HO Kwai Ching, Mark

*Head Office and Principal Place
of Business in Hong Kong:*

16 Dai Fat Street
Tai Po Industrial Estate
New Territories
Hong Kong

22nd August 2014

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
PROPOSED ACQUISITION OF
THE REMAINING 50% SHAREHOLDING INTEREST AND
SHAREHOLDER'S LOAN IN
GENESIS BVI**

1 INTRODUCTION

As announced by the Company in its announcements dated 26th June 2014, 4th July 2014 and 7th July 2014, Lee Kee HK, a wholly-owned subsidiary of the Company, as purchaser, had entered into the Agreement for Sale and Purchase with the Vendor on 26th June 2014, pursuant to which Lee Kee HK has agreed to purchase, and the Vendor has agreed to sell 50% shareholding interest in Genesis BVI (comprising 157,500 B shares and 892,500 C shares) at a consideration of US\$649,999. At Completion, Lee Kee HK, the Vendor and Genesis BVI, Genesis HK or Genesis Ningbo (where applicable) will enter into the Deed of Assignment of Indebtedness for the assignment of the Shareholder's Loan and Other Indebtedness to Lee Kee HK at a consideration of US\$1.00 and the Deed of Novation for the novation of the Outstanding Debt to Lee Kee HK.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Agreement for Sale and Purchase and the Proposed Acquisition; (ii) further information of the Genesis Group; (iii) financial information of the Genesis Group; (iv) unaudited pro forma financial information of the Enlarged Group; and (v) other information as required under the Listing Rules.

2 THE AGREEMENT FOR SALE AND PURCHASE AND THE DEED OF ASSIGNMENT OF INDEBTEDNESS

Sale and Purchase of Shares in Genesis BVI

The principal terms of the Agreement for Sale and Purchase are as follows:

Date of the Agreement for Sale and Purchase:	26th June 2014
Parties:	(1) Lee Kee HK, as purchaser (2) Nyrstar Netherlands (Holdings) BV, as vendor
Consideration and payment:	US\$649,999 and payable by Lee Kee HK on Completion by way of bank remittance.
Conditions precedent:	Completion is conditional upon:- (1) the approval of the Agreement for Sale and Purchase and all the transactions contemplated thereunder has been obtained from the Shareholders by way of either (a) the passing of resolution(s) in general meeting of such Shareholders as are not required to abstain from voting under the Listing Rules; or (b) if allowed under the Listing Rules, a written approval of the Shareholders acceptable to the Stock Exchange;

LETTER FROM THE BOARD

- (2) (if required) all other approvals, consents and acts to be obtained or completed before the Completion as required under the Listing Rules or as otherwise required by the Stock Exchange in connection with the Agreement for Sale and Purchase and all the transactions contemplated thereunder have been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such requirements has been obtained from the Stock Exchange; and
- (3) all approvals, consents, filings and necessary procedures in relation to the resignation of the directors and/or officers appointed by the Vendor in Genesis BVI and/or its subsidiaries have been completed, including but not limited to the changing of authorised signatories and bank signatories.

Other major terms:

Between the date of the Agreement for Sale and Purchase and Completion, all material decisions in relation to Genesis Ningbo must be jointly made by the general manager of Genesis Ningbo and the representatives of Lee Kee HK.

Completion:

On the seventh business day after the date on which the conditions precedent is satisfied or otherwise waived by Lee Kee HK.

LETTER FROM THE BOARD

As at the Latest Practicable Date, conditions precedent (1) and (2) as mentioned above have been satisfied. In respect of condition precedent (3) as mentioned above, as at the Latest Practicable Date, the directors appointed by the Vendor to the board of directors of Genesis Ningbo has tendered their resignation letters and the relevant filing procedures with the relevant government authorities have commenced. Although Lee Kee HK did not have any intention to waive condition precedent (3) as at the Latest Practicable Date, if the filing procedures with the relevant government authorities take a longer time than expected, Lee Kee HK may consider waiving this condition precedent on the precondition that such waiver will not cause any material adverse impact on the Proposed Acquisition and/or the Group as a whole.

Termination:

If Completion does not take place within three months from the date of the Agreement for Sale and Purchase, Lee Kee HK and the Vendor shall use their reasonable endeavours to negotiate amicably, including but not limited to, postponing the Completion to a later date or terminating the Agreement for Sale and Purchase (without prejudice to the rights and interests of the party which has fulfilled its obligations under the Agreement for Sale and Purchase).

LETTER FROM THE BOARD

Treatment of Shareholder's Loan and Other Indebtedness between the Vendor and the Genesis Group

At Completion, Lee Kee HK, the Vendor and Genesis BVI, Genesis HK or Genesis Ningbo (where applicable) will enter into:

- (1) the Deed of Assignment of Indebtedness, pursuant to which the Vendor has agreed to assign to Lee Kee HK absolutely all its rights, benefits and interests in the Shareholder's Loan and Other Indebtedness at a consideration of US\$1.00; and
- (2) the Deed of Novation, pursuant to which the Vendor has agreed to novate to Lee Kee HK the Outstanding Debt such that at Completion the Vendor be discharged and released from all payment obligations under or in respect of the Outstanding Debt.

The total consideration for the Proposed Acquisition and the assignment of the Shareholder's Loan and Other Indebtedness, being US\$650,000, was arrived at after arm's length negotiation between Lee Kee HK and the Vendor. Pursuant to a shareholders' agreement between Lee Kee HK and the Vendor in relation to Genesis BVI, Lee Kee HK has a pre-emptive right to require the Vendor to sell its shares to Lee Kee HK before the Vendor could transfer its shares to third parties. As far as the Company is aware, the Vendor is eager to exit its participation in the Genesis Group (the "Exit") as soon as possible. The options available to the Vendor for the Exit are either to liquidate Genesis BVI which is a lengthy process or to sell its shares in Genesis BVI. In view of such background and the pre-emptive right granted to Lee Kee HK pursuant to the shareholders' agreement, Lee Kee HK started the negotiation for the Proposed Acquisition with the Vendor by offering a mutually acceptable price which was gradually adjusted to the final price of US\$650,000 (equivalent to 70% discount to a 50% share of the total assets less current liabilities which amounted to approximately HK\$35,017,000 of the Genesis Group as at 31st December 2013).

3 REASONS FOR THE PROPOSED ACQUISITION

The Company believes that the Genesis Group with its production of zinc alloy in Ningbo, the PRC would maximize the synergy within the Group and enhance the supply chain and logistics hub in the Eastern China region with the Group's existing Wuxi sales and distribution centre. The Genesis Group will also strengthen the Group's own brand production capability.

The Directors believe that the terms of the Agreement for Sale and Purchase and the Deed of Assignment of Indebtedness are fair and reasonable to the Group and are in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

4 INFORMATION ON THE VENDOR

The Directors are informed that the Vendor is a limited liability company incorporated in the Netherlands. The holding company of the Vendor, Nyrstar NV, is a company listed on NYSE Euronext Brussels under the symbol NYR. Nyrstar NV is an integrated mining and metals business, with market leading positions in zinc and lead, and growing positions in other base and precious metals. Nyrstar NV has mining, smelting, and other operations located in Europe, the Americas, China and Australia. Nyrstar NV is incorporated in Belgium and has its corporate office in Switzerland.

5 INFORMATION ON THE GROUP AND GENESIS BVI

The Group principally engages in the business of processing, sourcing and distribution of nonferrous metals, primarily zinc alloy and zinc, nickel and nickel-related products, aluminium alloy and aluminium, stainless steel and other electroplating chemicals. The Group also provides related value-added and ancillary services from procurement of raw metal materials to after-sales services.

Genesis BVI principally engages in the processing, production and sale of zinc alloy through its indirect wholly-owned subsidiary in the PRC, Genesis Ningbo. As at the date of this circular, Genesis BVI has an authorised share capital of US\$2,100,000 divided into 892,500 A shares, 315,000 B shares and 892,500 C shares of US\$1.00 each. The shareholders of Genesis BVI are (1) Lee Kee HK, holding 892,500 A shares and 157,500 B shares; and (2) the Vendor, holding 157,500 B shares and 892,500 C shares.

The profit/(loss) and net liabilities of the Genesis Group for the years ended 31st December 2013 and 2012 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants are as follows:

	For the years ended	
	31st December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit/(loss) (both before and after taxation)	1,503	(4,339)
Total assets less current liabilities	35,017	32,429
Shareholders' loan	(54,263)	(54,263)
Net liabilities	(19,246)	(21,834)

LETTER FROM THE BOARD

The Board noted that in the opinion of Mazars CPA Limited, the reporting accountant of Genesis BVI, without qualifying its opinion, has stated in their report an emphasis of matter in relation to the capital deficiency of the Genesis Group in an amount of approximately HK\$19,845,000 as at 31st March 2014 which may cast significant doubt on its ability to continue as a going concern. Please refer to Appendix II to this circular for further details. The Board wishes to emphasise that the total assets less current liabilities of the Genesis Group as at 31st March 2014 amounted to approximately HK\$34,418,000. The Genesis Group only recorded a capital deficiency if shareholders' loan in the amount of approximately HK\$54,263,000 is taken into consideration. Upon Completion, the entire sum of shareholders' loan will be owed by the Genesis Group to Lee Kee HK. Based on the current business and operation of the Genesis Group, the Directors are of the view that the Genesis Group is able to self-maintain. Therefore, the Group does not have any current intention to call the shareholders' loan that will have negative impact to the Genesis Group's ability to continue as a going concern. The Proposed Acquisition will not only bring synergy to the Group's existing operations and production capabilities but will also strengthen the Group's supply chain in Eastern China. Therefore, the Board believes that the Proposed Acquisition will benefit the Enlarged Group as a whole.

Genesis BVI is owned as to 50% by Lee Kee HK and 50% by the Vendor and is treated as a joint venture of the Company immediately before the completion of the Proposed Acquisition. Upon Completion, Genesis BVI will be an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

6 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Upon Completion, the Genesis Group will become the wholly-owned subsidiary of the Company and the financial results of the Genesis Group will be consolidated into the financial statements of the Group. In addition, after the Completion, the Proposed Acquisition will bring a total gain of approximately HK\$13 million to the Group.

Earnings

For the fifteen months ended 31st March 2014, the Group recorded audited consolidated profit of HK\$3,868,000. Meanwhile the Genesis Group recorded audited consolidated profits of HK\$1,503,000 and HK\$388,000 for the year ended 31st December 2013 and the three months period ended 31st March 2014 respectively. Hence, the Directors consider that the Genesis Group will contribute positively to the revenue and earnings base of the Enlarged Group.

The unaudited pro forma financial information has been prepared for illustrative purpose only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not reflect the true financial position of the Enlarged Group as at the date of Completion or any future date. Moreover, since the fair values and carrying amounts of the identifiable net assets of the Genesis Group as at the date of Completion may be materially different from their respective values used in the preparation of the unaudited pro forma financial information, the actual amounts of the assets, liabilities and negative goodwill/goodwill to be recorded in the consolidated financial statements of the Group upon Completion may be materially different from the estimated amounts shown in Appendix IV to this circular.

LETTER FROM THE BOARD

Assets

As at 31st March 2014, the audited consolidated total assets of the Group amounted to HK\$1,390,217,000.

As set out in Appendix IV to this circular, assuming completion of the Proposed Acquisition had taken place on 31st March 2014, the unaudited pro forma consolidated total assets of the Enlarged Group would be approximately HK\$1,391,900,000.

Liabilities

As at 31st March 2014, the audited consolidated total liabilities of the Group amounted to approximately HK\$268,720,000.

As set out in Appendix IV to this circular, assuming the completion of the Proposed Acquisition had taken place on 31st March 2014, the unaudited pro forma consolidated total liabilities of the Enlarged Group would be approximately HK\$258,412,000.

7 LISTING RULES IMPLICATIONS

As certain percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition are more than 25% while all applicable percentage ratios are less than 100%, the Proposed Acquisition constitutes a major transaction for the Company and is subject to the Shareholders' approval requirement under the Listing Rules.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had a material interest in the Proposed Acquisition, and therefore no Shareholder would be required to abstain from voting on the proposed resolution(s) to approve the Agreement for Sale and Purchase and the transactions contemplated thereunder in a general meeting of the Shareholders. Accordingly, the Company has obtained written Shareholder's approval for the Proposed Acquisition from Gold Alliance, in lieu of holding an extraordinary general meeting. Gold Alliance is, as at the Latest Practicable Date, interested in approximately 72.40% of the issued share capital of the Company.

8 ADDITIONAL MATTERS

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

Yours faithfully
By Order of the Board
Lee Kee Holdings Limited
CHAN Pak Chung
Chairman

1 FINANCIAL SUMMARY

The audited financial information of the Group for the financial years ended 31st December 2011 and 31st December 2012 and the 15 months ended 31st March 2014 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.leekeegroup.com), respectively:

- (a) annual report of the Company for the year ended 31st December 2011 published on 13th April 2012 (pages 31 to 95);
- (b) annual report of the Company for the year ended 31st December 2012 published on 19th April 2013 (pages 31 to 83); and
- (c) annual report of the Company for the 15 months ended 31st March 2014 published on 8th July 2014 (pages 36 to 100).

2 WORKING CAPITAL

The Directors are of the opinion that, taking into account the business prospects of the Enlarged Group, the internal resources and the existing available credit facilities of the Enlarged Group, upon Completion, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

3 STATEMENT OF INDEBTEDNESS

At the close of business on 30th June 2014, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding short-term bank loans of HK\$274,664,000. The bank borrowings were secured by a corporate guarantee given by the Company.

Save as aforesaid, and apart from intra-group liabilities, none of the companies in the Enlarged Group had any material debt securities, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 30th June 2014.

4 FINANCIAL AND TRADING PROSPECTS

The Group will continue to take advantage of its status as the Associate Trade Member of London Metal Exchange (the “LME”) to boost its marketing in these markets, as well as ASEAN, and further expand the value provided by its solutions. The Group will also take advantage of the global reach of the LME platform to explore new opportunities and avenues for growth. In addition, the Group, after the Completion, will further maximize the synergy with the Genesis Group, especially enhancing the supply chain and logistics hub in the Eastern China region and a more reliable supply of high quality zinc alloy products. The Eastern China customers may be able to enjoy more flexible logistic arrangement and support.

Being part of “powering growth”, the Genesis Group will also strengthen the Group’s own brand production capability and further enhance customers’ confidence on the Group’s mission to create value solutions for metals.

Upon the Completion, the Genesis Group will maintain its core zinc alloy production and operation with a minimal additional financial resources from the Group and is expected to be able positively contribute to the Group.

The following is the text of a report, for the purpose of inclusion in this circular, received from the reporting accountant of Genesis Recycling Technology (BVI) Limited, Mazars CPA Limited, Certified Public Accountants.



MAZARS CPA LIMITED
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22nd August 2014

The Directors
Lee Kee Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Genesis Recycling Technology (BVI) Limited (“**Genesis BVI**”) and its subsidiaries (hereinafter collectively referred to as “**Genesis Group**”) comprising the consolidated statements of financial position of Genesis Group as at 31st December 2011, 2012 and 2013 and 31st March 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Genesis Group for each of the years ended 31st December 2011, 2012 and 2013 and the three months ended 31st March 2014 (the “**Relevant Periods**”), together with a summary of significant accounting policies and other explanatory information, (the “**Financial Information**”) for inclusion in the circular of Lee Kee Holdings Limited (the “**Company**”) dated 22nd August 2014 (the “**Circular**”) in connection with the proposed acquisition of 50% interest and shareholder’s loan in Genesis BVI as disclosed in the Company’s announcement dated 26th June 2014.

Genesis BVI was incorporated in the British Virgin Islands on 12th February 2001 as a limited liability company under the British Virgin Islands Business Companies Act Cap.291. The principal activity of Genesis BVI is investment holding. All companies now comprising Genesis Group have adopted 31st December as their financial year end for statutory financial reporting purpose.

As at the date of this report, Genesis BVI has direct and indirect interests in the subsidiaries as set out in Note 13 of Section B below. All of these companies are private companies.

As at the date of this report, no separate audited financial statements have been prepared for Genesis BVI as it is not subject to statutory audit requirements under the rules and regulations in its jurisdiction of incorporation. The audited financial statements of other companies comprising Genesis Group as at the date of this report for which there

are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 13 of Section B below.

The directors of Genesis BVI have prepared the consolidated financial statements of Genesis Group for the Relevant Periods (the “**Underlying Financial Statements**”) in accordance with the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for each of the years ended 31st December 2011, 2012 and 2013 and the three months ended 31st March 2014 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

The Financial Information has been prepared by the directors of Genesis BVI for inclusion in the Circular in connection with the Company’s acquisition of 50% interest and shareholder’s loan in Genesis BVI based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of Genesis BVI is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of Genesis BVI determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY FOR THE FINANCIAL INFORMATION

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline No. 3.340 “**Prospectuses and the Reporting Accountant**” issued by the HKICPA.

OPINION

In our opinion, the Financial Information, for the purpose of this report and prepared on the basis as set out in Note 2 of Section B below, gives a true and fair view of the state of affairs of Genesis Group as at 31st December 2011, 2012 and 2013 and 31st March 2014 and of Genesis Group’s consolidated results and cash flows for the Relevant Periods then ended.

Without qualifying our report, we draw your attention to Note 2 of Section B below which indicates that Genesis Group had capital deficiency of HK\$19,845,000 as at 31st March 2014. This matter, along with other matters as set forth in Note 2 below, indicate the existence of a material uncertainty which may cast significant doubt on Genesis Group's ability to continue as a going concern. The Company has confirmed its intention to make available adequate funds to Genesis Group as and when required to maintain Genesis Group as a going concern.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of Genesis Group comprising the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31st March 2013, together with the notes thereon (the "**Corresponding Financial Information**"), for which the directors of Genesis BVI are responsible, in accordance with Hong Kong Standard on Review Engagement 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

The directors of Genesis BVI are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. FINANCIAL INFORMATION OF GENESIS GROUP

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section B <i>Note</i>	Year ended 31st December			Three months ended 31st March	
		2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
					(unaudited)	
Turnover	4	262,221	193,410	237,203	49,443	52,137
Cost of sales		<u>(254,067)</u>	<u>(186,893)</u>	<u>(229,211)</u>	<u>(48,084)</u>	<u>(50,000)</u>
Gross profit		8,154	6,517	7,992	1,359	2,137
Other revenue	4	112	165	35	11	9
Other income	5	2,364	721	1,094	756	101
Distribution costs		(3,021)	(1,809)	(2,306)	(441)	(517)
General and administrative expenses		(5,634)	(5,278)	(5,134)	(1,357)	(1,342)
Finance costs	6	<u>(5,070)</u>	<u>(4,656)</u>	<u>(178)</u>	<u>(151)</u>	<u>-</u>
(Loss) Profit before tax	6	(3,095)	(4,340)	1,503	177	388
Income tax expense	8	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Loss) Profit for the year/ period attributable to equity holders of Genesis BVI		(3,095)	(4,340)	1,503	177	388
Other comprehensive (loss) income for the year/ period, net of tax						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation		<u>(705)</u>	<u>666</u>	<u>1,085</u>	<u>149</u>	<u>(987)</u>
Total comprehensive (loss) income for the year/period attributable to equity holders of Genesis BVI		<u><u>(3,800)</u></u>	<u><u>(3,674)</u></u>	<u><u>2,588</u></u>	<u><u>326</u></u>	<u><u>(599)</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section B Note	At 31st December			At 31st March
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Non-current assets					
Property, plant and equipment	11	16,675	15,611	14,378	13,609
Prepaid lease payments	12	1,072	1,060	1,061	1,028
		<u>17,747</u>	<u>16,671</u>	<u>15,439</u>	<u>14,637</u>
Current assets					
Prepaid lease payments	12	28	29	29	29
Inventories	14	5,168	6,726	11,247	10,358
Trade and other receivables	15	6,933	9,892	10,277	14,201
Bank balances and cash		21,442	36,402	8,650	5,266
		<u>33,571</u>	<u>53,049</u>	<u>30,203</u>	<u>29,854</u>
Current liabilities					
Trade and other payables	16	7,574	12,137	10,625	10,073
Bank borrowings	17	61,904	25,154	-	-
		<u>69,478</u>	<u>37,291</u>	<u>10,625</u>	<u>10,073</u>
Net current (liabilities) assets		<u>(35,907)</u>	<u>15,758</u>	<u>19,578</u>	<u>19,781</u>
Total assets less current liabilities		<u>(18,160)</u>	<u>32,429</u>	<u>35,017</u>	<u>34,418</u>
Non-current liabilities					
Loan from shareholders	18	-	54,263	54,263	54,263
NET LIABILITIES		<u>(18,160)</u>	<u>(21,834)</u>	<u>(19,246)</u>	<u>(19,845)</u>
Capital and reserves					
Share capital	19	16,380	16,380	16,380	16,380
Capital reserve	20(a)	2,211	2,211	2,211	2,211
Exchange reserve		2,645	3,311	4,396	3,409
Surplus reserve	20(b)	1,541	1,541	1,541	1,541
Accumulated losses		(40,937)	(45,277)	(43,774)	(43,386)
TOTAL DEFICITS		<u>(18,160)</u>	<u>(21,834)</u>	<u>(19,246)</u>	<u>(19,845)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2011	16,380	2,211	3,350	1,541	(37,842)	(14,360)
Loss for the year	-	-	-	-	(3,095)	(3,095)
Other comprehensive loss for the year						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation	-	-	(705)	-	-	(705)
Total comprehensive loss for the year	-	-	(705)	-	(3,095)	(3,800)
At 31st December 2011	16,380	2,211	2,645	1,541	(40,937)	(18,160)
At 1st January 2012	16,380	2,211	2,645	1,541	(40,937)	(18,160)
Loss for the year	-	-	-	-	(4,340)	(4,340)
Other comprehensive income for the year						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation	-	-	666	-	-	666
Total comprehensive loss for the year	-	-	666	-	(4,340)	(3,674)
At 31st December 2012	16,380	2,211	3,311	1,541	(45,277)	(21,834)
At 1st January 2013	16,380	2,211	3,311	1,541	(45,277)	(21,834)
Profit for the year	-	-	-	-	1,503	1,503
Other comprehensive income for the year						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation	-	-	1,085	-	-	1,085
Total comprehensive income for the year	-	-	1,085	-	1,503	2,588
At 31st December 2013	16,380	2,211	4,396	1,541	(43,774)	(19,246)

	Share capital HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Surplus reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2014	16,380	2,211	4,396	1,541	(43,774)	(19,246)
Profit for the period	-	-	-	-	388	388
Other comprehensive loss for the period						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation	-	-	(987)	-	-	(987)
Total comprehensive loss for the period	-	-	(987)	-	388	(599)
At 31st March 2014	16,380	2,211	3,409	1,541	(43,386)	(19,845)
At 1st January 2013	16,380	2,211	3,311	1,541	(45,277)	(21,834)
Profit for the period (unaudited)	-	-	-	-	177	177
Other comprehensive income for the period						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences arising on translation (unaudited)	-	-	149	-	-	149
Total comprehensive income for the period (unaudited)	-	-	149	-	177	326
At 31st March 2013 (unaudited)	16,380	2,211	3,460	1,541	(45,100)	(21,508)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section B Note	Year ended 31st December			Three months ended 31st March	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
OPERATING ACTIVITIES						
Cash generated from (used in) operations	22	9,282	3,048	(2,659)	(6,669)	(3,188)
Interest paid		(5,070)	(4,656)	(178)	(151)	-
Net cash from (used in) operating activities		<u>4,212</u>	<u>(1,608)</u>	<u>(2,837)</u>	<u>(6,820)</u>	<u>(3,188)</u>
INVESTING ACTIVITIES						
Interest received		112	165	35	11	9
Purchase of property, plant and equipment		(178)	(479)	(101)	-	(3)
Proceeds from disposal of property, plant and equipment		1	10	1	-	-
Net cash (used in) from investing activities		<u>(65)</u>	<u>(304)</u>	<u>(65)</u>	<u>11</u>	<u>6</u>
FINANCING ACTIVITIES						
Repayment of bank loan		-	(37,731)	(25,873)	(25,272)	-
Loan from shareholders		-	54,263	-	-	-
Net cash from (used in) financing activities		<u>-</u>	<u>16,532</u>	<u>(25,873)</u>	<u>(25,272)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		<u>4,147</u>	<u>14,620</u>	<u>(28,775)</u>	<u>(32,081)</u>	<u>(3,182)</u>
Cash and cash equivalents at beginning of year/period		16,385	21,442	36,402	36,402	8,650
Effect on exchange rate changes		910	340	1,023	167	(202)
Cash and cash equivalents at end of year/period, represented by bank balances and cash		<u>21,442</u>	<u>36,402</u>	<u>8,650</u>	<u>4,488</u>	<u>5,266</u>

B. NOTES TO THE FINANCIAL INFORMATION OF GENESIS GROUP**1. CORPORATE INFORMATION**

Genesis Recycling Technology (BVI) Limited (“**Genesis BVI**”) is a limited liability company incorporated in the British Virgin Islands on 12th February 2001. The Company’s principal place of business is located at 16 Dai Fat Street, Tai Po Industrial Estate, N.T, Hong Kong. The principal activity of the Company is investment holding and the subsidiaries are mainly engaged in manufacturing and trading of alloy products.

2. PRINCIPAL ACCOUNTING POLICIES**Basis of preparation**

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong. The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The HKICPA has issued a number of new and revised HKFRSs during the Relevant Periods. For the purpose of preparing the Financial Information, Genesis Group has throughout the Relevant Periods consistently adopted all applicable new and revised HKFRSs that are relevant to Genesis Group and are effective for the Relevant Periods.

A summary of the principal accounting policies adopted by Genesis Group in the preparation of the Financial Information is set out below.

Going concern

The Financial Information has been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of liabilities over assets. The directors of Genesis BVI are aware that, due to the above conditions, a material uncertainty exists which may cast doubt upon Genesis Group’s ability to continue as a going concern. However, the directors of Genesis BVI are of the opinion that there is a reasonable expectation that Genesis Group will be able to continue as going concerns on the basis that the Company has confirmed its intention to make available adequate funds to Genesis Group as and when required to maintain Genesis Group as a going concern.

Basis of measurement

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

Basis of consolidation

The Financial Information comprises the financial statements of Genesis BVI and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as that of Genesis BVI using consistent accounting policies.

All intra-group balances, transactions, incomes and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which Genesis Group obtains control and continue to be consolidated until the date that such control ceased.

Subsidiaries

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

In Genesis BVI's statement of financial position, the investment in subsidiaries is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis. The results of subsidiaries are accounted for by Genesis BVI on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Buildings	5%
Plant and machinery	10% – 20%
Office equipment	20%
Motor vehicles	20%

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

Prepaid lease payments

Prepaid lease payments are up-front payments to acquire fixed-term interests in lessee-occupied land. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

Impairment of non-financial assets

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out (FIFO) method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Financial instruments*Recognition and derecognition*

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

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

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

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

Financial liabilities

Genesis Group's financial liabilities include trade and other payables, bank borrowings and loan from shareholders. All financial liabilities except for derivatives are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

At the end of each reporting period, Genesis Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit or loss, are impaired. The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial assets' original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash equivalents

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to Genesis Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases.

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title is passed.

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Items included in the Financial Information of each of Genesis Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Financial Information is presented in the currency of Hong Kong dollars ("**HK\$**"), which is Genesis BVI's functional currency.

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- Income and expenses for each statement of comprehensive income are translated at average exchange rate;
- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of Genesis Group's net investment in a foreign operation are recognised as a separate component of equity.
- On the disposal of a foreign operation, the cumulative amount of the exchange differences deferred in the separate component of equity relating to that foreign operation is recognised in profit or loss when the gain or loss on disposal is recognised.

Borrowing costs

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

Employee benefits*Defined contribution plan*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The scheme is provided for based on total actual salaries and wages payable to Chinese employees in accordance with the Regulations for Provision of Various Employee Funds and Allowances issued by the relevant Finance Bureau and the Labour and Social Security Bureau in Mainland China. The assets of the scheme are held separately from those of Genesis Group in an independently administered fund.

Leases

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

As lessee

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

Taxation

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of an asset or liability in a transaction other than a business consolidation that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

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

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

Related parties

A related party is a person or entity that is related to Genesis Group.

- (a) A person or a close member of that person's family is related to Genesis Group if that person:
 - (i) has control or joint control over Genesis Group;
 - (ii) has significant influence over Genesis Group; or
 - (iii) is a member of the key management personnel of Genesis Group or of the parent of Genesis Group.
- (b) An entity is related to Genesis Group if any of the following conditions applies:
 - (i) The entity and Genesis Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either Genesis Group or an entity related to Genesis Group. If Genesis Group is itself such a plan, the sponsoring employers are also related to Genesis Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

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

Segment Reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to Genesis Group's chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, Genesis Group's various lines of business and geographical locations.

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

Critical accounting estimates and judgements

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

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of Genesis Group is based on the evaluation by management of the collectability of the accounts receivable. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance will be required.

Allowance for inventories

Genesis Group's management reviews the condition of inventories at the end of each reporting period, and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Genesis Group carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Depreciation

Genesis Group depreciates the property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into consideration their estimated residual value, using straight line method. The estimated useful life reflects the directors' estimate of the periods that Genesis Group intends to derive future economic benefits from the use of the property, plant and equipment.

Impairment of investments and receivables

Genesis Group assesses annually if investment in subsidiaries has suffered any impairment in accordance with HKAS 36 and follows the guidance of HKAS 39 in determining whether amounts due from those entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

Future changes in HKFRS

At the date of issuance of this Financial Information, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the Relevant Periods, which Genesis Group has not early adopted. The management does not anticipate that the adoption of these new/revised HKFRSs, in future periods will have any material impact on the results and financial position of Genesis Group.

3. SEGMENT INFORMATION**Business Segment**

The directors of Genesis BVI have been identified as the chief operating decision maker to evaluate the performance of operating segments based on Genesis Group's internal reporting in respect of these segments. For the purpose of internal reporting, Genesis Group has only one business segment, namely, the manufacturing and trading alloy products business. Business segment information, which is Genesis Group's primary basis of segment reporting, is not presented as Genesis Group's turnover, contribution to operating profit and assets and liabilities are attributable to this only segment.

Geographical information

Genesis Group's operations and operating assets are substantially located in the People's Republic of China (the "PRC"). Accordingly, no geographical segment information is presented.

Information about major customers

Details of the entities accounting for 10% or more of aggregate revenue of Genesis Group during the Relevant Periods are as follows:

	Year ended 31st December			Three months ended 31st March	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Customer A	154,490	103,394	98,680	18,310	21,956
Customer B	N/A	22,594	36,057	7,784	5,879
Customer C	N/A	N/A	N/A	5,291	N/A
Customer D	N/A	N/A	N/A	5,240	N/A
	<u>154,490</u>	<u>125,988</u>	<u>134,737</u>	<u>36,625</u>	<u>27,835</u>

4. TURNOVER AND REVENUE

Turnover and revenue recognised by categories are as follows:

	Year ended 31st December			Three months ended 31st March	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Turnover					
Sale of goods, net of value added tax	262,221	193,410	237,203	49,443	52,137
Other revenue					
Bank interest income	<u>112</u>	<u>165</u>	<u>35</u>	<u>11</u>	<u>9</u>
Total revenue	<u>262,333</u>	<u>193,575</u>	<u>237,238</u>	<u>49,454</u>	<u>52,146</u>

5. OTHER INCOME

	Year ended 31st December			Three months ended 31st March	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
				(unaudited)	
Exchange gain, net	283	–	–	–	1
Recovery of allowance of doubtful debts	1,102	–	–	–	–
Sales of scrap	740	324	393	181	100
Sundry income	239	32	119	–	–
Write back of advance from customers	–	365	–	–	–
Write back of amount due to ex-shareholder	–	–	582	575	–
	<u>2,364</u>	<u>721</u>	<u>1,094</u>	<u>756</u>	<u>101</u>

6. (LOSS) PROFIT BEFORE TAX

This is stated after charging:

	Year ended 31st December			Three months ended 31st March	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
				(unaudited)	
Finance costs					
Interests on bank loans wholly repayable within five years	<u>5,070</u>	<u>4,656</u>	<u>178</u>	<u>151</u>	<u>–</u>
Staff costs					
Salaries and allowances	2,971	3,438	3,628	876	890
Contributions to defined contribution plans	<u>245</u>	<u>246</u>	<u>238</u>	<u>66</u>	<u>73</u>
Total staff costs, including remunerations of key management personnel	<u>3,216</u>	<u>3,684</u>	<u>3,866</u>	<u>942</u>	<u>963</u>
Other items					
Auditor's remuneration	264	161	162	–	–
Cost of inventories sold	252,548	185,406	227,615	47,691	49,603
Depreciation and amortisation – included in general and administrative expenses	454	218	189	45	33
– included in cost of sales	1,519	1,487	1,596	393	397
Exchange (gain) loss, net	(283)	110	343	317	(1)
Loss on disposal of property, plant and equipment	3	92	–	–	–
Written-off of other receivables	<u>108</u>	<u>20</u>	<u>–</u>	<u>–</u>	<u>–</u>

7. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors did not receive any remuneration from Genesis Group during the Relevant Periods.

There was no amount paid during the Relevant Periods to the directors in connections with their retirement from employment or compensation for loss of office with Genesis Group, or inducement to join. There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments for the Relevant Periods, none of them is a director. The aggregate of the emoluments in respect of these five individuals are as follows:

	Year ended 31st December			Three months ended 31st March	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
Salaries and allowances	1,409	1,439	1,510	370	379
Contributions to defined contribution plans	45	44	49	12	15
	<u>1,454</u>	<u>1,483</u>	<u>1,559</u>	<u>382</u>	<u>394</u>

The emoluments fell within the following bands:

	Year ended 31st December			Three months ended 31st March	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000	2014 HK\$'000
HK\$Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

No emoluments were paid or payable to these employees as an inducement to join or upon joining Genesis Group or as compensation for loss of office during the Relevant Periods.

8. INCOME TAX EXPENSE

Income taxes

In respect of Genesis BVI and its subsidiary in Hong Kong, Hong Kong Profits Tax has not been provided as Genesis BVI had no assessable profits and the subsidiary in Hong Kong incurred a loss for taxation purposes for the Relevant Periods.

The income tax provision in respect of operations in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits for the year based on existing legislation, interpretation and practices in respect thereof.

For the years ended 31st December 2011 and 2012, PRC enterprise income tax had not been provided as the subsidiary in the PRC incurred a loss for taxation purposes. PRC enterprise income tax had not been provided as the estimated assessable profits for the year ended 31st December 2013 and three months ended 31st March 2014 of the subsidiary in the PRC are wholly absorbed by unrelieved tax losses brought forward from previous years.

Reconciliation of income tax expense

	Year ended 31st December			Three months ended	
	2011	2012	2013	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
(Loss) Profit before tax	<u>(3,095)</u>	<u>(4,340)</u>	<u>1,503</u>	<u>177</u>	<u>388</u>
Income tax at applicable tax rate at 25%	(774)	(1,085)	376	44	97
Different tax rate of a subsidiary operating in other jurisdiction	18	14	14	1	1
Non-deductible expenses	218	224	229	61	56
Tax exempt revenue	(10)	(85)	-	-	-
Unrecognised tax losses	520	983	28	-	-
Unrecognised temporary differences	(33)	(34)	(35)	(9)	(9)
Utilisation of unrecognised tax losses	-	-	(656)	(96)	(135)
Others	<u>61</u>	<u>(17)</u>	<u>44</u>	<u>(1)</u>	<u>(10)</u>
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Unrecognised deferred tax assets arising from items analysed in gross amount as follows:

	2011	At 31st December		At
	2011	2012	2013	31st March
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
Deductible temporary differences	2,149	2,048	1,969	1,887
Tax losses arising from				
– Hong Kong	1,262	1,431	1,599	1,605
– PRC	39,453	43,901	16,932	15,974
	<u>40,715</u>	<u>45,332</u>	<u>18,531</u>	<u>17,579</u>
At the end of the reporting period	<u>42,864</u>	<u>47,380</u>	<u>20,500</u>	<u>19,466</u>

The deductible temporary differences represented losses on disposal of leasehold improvement of the PRC subsidiary which have been allowed for tax deduction over 20 years since the year 2006. Genesis Group had unused tax losses incurred by the Hong Kong subsidiary which do not expire under current tax legislation in Hong Kong and the unused tax losses incurred by the PRC subsidiary can be carried forward for five years starting from the year when the loss was incurred under current PRC tax legislation, interpretation and practices. Deferred tax assets have not been recognised in respect of these items because it is not probable that sufficient future taxable profit will be available against which Genesis Group can utilise the benefits therefrom.

These unused tax losses incurred by the PRC subsidiary at each end of reporting periods will expire as follows:

	2011	At 31st December		At
	2011	2012	2013	31st March
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
At 31st December 2013	24,724	24,724	–	–
At 31st December 2014	6,290	6,290	6,290	5,750
At 31st December 2015	3,500	3,500	3,500	3,500
At 31st December 2016	1,939	1,939	1,939	1,939
At 31st December 2017	–	3,822	3,822	3,822
Exchange differences	3,000	3,626	1,381	963
	<u>39,453</u>	<u>43,901</u>	<u>16,932</u>	<u>15,974</u>

9. (LOSS) EARNINGS PER SHARE

(Loss) Earnings per share have not been presented as its inclusion is not considered meaningful for the purpose of the Financial Information.

10. DIVIDENDS

Genesis Group did not declare any dividends or distributions during the Relevant Periods.

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Office equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Reconciliation of carrying amount – year ended 31st December 2011					
At beginning of the year	9,425	7,333	645	105	17,508
Exchange differences	516	388	29	5	938
Additions	–	19	159	–	178
Disposals	–	–	(4)	–	(4)
Depreciation	(532)	(1,025)	(337)	(51)	(1,945)
At the end of the reporting period	<u>9,409</u>	<u>6,715</u>	<u>492</u>	<u>59</u>	<u>16,675</u>
Reconciliation of carrying amount – year ended 31st December 2012					
At beginning of the year	9,409	6,715	492	59	16,675
Exchange differences	140	90	6	–	236
Additions	–	466	13	–	479
Disposals	–	(94)	(8)	–	(102)
Depreciation	(543)	(973)	(131)	(30)	(1,677)
At the end of the reporting period	<u>9,006</u>	<u>6,204</u>	<u>372</u>	<u>29</u>	<u>15,611</u>
Reconciliation of carrying amount – year ended 31st December 2013					
At beginning of the year	9,006	6,204	372	29	15,611
Exchange differences	250	163	9	1	423
Additions	–	80	21	–	101
Disposals	–	–	(1)	–	(1)
Depreciation	(560)	(1,088)	(108)	–	(1,756)
At the end of the reporting period	<u>8,696</u>	<u>5,359</u>	<u>293</u>	<u>30</u>	<u>14,378</u>
Reconciliation of carrying amount – period ended 31st March 2014					
At beginning of the period	8,696	5,359	293	30	14,378
Exchange differences	(213)	(128)	(7)	(1)	(349)
Additions	–	–	3	–	3
Depreciation	(140)	(269)	(14)	–	(423)
At the end of the reporting period	<u>8,343</u>	<u>4,962</u>	<u>275</u>	<u>29</u>	<u>13,609</u>

	Buildings <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2012					
Cost	12,076	12,122	1,510	286	25,994
Accumulated depreciation and impairment losses	<u>(2,667)</u>	<u>(5,407)</u>	<u>(1,018)</u>	<u>(227)</u>	<u>(9,319)</u>
Net carrying amount	<u>9,409</u>	<u>6,715</u>	<u>492</u>	<u>59</u>	<u>16,675</u>
At 1st January 2013					
Cost	12,267	12,308	1,465	291	26,331
Accumulated depreciation and impairment losses	<u>(3,261)</u>	<u>(6,104)</u>	<u>(1,093)</u>	<u>(262)</u>	<u>(10,720)</u>
Net carrying amount	<u>9,006</u>	<u>6,204</u>	<u>372</u>	<u>29</u>	<u>15,611</u>
At 1st January 2014					
Cost	12,618	12,697	1,517	299	27,131
Accumulated depreciation and impairment	<u>(3,922)</u>	<u>(7,338)</u>	<u>(1,224)</u>	<u>(269)</u>	<u>(12,753)</u>
Net carrying amount	<u>8,696</u>	<u>5,359</u>	<u>293</u>	<u>30</u>	<u>14,378</u>
At 31st March 2014					
Cost	12,307	12,384	1,483	292	26,466
Accumulated depreciation and impairment	<u>(3,964)</u>	<u>(7,422)</u>	<u>(1,208)</u>	<u>(263)</u>	<u>(12,857)</u>
Net carrying amount	<u>8,343</u>	<u>4,962</u>	<u>275</u>	<u>29</u>	<u>13,609</u>

12. PREPAID LEASE PAYMENTS

Prepaid lease payments represent cost paid for medium-term leasehold land in PRC. The cost is amortised over the leasehold period.

	At 31st December			At 31st March
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net carrying amount				
At beginning of the reporting period	1,068	1,100	1,089	1,090
Exchange differences	60	17	30	(26)
Amortisation	(28)	(28)	(29)	(7)
	<u>1,100</u>	<u>1,089</u>	<u>1,090</u>	<u>1,057</u>
At the end of the reporting period	1,100	1,089	1,090	1,057
Current portion	28	29	29	29
Non-current portion	1,072	1,060	1,061	1,028
	<u>1,100</u>	<u>1,089</u>	<u>1,090</u>	<u>1,057</u>

13. INTERESTS IN SUBSIDIARIES

	Genesis BVI			
	At 31st December			At 31st March
	2011	2012	2013	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	10	10	10	10
Impairment losses	(10)	(10)	(10)	(10)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Due from subsidiaries	19,742	74,005	74,005	74,005
Impairment losses	(19,742)	(19,742)	(19,742)	(19,742)
	<u>-</u>	<u>54,263</u>	<u>54,263</u>	<u>54,263</u>
	<u>-</u>	<u>54,263</u>	<u>54,263</u>	<u>54,263</u>

As at 31st December 2012 and 2013 and 31st March 2014, included in the amounts due from subsidiaries, there is a loan to a Hong Kong subsidiary of United States Dollar ("US\$") 7 million (approximately HK\$54,263,300) which is unsecured, interest-free and repayable in 3 years from the drawdown date.

The remaining amounts due from subsidiaries are unsecured, interest-free and have no fixed term of repayment. The directors of Genesis Group expected the amount will not be realised in the next twelve months at the end of the reporting period.

As at the date of this report, Genesis BVI had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of subsidiary	Place of incorporation/ Date of registration	Particulars of registered/issued and paid up capital	Proportion of nominal value of issued/registered capital held by Genesis BVI		Principal activities
			Directly	Indirectly	
Genesis Alloys Limited ("Genesis HK")	Hong Kong on 30th June 2000	10,000 ordinary shares of HK\$1	100%	-	Investment holding and trading of alloy products
金利合金制造工業(寧波)有限公司 Genesis Alloys (Ningbo) Limited* ("Genesis Ningbo")	The PRC on 15th September 2000	US\$9,000,000	-	100%	Manufacturing and trading of alloy products

All companies comprising Genesis Group have adopted 31st December as their financial year end date.

The financial statements of Genesis BVI's subsidiaries that fall into the Relevant Periods have been audited as follows:

Name of subsidiary	Financial Period	Auditors
Genesis HK	Years ended 31st December 2011, 2012 and 2013	Mazars CPA Limited
Genesis Ningbo	Years ended 31st December 2011, 2012 and 2013	Ningbo Kexin Certified Public Accountants Limited* (寧波科信會計師事務所有限公司)

* *The English translation name is for identification purpose only*

14. INVENTORIES

	At 31st December			At
	2011	2012	2013	31st March 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Raw materials	1,170	287	1,306	663
Work-in-progress	37	32	38	16
Finished goods	3,892	6,268	9,843	9,554
Low value consumables	69	139	60	125
	<u>5,168</u>	<u>6,726</u>	<u>11,247</u>	<u>10,358</u>

All inventories are stated at cost.

15. TRADE AND OTHER RECEIVABLES

		At 31st December			At
		2011	2012	2013	31st March
	Note	HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
Trade receivables					
From related parties	15(a)	2,153	4,418	2,063	7,804
From third parties		9,729	4,068	6,399	5,071
		<u>11,882</u>	<u>8,486</u>	<u>8,462</u>	<u>12,875</u>
Allowance for doubtful debts	15(c)	(6,853)	–	–	–
	15(b)	<u>5,029</u>	<u>8,486</u>	<u>8,462</u>	<u>12,875</u>
Other receivables					
Deposits, prepayments and other receivables		<u>1,904</u>	<u>1,406</u>	<u>1,815</u>	<u>1,326</u>
		<u>6,933</u>	<u>9,892</u>	<u>10,277</u>	<u>14,201</u>

15(a). TRADE RECEIVABLES FROM RELATED PARTIES

Trade receivables from related parties are unsecured, interest-free and have no fixed repayment term. At the end of the reporting period, no provision had been made for non-repayment of the amounts due and the carrying amounts of the amounts due approximate their fair values.

15(b). AGEING ANALYSIS OF TRADE RECEIVABLES NET OF ALLOWANCE

At the end of the reporting period, the ageing analysis of trade receivables net of allowance for doubtful debts is as follows:

		At 31st December			At
		2011	2012	2013	31st March
		HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
0 – 30 days		<u>5,029</u>	<u>8,486</u>	<u>8,462</u>	<u>12,875</u>

15(c). ALLOWANCE FOR DOUBTFUL DEBTS

	At 31st December			At
	2011	2012	2013	31st March
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
At beginning of reporting period	7,556	6,853	-	-
Amount recovered	(1,102)	-	-	-
Amount written off	-	(6,849)	-	-
Exchange difference	399	(4)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of reporting period	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Impairment losses in respect of trade receivables are recorded using an allowance account unless Genesis Group considered that recovery of the amount is remote, in which case the bad debt is written off against trade receivables directly. In 2012, a trade receivable of Genesis Group amounting to HK\$6,849,000 was determined to be impaired. The individually impaired receivable related to customers that were in financial difficulties and management assessed that the whole amount of the receivable was not expected to be recovered. Consequently, specific allowance for doubtful debt of HK\$6,849,000 was written off in 2012.

15(d). PAST DUE BUT NOT IMPAIRED TRADE RECEIVABLES

The majority of Genesis Group's trade receivables are due upon the date of delivery of goods or 7 days after delivery of goods. At 31st December 2012 and 2013 and 31st March 2014, included in Genesis Group's trade receivable balance are debtors with a carrying amount of HK\$8,486,000, HK\$8,462,000 and HK\$12,875,000 respectively, which are past due for which Genesis Group has not impaired as there has not been a significant change in credit quality of the debtors and the directors of Genesis Group believe that the amounts are still considered receivable. These relate to major customers for whom there is no recent history of default. Genesis Group does not hold any collateral over these receivables.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	At 31st December			At
	2011	2012	2013	31st March
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
Past due:				
Within 1 month	-	8,486	8,462	12,875
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16. TRADE AND OTHER PAYABLES

		At 31st December			At
		2011	2012	2013	31st March
	Note	HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
Trade payables					
Trade payables to third parties		44	36	14	269
Other payables					
Accrued charges and other payables		3,940	8,473	7,398	6,556
Due to a related company	16(a)	1,156	1,314	1,458	1,493
Due to shareholders	16(a)	2,434	2,314	1,755	1,755
		7,530	12,101	10,611	9,804
		7,574	12,137	10,625	10,073

16(a). DUE TO A SUBSIDIARY/A RELATED COMPANY/SHAREHOLDERS

The amounts due are unsecured, interest-free and have no fixed repayment term. The carrying amounts of the amounts due approximate their fair values at the end of the reporting period.

17. BANK BORROWINGS

At 31st December 2011 and 2012, the bank loans of RMB50,000,000, equivalent to approximately HK\$61,904,000, and RMB20,000,000, equivalent to approximately HK\$25,154,000, respectively were secured by a corporate guarantee given by a shareholder of Genesis BVI. The bank loans were rollover bi-weekly. Interest was charged at 10% below the prevailing annual lending rate stipulated by the People's Bank of China. The bank loans were fully repaid in January and February 2013.

The weighted average effective interest rates on the bank loans are as follows:

		At 31st December			At
		2011	2012	2013	31st March
					2014
Effective interest rate per annum		8.37%	8.06%	N/A	N/A

18. LOAN FROM SHAREHOLDERS

In 2012, the shareholders of Genesis BVI have granted a long-term loan to Genesis BVI for capital injection to the PRC subsidiary and to finance the daily operation of the subsidiaries.

The loan is unsecured, interest-free and repayable in 3 years from the drawdown date and shall be automatically extended for another 3 years upon expiry.

19. SHARE CAPITAL

	At 31st December			At
	2011	2012	2013	31st March
	US\$	HK\$'000	HK\$'000	2014
				HK\$'000
Authorised, issued and fully paid:				
892,500 Class "A" shares of US\$1 each	892,500	6,961	6,961	6,961
315,000 Class "B" shares of US\$1 each	315,000	2,458	2,458	2,458
892,500 Class "C" shares of US\$1 each	892,500	6,961	6,961	6,961
	<u>2,100,000</u>	<u>16,380</u>	<u>16,380</u>	<u>16,380</u>

Each class of shares in issue ranks pari passu with other classes of shares in all respects.

20. CAPITAL RESERVE AND SURPLUS RESERVE

(a) Capital reserve

The capital reserve of Genesis Group represents the additional capital paid up by the shareholders of Genesis BVI for enhancement of the production facilities of Genesis Group.

(b) Surplus reserve

Pursuant to the PRC regulations, Genesis Group's PRC subsidiary is required to transfer 10% of its profits after tax to a surplus reserve. The transfer is also subject to the approval of the board of directors of the subsidiary, in accordance with the articles of association.

21. ACCUMULATED LOSSES

	Genesis BVI			
	At 31st December			At
	2011	2012	2013	31st March
	HK\$'000	HK\$'000	HK\$'000	2014
				HK\$'000
At beginning of the reporting period	(19,900)	(19,912)	(19,934)	(19,945)
Loss for the year/period	<u>(12)</u>	<u>(22)</u>	<u>(11)</u>	<u>(2)</u>
At the end of the reporting period	<u>(19,912)</u>	<u>(19,934)</u>	<u>(19,945)</u>	<u>(19,947)</u>

22. CASH GENERATED FROM (USED IN) OPERATIONS

	Year ended 31st December			Three months ended	
	2011	2012	2013	31st March	
	HK\$'000	HK\$'000	HK\$'000	2013	2014
				(unaudited)	
(Loss) Profit before tax	(3,095)	(4,340)	1,503	177	388
Amortisation	28	28	29	7	7
Depreciation	1,945	1,677	1,756	431	423
Exchange difference arising on translation	(83)	924	160	(5)	(139)
Interest expenses	5,070	4,656	178	151	-
Interest income	(112)	(165)	(35)	(11)	(9)
Loss on disposal of property, plant and equipment	3	92	-	-	-
Recovery of allowance for doubtful debts	(1,102)	-	-	-	-
Write-back of amount due to ex-shareholder	-	-	(582)	(575)	-
Write-off of other receivables	108	20	-	-	-
Changes in working capital:					
Inventories	3,185	(1,476)	(4,329)	(2,015)	613
Trade and other receivables	7,164	(2,869)	(18)	(2,683)	(4,176)
Trade and other payables	(3,829)	4,501	(1,321)	(2,146)	(295)
Cash generated from (used in) operations	9,282	3,048	(2,659)	(6,669)	(3,188)

23. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Financial Information, during the Relevant Periods, Genesis Group had the following transactions with related parties:

(a) Transactions with shareholders of Genesis BVI and related companies under the control of the shareholders of Genesis BVI

	Year ended 31st December			Three months ended	
	2011	2012	2013	31st March	
	HK\$'000	HK\$'000	HK\$'000	2013	2014
				(unaudited)	
Management fee paid to shareholders of Genesis BVI	275	273	277	67	69
Sales of finished goods to related parties	154,894	103,394	120,314	23,412	26,268
Provision for corporate guarantee by a shareholder of Genesis BVI in respect of Genesis Group's bank loan	61,904	25,154	-	-	-

(b) Key management personnel remuneration

Remuneration for key management personnel of Genesis Group during the Relevant Periods, including the highest paid employee of Genesis Group as disclosed in Section B Note 7b, is as follows:

	Year ended 31st December			Three months ended 31st March	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2013 HK\$'000 (unaudited)	2014 HK\$'000
Salaries and allowances	<u>911</u>	<u>930</u>	<u>961</u>	<u>237</u>	<u>241</u>

The remuneration for key management is determined by Genesis Group having regard to the performance to individuals and market trends.

Total remuneration is included in "Staff costs" as disclosed in Section B Note 6.

24. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

Genesis Group's principal financial instruments comprise of bank balances and cash, bank borrowings and amounts due to a related company/shareholders. The main purpose of these financial instruments is to raise and maintain finance for Genesis Group's operations. Genesis Group has various other financial instruments, such as trade and other receivables and payables, which arise directly from its business activities.

The main risks arising from Genesis Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Genesis Group does not have any written risk management policies and guidelines. However, the board of directors of Genesis Group generally adopts conservative strategies on Genesis Group's risk management and limits Genesis Group's exposure to these risks to a minimum.

Interest rate risk

Genesis Group's exposure to market risk for changes in interest rates relates primarily to Genesis Group's floating-rate short-term bank loan. At 31st December 2011, 2012 and 2013 and 31st March 2014, if interest rates had been 100 basic point higher/lower and all other variables were held constant, Genesis Group's net profit/loss would increase/decrease by approximately HK\$619,000, HK\$252,000, HK\$Nil and HK\$Nil respectively. Genesis Group's sensitivity to interest rates has decreased during the Relevant Periods mainly due to the full settlement of floating-rate short-term bank loan during the Relevant Periods.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The 100 basis point increase or decrease represents management of Genesis Group's assessment of a reasonably possible change in interest rates over the period until the next annual end of the reporting period.

Foreign currency risk

Genesis Group is exposed to foreign currency risk primarily on the loan from shareholders. The currency giving rise to this risk is US\$. Genesis Group does not hedge its foreign currency risk because the rate of exchange between HK\$ and US\$ is stable under current market condition and the existing currency exchange policies adopted by the Government of Hong Kong Special Administration Region.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to Genesis Group, resulting in a loss to Genesis Group. The credit risk of Genesis Group is primarily attributable to trade receivables and bank balances.

The management considers the credit risk in respect of bank balances is minimal because Genesis Group's bank balances are placed with creditworthy banks in both Hong Kong and PRC.

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

Genesis Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At 31st December 2011, 2012 and 2013 and 31st March 2014, Genesis Group had a concentration of credit risk as 24%, 50%, 43% and 32% respectively of the total trade receivables are due from Genesis Group's largest customer; and 79%, 65%, 80% and 93% respectively of the total trade receivables are due from Genesis Group's five largest customers.

Liquidity risk

Liquidity risk refers to the risk in which Genesis Group is unable to meet its short-term obligations. Genesis Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advance from shareholders and bank borrowings. The maturity profile of Genesis Group's financial liabilities at the end of reporting period based on contractual undiscounted payments are summarised below:

	Genesis Group			
	On demand	Less than 3 months	1-3 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31st December 2011				
Bank borrowings, unsecured	–	62,133	–	62,133
Trade payable	44	–	–	44
Other payable	3,940	–	–	3,940
Due to a related company	1,156	–	–	1,156
Due to shareholders	2,434	–	–	2,434
Loan from shareholders	–	–	–	–
	<u>7,574</u>	<u>62,133</u>	<u>–</u>	<u>69,707</u>
At 31st December 2012				
Bank borrowings, unsecured	–	25,171	–	25,171
Trade payable	36	–	–	36
Other payable	8,473	–	–	8,473
Due to a related company	1,314	–	–	1,314
Due to shareholders	2,314	–	–	2,314
Loan from shareholders	–	–	54,263	54,263
	<u>12,137</u>	<u>25,171</u>	<u>54,263</u>	<u>91,571</u>
At 31st December 2013				
Trade payable	14	–	–	14
Other payable	7,398	–	–	7,398
Due to a related company	1,458	–	–	1,458
Due to shareholders	1,755	–	–	1,755
Loan from shareholders	–	–	54,263	54,263
	<u>10,625</u>	<u>–</u>	<u>54,263</u>	<u>64,888</u>
At 31st March 2014				
Trade payable	269	–	–	269
Other payable	6,556	–	–	6,556
Due to a related company	1,493	–	–	1,493
Due to shareholders	1,755	–	–	1,755
Loan from shareholders	–	–	54,263	54,263
	<u>10,073</u>	<u>–</u>	<u>54,263</u>	<u>64,336</u>

Genesis Group will consistently apply a prudent liquidity risk management and ensure that it maintains sufficient cash and cash equivalents to meet its liquidity requirements with reference to the above maturity analysis.

Fair value estimation

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The directors of Genesis BVI consider that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

25. CAPITAL MANAGEMENT

The objectives of Genesis Group's capital management are to safeguard the entity's ability to continue as a going concern and to provide returns for shareholders. Genesis Group manages its capital structure and makes adjustments, including payment of dividend to shareholders, return of capital to shareholders or issue of new shares or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

26. COMMITMENTS

At the end of the reporting period, Genesis Group had total future minimum lease payments under non-cancellable operating lease which are repayable as follows:

	At 31st December			At 31st March
	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	109	111	78	94

27. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by Genesis Group after 31st March 2014.

C. STATEMENT OF FINANCIAL POSITION OF GENESIS BVI

		At 31st December			At
	Section B	2011	2012	2013	31st March
	Note	HK\$'000	HK\$'000	HK\$'000	2014
					HK\$'000
					(unaudited)
Non-current assets					
Interests in subsidiaries	13	<u>-</u>	<u>54,263</u>	<u>54,263</u>	<u>54,263</u>
Current assets					
Bank balances and cash		<u>9</u>	<u>6</u>	<u>6</u>	<u>4</u>
Current liabilities					
Accrued charges and other payables		1,755	1,755	1,755	1,755
Due to a subsidiary	16(a)	20	29	40	40
Due to a related company	16(a)	11	21	21	21
Due to a shareholder	16(a)	<u>1,755</u>	<u>1,755</u>	<u>1,755</u>	<u>1,755</u>
		<u>3,541</u>	<u>3,560</u>	<u>3,571</u>	<u>3,571</u>
Net current liabilities		<u>(3,532)</u>	<u>(3,554)</u>	<u>(3,565)</u>	<u>(3,567)</u>
Total assets less current liabilities		<u>(3,532)</u>	<u>50,709</u>	<u>50,698</u>	<u>50,696</u>
Non-current liabilities					
Loan from shareholders	18	<u>-</u>	<u>54,263</u>	<u>54,263</u>	<u>54,263</u>
NET LIABILITIES		<u>(3,532)</u>	<u>(3,554)</u>	<u>(3,565)</u>	<u>(3,567)</u>
Capital and reserves					
Share capital	19	16,380	16,380	16,380	16,380
Accumulated losses	21	<u>(19,912)</u>	<u>(19,934)</u>	<u>(19,945)</u>	<u>(19,947)</u>
TOTAL DEFICITS		<u>(3,532)</u>	<u>(3,554)</u>	<u>(3,565)</u>	<u>(3,567)</u>

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Genesis Group in respect of any periods subsequent to 31st March 2014.

Certified Public Accountants

Hong Kong,

Fung Shiu Hang

Practising Certificate number: P04793

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GENESIS GROUP

1. Financial Performance

The Genesis Group recorded a revenue of approximately HK\$289 million during the 15 months ended 31st March 2014 (the “**2013/14 Period**”) compared to approximately HK\$193 million for the 12 months ended 31st December 2012 (“**2012**”) and approximately HK\$262 million for the 12 months ended 31st December 2011 (“**2011**”). Tonnage sold was around 16,340, 11,280 and 14,410 for the 2013/14 Period, 2012 and 2011, respectively. Gross profit recorded by the Genesis Group for the 2013/14 Period was approximately HK\$10.1 million compared to approximately HK\$6.52 million and approximately HK\$8.15 million for 2012 and 2011, respectively. The Genesis Group recorded a profit attributable to equity owners for the 2013/2014 Period of approximately HK\$1.89 million compared with a loss approximately HK\$4.34 million and approximately HK\$3.09 million for 2012 and 2011, respectively.

During the 2013/14 Period, finance cost of the Genesis Group significantly decreased to approximately HK\$178,000 from approximately HK\$4.66 million for 2012 and approximately HK\$5.07 million for 2011.

2. Liquidity, financial resources, capital structure and charge of asset

As at 31st March 2014, 31st December 2013, 2012 and 2011, the Genesis Group had cash and bank balances of approximately HK\$5.26 million, HK\$8.65 million, HK\$36.4 million and HK\$21.4 million, respectively. As at 31st March 2014 and 31st December 2013, the Genesis Group did not have any bank borrowings compared to approximately HK\$25.1 million and approximately HK\$61.9 million bank borrowing as at 31st December 2012 and 2011, respectively. The interest-free shareholders’ loan was mainly denominated in US\$ as at 31st March 2014, 31st December 2013 and 2012 and was equivalent to approximately HK\$54.2 million while there was no shareholders’ loan as at 31st December 2011. As at 31st March 2014, 31st December 2013, 2012 and 2011, the Genesis Group did not have any contingent liabilities.

As at 31st March 2014, 31st December 2013, 2012 and 2011, the total deficit of the Genesis Group was approximately HK\$19.8 million, HK\$19.2 million, HK\$21.8 million and HK\$18.2 million, respectively. The total deficit of the Genesis Group as at 31st March 2014 represented a decrease of approximately HK\$1.99 million or by 9.11%, as compared to 31st December 2012.

There was no financial instrument for hedging purposes within the Genesis Group. The operations are located in the PRC and the transactions are mainly denominated in Renminbi that exposure to foreign exchange risks to the Genesis Group is minimum.

As at 31st March 2014, the Genesis Group did not charge any asset.

3. Funding and treasury policies and objectives

The Genesis Group has adopted the policy to maintain the sufficient funding and treasury for normal business and daily operations to target zero bank borrowings and additional shareholders' injection.

4. Employee and remuneration policy

As at 31st March 2014, 31st December 2013, 2012 and 2011, the Genesis Group had approximately 40 to 50 employees. The remuneration, promotion and salary reviewed are assessed on job responsibilities, work performance and market conditions. The main operation arm of the Genesis Group is based in the PRC which follows the PRC requirements on the labour issues, including but not limited to the contributions to state-managed retirement benefits scheme, communication with labour representatives. Staff costs for the Genesis Group during 2013/14, 2012, 2011 were approximately HK\$4.83 million, HK\$3.68 million and HK\$3.22 million, respectively.

5. Significant Investment, material acquisition/disposal and future plan

Save as the land and plant in the Ningbo, the PRC, the Genesis Group did not have any significant investment held nor acquisitions and disposals of subsidiaries and associated companies for the past three years.

Upon Completion and with no expected material change in the market conditions in the foreseeable future, the Genesis Group will continue to concentrate on the manufacturing and sales of zinc alloy. Currently, the Genesis Group does not have any specific future plans for material investments or capital assets nor new products/services. However, with the synergy from the Group, it is expected to further enhance its development in the eastern and southern PRC market.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below and in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effects on the assets and liabilities of the Enlarged Group as if the proposed acquisition of the remaining 50% shareholding interest of the Genesis Group, the assignment of a shareholder’s loan and certain other indebtedness, and the novation of certain outstanding debt (collectively, the “**Proposed Transactions**”) had been completed on 31st March 2014.

The Unaudited Pro Forma Financial Information as at 31st March 2014 has been prepared based on (i) the audited consolidated statement of financial position of the Group as at 31st March 2014, as set out in its published annual report for the fifteen months ended 31st March 2014; and (ii) the pro forma adjustments prepared to reflect the effects of the Proposed Transactions as explained in the notes set out below that are directly attributable to the Proposed Transactions, and do not relate to future events or decisions, and are factually supportable.

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

The Unaudited Pro Forma Financial Information has been compiled by the Directors of the Group for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Proposed Transactions been completed as at 31st March 2014 or any future date.

(I) UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP AS AT 31ST MARCH 2014

	Pro forma adjustments						Unaudited Pro forma statement of assets and liabilities of the Enlarged Group as at 31st March 2014 HK\$'000 Note 8	
	The Group as at 31st March 2014 HK\$'000 Note 1	The Genesis Group as at 31st March 2014 HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6		HK\$'000 Note 7
ASSETS								
Non-current assets								
Leasehold land	14,567	1,028			5,137		20,732	
Property, plant and equipment	35,336	13,609			(3,152)		45,793	
Interest in a joint venture	19,137	-		745	(19,882)		-	
Deferred income tax assets	2,856	-					2,856	
Available-for-sale financial assets	21,855	-					21,855	
Total non-current assets	93,751	14,637					91,236	
Current assets								
Inventories	852,505	10,358					862,863	
Trade and other receivables	198,534	14,230			(119)	(17,629)	195,016	
Amounts due from related companies	1,493	-				(1,493)	-	
Income tax recoverable	517	-					517	
Derivative financial instruments	1,972	-					1,972	
Bank balances and cash	241,445	5,266	(5,059)				240,296	
Total current assets	1,296,466	29,854					1,300,664	
Total assets	1,390,217	44,491					1,391,900	
LIABILITIES								
Non-current liabilities								
Deferred income tax liabilities	1,617	-			496		2,113	
Other non-current liabilities	1,299	-					1,299	
Loans from shareholders	-	54,263			(54,263)		-	
Total non-current liabilities	2,916	54,263					3,412	
Current liabilities								
Trade and other payables	80,732	10,073			(1,755)	(19,122)	69,928	
Borrowings	184,995	-					184,995	
Income tax payable	77	-					77	
Total current liabilities	265,804	10,073					255,000	
Total liabilities	268,720	64,336					258,412	
NET ASSETS/(LIABILITIES)	1,121,497	(19,845)					1,133,488	

(II) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

- 1 The balances were extracted from the audited consolidated statement of financial position of the Group as at 31st March 2014 as set out in the Company's published annual report for the fifteen months ended 31st March 2014.
- 2 The balances were extracted from the audited consolidated statement of financial position of the Genesis Group as at 31st March 2014 as set out in Appendix II to this circular. The Genesis Group had a capital deficiency of HK\$19,845,000 as at 31st March 2014. This matter, along with the going concern matter as stated in Appendix II to this circular, indicate the existence of a material uncertainty which may cast significant doubt on Genesis Group's ability to continue as a going concern. The financial information has been prepared in conformity with the principles applicable to a going concern basis.
- 3 Pursuant to the Agreement for Sale and Purchase and the Deed of Assignment of Indebtedness, the total consideration for the 50% shareholding interest in the Genesis Group and assignment of a shareholder's loan and certain other indebtedness is in total US\$650,000 (equivalent to approximately HK\$5,059,000), payable by the Group on completion by way of bank remittance.
- 4 The Group has provisionally recognised a gain of HK\$745,000 as a result of remeasuring at fair value its prior 50% interest in the Genesis Group. Such amount is estimated based on the aggregate fair value of net assets of the Genesis Group and the gain is mainly a result of the net fair value gain of Genesis Group's leasehold land and property, plant and equipment, net of their deferred income tax impact.
- 5 Upon the completion of the proposed acquisition of the remaining 50% shareholding interest of the Genesis Group, the net identifiable assets of the Genesis Group will be accounted for by the Group at their fair values under the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3 (Revised)**").

For the purpose of the Unaudited Pro Forma Financial Information, the Group has appointed Ascent Partners Valuation Service Limited, an independent qualified valuer, to estimate the fair value of the major acquired assets and liabilities of the Genesis Group as at 30th June 2014 ("**Estimated Fair Value**") in order to assist the Group to carry out the purchase price allocation exercise in accordance with HKFRS 3 (Revised). The valuation report was signed by Stephen Y. W. Yeung, MHKIS, MCREA, RPS (GP Division) on behalf of Ascent Partners Valuation Service Limited. Fair values of leasehold land and

buildings, and other property, plant and equipment were determined based on market approach and depreciated replacement cost approach, respectively; deferred income tax impact has been adjusted accordingly. The illustrative financial impact of the transaction is analysed as follows:

	Carrying value HK\$'000	Adjustment to Estimated Fair Value HK\$'000	Fair value HK\$'000
Leasehold land	1,028	5,137	6,165
Property, plant and equipment (including buildings)	13,609	(3,152)	10,457
Inventories	10,358		10,358
Trade and other receivables	14,230		14,230
Bank balances and cash	5,266		5,266
Deferred income tax liabilities	–	(496)	(496)
Trade and other payables	(10,073)		(10,073)
Loans from shareholders	(54,263)		(54,263)
Net liabilities of the Genesis Group at 31st March 2014	(19,845)	1,489	(18,356)
Add: Assignment of Shareholder's loan (<i>Note a</i>)			26,958
Add: Assignment of Other Indebtedness and novation of Outstanding Debt (<i>Note b</i>)			(119)
Add: Elimination of loans to Genesis Group as equity contribution (<i>Note c</i>)			29,060
Net assets acquired by the Group			37,543
Cash consideration			(5,059)
Fair value of previously held interests in the Genesis Group			(19,882)
Negative goodwill credited to profit or loss			12,602

Notes:

- (a) It represents the assignment of the Vendor's Shareholder's loan to the Group under the Deed of Assignment of Indebtedness.
- (b) It represents the assignment of the Other Indebtedness and the novation of Outstanding Debt from the Vendor to the Group under the Deed of Assignment of Indebtedness and the Deed of Novation.
- (c) It represents the elimination of the Group's Shareholder's Loan to the Genesis Group amounting to HK\$27,305,000 and balance with Genesis Group of HK\$1,755,000 which are regarded as equity contribution by the Company. These balances had been regarded as liabilities by directors of Genesis BVI.

Since the fair values and carrying amounts of the identifiable net assets of the Target Group and the fair value of the previously held interests as at the Completion Date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and negative goodwill/goodwill to be recorded in the consolidated financial statements of the Group upon completion may be materially different from the estimated amounts shown in this Appendix.

- 6 The adjustment represents elimination of the balances between the Group and the Genesis Group.
- 7 The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Proposed Transactions of approximately HK\$1,356,000.
- 8 No other adjustments have been made to reflect any trading result or other transactions of the Group and the Genesis Group entered into subsequent to 31st March 2014.

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

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

TO THE DIRECTORS OF LEE KEE HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lee Kee Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Genesis Recycling Technology (BVI) Limited and its subsidiaries (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31st March 2014 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IV-1 to IV-5 of the Company's circular dated 22nd August 2014, in connection with the proposed acquisition of the remaining 50% shareholding interest of the Target Group, the assignment of a shareholder's loan and certain other indebtedness of the Target Group to the Group, and the novation of certain outstanding debt of the Target Group to the Group (collectively, the "**Proposed Transactions**") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-1 to IV-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Proposed Transactions on the Group's financial position as at 31st March 2014 as if the Proposed Transactions had taken place at 31st March 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial statements for the fifteen months ended 31st March 2014, on which an audit report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions at 31st March 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 Company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

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

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 22nd August 2014

1 RESPONSIBILITY STATEMENT

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

2 DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as notified to the Company and the Stock Exchange under Division 7 and 8 of Part XV of the SFO or required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Long Position in the Shares of the Company

Name of Director	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Mr. CHAN Pak Chung (Note 1)	Founder of a discretionary trust	600,000,000	72.40%
Ms. MA Siu Tao (Note 2)	Beneficiary of a trust	600,000,000	72.40%
Ms. CHAN Yuen Shan, Clara (Note 3)	Beneficiary of a trust	600,000,000	72.40%
Mr. HO Kwai Ching, Mark (Note 4)	Interest of spouse	50,000	0.006%

Notes:

- The 600,000,000 Shares are held by Gold Alliance whose entire share capital is held by Gold Alliance International Management Limited ("GAIML"), which is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and the other family members of Mr. CHAN Pak Chung. Mr. CHAN Pak Chung is the settlor of the P.C. CHAN Family Trust and is deemed to be interested in the 600,000,000 Shares held by Gold Alliance under the SFO.

2. Ms. MA Siu Tao, the spouse of Mr. CHAN Pak Chung and an Executive Director, is deemed to be interested in the 600,000,000 Shares held by Gold Alliance as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
3. Ms. CHAN Yuen Shan, Clara, the daughter of Mr. CHAN Pak Chung and an Executive Director and Chief Executive Officer, is deemed to be interested in the 600,000,000 Shares held by Gold Alliance as she is one of the discretionary objects under the P.C. CHAN Family Trust under the SFO.
4. The spouse of Mr. HO Kwai Ching, Mark is the registered owner of 50,000 Shares and therefore, Mr. HO Kwai Ching, Mark is deemed to be interested in the 50,000 Shares held by his spouse under the SFO.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying shares of the Company recorded in the register to be kept under section 336 of the SFO.

3 SUBSTANTIAL SHAREHOLDERS' INTERESTS

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at the Latest Practicable Date, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed in respect of the Directors and chief executive.

Long Position in the Shares of the Company

Name	Capacity	Number of Shares in which interested	Approximate percentage of issued Shares
Gold Alliance	Registered owner	600,000,000	72.40%
Gold Alliance International Management Limited ("GAIML")	Interest of controlled corporation	600,000,000	72.40%
HSBC International Trustee Limited ("HSBC Trustee")	Trustee	600,000,000	72.40%

Note: The entire share capital of Gold Alliance is held by GAIML, which is in turn held by HSBC Trustee acting as the trustee of the P.C. CHAN Family Trust. The P.C. CHAN Family Trust is an irrevocable discretionary trust set up by Mr. CHAN Pak Chung as settlor and HSBC Trustee as trustee on 6th March 2006. The discretionary objects of which include Ms. MA Siu Tao and other family members of Mr. CHAN Pak Chung.

Saved as disclosed above, as at the Latest Practicable Date, no person, other than the Directors and chief executives (including their spouse and children under 18 years of age) had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under section 336 of the SFO.

As at the Latest Practicable Date, no other persons had any interest or short positions in the Shares or underlying Shares of the Company recorded in the register to be kept under the SFO.

4 DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

5 DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and his/her respective associates had interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the business of the Group.

6 DIRECTORS' AND EXPERT'S INTEREST IN ASSETS AND/OR ARRANGEMENT

Apart from the payment of monthly rental expenses of HK\$45,000 as directors' quarters fees by the Group to Sonic Gold Limited, a company controlled by Ms. CHAN Yuen Shan Clara (an executive Director), none of the Directors and expert had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any members of the Group since 31st March 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

7 MATERIAL CONTRACT

Apart from the Agreement for Sale and Purchase, there had been no other contracts, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group within the two years preceding the Latest Practicable Date which is or may be material.

8 EXPERTS AND CONSENT

The following are the qualification of the experts who have been named in this circular or have given opinions or advice which are contained in this circular:

Name	Qualification
Mazars CPA Limited	Certified Public Accountants
PricewaterhouseCoopers	Certified Public Accountants

Each of Mazars CPA Limited and PricewaterhouseCoopers has confirmed that as at the Latest Practicable Date, it did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor did it have any direct or indirect interests in any assets which have since 31st March 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been or proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Mazars CPA Limited and PricewaterhouseCoopers has given and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its opinion prepared for the purpose of incorporation in this circular, and the references to its name and opinion in the form and context in which they respectively appear.

9 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there is no material adverse change in the financial or trading position of the Group since 31st March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10 LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Enlarged Group.

11 MISCELLANEOUS

- (a) The registered office of the Company is at P.O. Box 309 GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.
- (b) The company secretary of the Company is Mr. CHEUK Wa Pang (*CPA (HKICPA), FCCA, ACA*).

- (c) The principal share registrar and transfer office of the Company is Royal Bank of Canada Trust Company (Cayman) Limited at 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) In the event of inconsistency, the English text shall prevail over the Chinese text.

12 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection as the Company's head office and principal place of business in Hong Kong at 16 Dai Fat Street, Tai Po Industrial Estate, New Territories, Hong Kong during normal business hours for a period within 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the material contract referred to under the section headed "Material Contract" in this appendix;
- (c) the accountant's report of the Genesis Group prepared by Mazars CPA Limited, the text of which is set out in Appendix II to this circular;
- (d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;
- (e) the annual report of the Company for the 15 months ended 31st March 2014, the annual report of the Company for the year ended 31st December 2012 and the second interim report of the Company for the twelve months period ended 31st December 2013; and
- (f) this circular.