THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Rising Power Group Holdings Limited** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Rising Power Group Holdings Limited
昇力集團控股有限公司*

(formerly known as "China Neng Xiao Technology (Group) Limited 中國能效科技(集團)有限公司")
(Incorporated in Bermuda with limited liability)
(Stock Code: 8047)

VERY SUBSTANTIAL ACQUISITION OF 75% EQUITY INTEREST IN HONG KONG AUTOMOBILE RESTORATION GROUP LIMITED

Joint financial advisers of the Company

INCU Corporate Finance Limited

Optima Capital Limited

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

A notice convening the special general meeting of the Company to be held at Unit 1603, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 22 April 2014 at 10:30 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the special general meeting in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effective from 31 March 2014) as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and the website of the Company at www.risingpower.com.hk.

* *for identification purpose only*

20 March 2014

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"2013 Actual Profit"	the audited consolidated net profit after tax of the Target Group attributable to the equity holders of the Target Group for the year ended 31 March 2013 as prepared in accordance with the HKFRS and accounting policies of the Target Group and does not take into account of any exceptional items or profit generated from the business other than the existing business of the Target Group
"2014 Actual Profit"	the audited consolidated net profit after tax of the Target Group attributable to the equity holders of the Target Group for the year ending 31 March 2014 as prepared in accordance with the HKFRS and accounting policies of the Target Group and does not take into account of any costs allocation from the Group after the Completion, any exceptional items or profit generated from the business other than the existing business of the Target Group
"Acquisition"	the proposed acquisition of the Sale Shares by the Purchaser as contemplated under the terms contained in the Agreement
"Agreement"	the formal agreement dated 8 September 2013 (as supplemented by the Supplemental Agreements) entered into among the Purchaser, the Vendors and the Guarantors in relation to the Acquisition
"Board"	the board of Directors from time to time
"Bondholder(s)"	holders of the Convertible Bonds and/or the Earn-out Convertible Bonds
"Business Day(s)"	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"CARs Hong Kong"	the business under the brand name of "CARs" from time to time

"Cars Repairing"	Cars Auto Repairing Services (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Cars Restoration"	Cars Restoration (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company
"Challenger HK"	Challenger Auto Services Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Target Company
"Collateral"	the 1,500 ordinary shares in the Target Company (representing 15% of the entire issued share capital of the Target Company) which form the security under the Share Charge
"Company"	Rising Power Group Holdings Limited (formerly known as China Neng Xiao Technology (Group) Limited), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM (stock code: 8047)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Agreement
"Consideration"	the consideration for the Acquisition, with a maximum amount of HK$200 million, which comprises the Initial Consideration of HK$148 million and the possible Earn-out Consideration with a maximum amount of HK$52 million
"Conversion Price"	the initial conversion price of HK$0.86 per Conversion Share, subject to adjustments, pursuant to the terms of the Convertible Bonds and the Earn-out Convertible Bonds
"Conversion Share(s)"	the new Share(s) to be allotted and issued to the Bondholders (as the case may be) by the Company credited as fully paid upon the exercise of the conversion rights attaching to the Convertible Bonds and the Earn-out Convertible Bonds (if any) at the then prevailing Conversion Price

"Convertible Bonds"	the convertible bonds in the principal amount of HK$83 million to be issued by the Company to the Vendors pursuant to the Agreement to satisfy part of the Consideration
"Director(s)"	director(s) of the Company from time to time
"Earn-out Consideration"	a maximum consideration of HK$52 million which may be paid by the Company to Vendors or their respective nominee(s), as more particularly set out in the paragraph headed "Consideration" in the "Letter from the Board" in this circular
"Earn-out Convertible Bonds"	the additional convertible bonds of a maximum principal amount of HK$52 million which may be issued for the purpose of settlement of the Earn-out Consideration
"Enlarged Group"	the Group immediately upon Completion
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Green Ocean"	Green Ocean Cars Detailing Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Target Company
"Group"	the Company and its subsidiaries
"Guarantor A"	Kwok Ying Ming, a Hong Kong citizen and an Independent Third Party
"Guarantor B"	Lam Man Kuen, a Hong Kong citizen and an Independent Third Party
"Guarantor C"	Cheung Kai Ming, a Hong Kong citizen and an Independent Third Party
"Guarantors"	collectively, Guarantor A, Guarantor B and Guarantor C
"HKFRS"	Hong Kong Financial Reporting Standards

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	any person or company and its ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules)
"Initial Consideration"	an initial consideration of HK$148 million to be paid by the Company to the Vendors upon Completion, as more particularly set out in the paragraph headed "Consideration" in the "Letter from the Board" in this circular
"Last Trading Day"	6 September 2013, the last trading day of the Shares before suspension of trading of the Shares
"Latest Practicable Date"	17 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Long Stop Date"	4:00 p.m. on 30 April 2014 (or such later date as the Purchaser, the Vendors and the Guarantors may agree), being the last day for the fulfillment or waiver of the conditions precedent of the Agreement
"Ming Kei"	Ming Kei Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the GEM (stock code: 8239)
"MOU"	the non-legally binding memorandum of understanding dated 8 February 2013 (as supplemented by Supplemental MOU, Second Supplemental MOU and Third Supplemental MOU respectively) entered into among the Vendors and Upper Power setting out preliminary understanding in relation to the Acquisition
"Mr. Ng"	Mr. Ng Kwai Wah Sunny, the beneficial owner of Vendor C and Vendor D

"Newtree"	Newtree Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1323)
"PRC"	the People's Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Star Engine Company Limited, a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of the Company
"Sale Shares"	7,500 ordinary shares of the Target Company, representing 75% of the entire issued share capital of the Target Company
"Second Supplemental MOU"	the supplemental non-legally binding memorandum of understanding dated 24 July 2013 in relation to the Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SGM"	the special general meeting of the Company to be convened to approve, among other things, the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Conversion Shares
"Share Charge"	a share charge dated 25 April 2013 (as supplemented by a supplemental share charge dated 12 September 2013) executed by Vendor B in favour of Upper Power over the Collateral
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Supplemental Agreements"	the supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014 respectively entered into among the Purchaser, the Vendors and the Guarantors in relation to the amendment and modification of certain terms of the Agreement
"Supplemental MOU"	the supplemental non-legally binding memorandum of understanding dated 25 April 2013 in relation to the Acquisition
"Taiwan Challenger"	台灣挑戰者汽車保養修護有限公司 (Taiwan Challenger Automotive Maintenance Limited)*, a company incorporated in Taiwan with limited liability and an indirect non-wholly-owned subsidiary of the Target Company
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Target Company"	Hong Kong Automobile Restoration Group Limited, a company incorporated in the BVI with limited liability, the entire equity interest of which are owned by the Vendors as at the date of the Agreement
"Target Group"	the Target Company and its subsidiaries
"Third Supplemental MOU"	the supplemental non-legally binding memorandum of understanding dated 23 August 2013 in relation to the Acquisition
"Upper Power"	Upper Power Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Vendor A"	Lofty East Limited, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 3,500 ordinary shares of the Target Company
"Vendor B"	Mr. Wong Wai Sing, one of the Vendors and the beneficial owner of 4,500 ordinary shares of the Target Company
"Vendor B Share Charge"	the share charge executed by Vendor B in favour of Golden Noble Finance Limited over 3,000 ordinary shares of the Target Company

"Vendor C"	Creation Era Limited, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 1,500 ordinary shares of the Target Company
"Vendor D"	Davisons Investment Limited, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 500 ordinary shares of the Target Company
"Vendors"	collectively, Vendor A, Vendor B, Vendor C and Vendor D
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"NT$"	New Taiwan dollar(s), the lawful currency of Taiwan

Unless the context requires otherwise, amounts denominated in NT$ have been converted into HK$ at an exchange rate of HK$1: NT$3.91 for the purpose of illustration only. No representation is made that any amount in HK$ or NT$ could have been or could be converted at the relevant dates at the above rate or at any other rates or at all.

* *For identification purpose only*

The Directors have identified the following risks associated with the investment in and the business of the Target Group.

RISKS RELATING TO THE ACQUISITION

Country risk

The Company is acquiring a new business with business networks in Taiwan, in which the Company does not have any business presence before the Acquisition. There can be a risk relating to the changes in the business environment which may reduce the profitability of conducting business in Taiwan. Any changes in political and economic conditions in Taiwan may also adversely affect the Target Group's business and in turn the Group's.

Risk associated with new business sector for the Group

The Acquisition constitutes an investment in a new business sector, being the car beauty business in Hong Kong and Taiwan, in which the Group has no previous involvement. The new business may pose significant challenges to the Company's administrative, financial and operational resources and expose the Group to a risk profile which may be different from that of its existing business. Since the Company does not have significant experience in the new business, the operation and future expansion will rely on the expertise of the existing staff and management of the Target Group.

RISKS RELATING TO THE TARGET GROUP'S BUSINESS

Risk associated with the market recognition of the Target Group's brand names

The Directors believe that brand awareness is important in car beauty industry. The Target Group's brand names "Cars" and "Challenger" are both well-recognised icons for the provision of quality and effective car beauty services. The Target Group has made substantial efforts in order to establish brand recognition.

The Directors believe that the Target Group's success and continued growth depend on the public perception of the brand names and its ability to protect and promote the existing brand names in different markets (especially in the Taiwan market). If the Target Group fails to successfully promote the brand names or to maintain and further increase the brand awareness, or if the Target Group is subject to events such as client complaints which affect its corporate image, the market recognition of the brand names may deteriorate. The Target Group's business may also be adversely affected by negative publicity associated with its centres and services such as allegations of poor standards or ineffectiveness of services. Any such complaints and negative publicity, regardless of their validity, may reduce the number of customers. The results of the Target Group's operations may therefore be materially affected.

Risk associated with net current liabilities of the Target Group

For provision of car beauty services, the Target Group normally charges customers by way of prepaid packages which generally have a validity period of one year to two years. For financial reporting purposes, the prepaid packages are recognised as deferred income, which are included in current liabilities in the statement of financial position at the point of sales and subsequently recognised as revenue in the statement of comprehensive income when the services are provided to customers. As a result, as at 31 March 2013 and 31 December 2013, the Target Group had net current liabilities of approximately HK$85.9 million and HK$82.0 million respectively. Due to deferred income recognised from the prepaid packages, the Target Group may incur net current liabilities in the future again.

Risk associated with future growth and business expansion plans in the Taiwan market

The Target Group has established its first service outlet in Taiwan market in early 2013, and plans to expand its business in Taiwan market in the future. However, there is no guarantee that any of the Target Group's business development plans will be successful or materialised. In particular, the successful implementation of the Target Group's business strategies may be affected by a number of factors, which may or may not be within its control. If the Target Group was unable to carry out its future plans effectively, its business prospects could be adversely affected.

Risk associated with certain amount of forfeited income recognised in revenue

For financial reporting purposes, prepaid packages will be expired after the validity period, which generally ranged from one year to two years from the date of purchase, are fully recognised as revenue. For the years ended 31 March 2011, 2012, 2013 and the nine months ended 31 December 2013, revenue recognised upon the expiry of prepaid packages amounted to approximately HK$2.61 million, HK$4.76 million, HK$4.15 million and HK$4.25 million, representing 5.4%, 4.7%, 3.4% and 4.3% of the Target Group's revenue, respectively.

Such revenue recognised upon the expiry of prepaid packages may not recur in the future. In such case, the Target Group financial results may be affected. In addition, should these prepaid packages not be utilised within the validity period, purchasers of these prepaid packages will not be entitled to enjoy the Target Group's services. This may affect the image and reputation and hence the Target Group's business.

Risk associated with key management and human resources

The Target Group's success is, to a significant extent, attributable to the experience of Guarantor A and Guarantor B, being the current directors of companies within the Target Group. All of them will continue their appointments as directors of companies within the Target Group for a three-year term and are responsible for overall strategic planning, operations, product technical development, processing supervision, procurement and quality control of the Target Group. Details of the expertise and management experiences of Guarantor A and Guarantor B are set out in the paragraph headed "Human Resources" in the "Letter from the Board" in this circular. Should any of the Target Group's key personnel cease to serve the Target Group or the Target Group fails to recruit new talents, the Target Group's business operation may be adversely affected.

In addition to the Target Group's management, the operation of the Target Group depends on the ability to attract, motivate and retain competent and skilled employees. In the event that the Target Group fails to recruit relevant personnel and/or to retain its key employees, its operations and expansion plans may be adversely affected. Any material increase in employee turnover rates may also have a material adverse effect on the business operations and financial performance of the Target Group. In addition, the competition for competent and experienced staff from other players in the market may drive up the level of staff cost and adversely affects the profitability of the Target Group.

Risk associated with reliance on the leases of the existing service centres

The Target Group's service centres are currently situated at prime locations in Hong Kong and Taiwan, which serve as one of the Target Group's competitive advantages in carrying on its car beauty business. The Target Group has entered into lease agreements for its existing service centres and maintenance centres. As at the Latest Practicable Date, the Target Group was still in negotiation with the respective landlords for renewal of certain leases for several service centres. Save for the above, as the Latest Practicable Date, 19 of the service centres and maintenance centres had remaining lease term with less than 12 months and the current remaining lease terms of the service centres and maintenance centres of the Target Group are ranged from about 1 to 32 months, however, only one of the lease agreements allows the Target Group to have an option to renew the relevant lease. If the Target Group fails to renew any of the leases of the existing service centres, the Target Group may have to relocate or shut down its operation at those premises. In the event that the Target Group can not renew one or more of the leases of the existing service centres on terms and conditions favorable to the Target Group, in particular at rent favorable or otherwise acceptable to the Target Group, the Target Group's operations and profit could be affected. The Company and the Target Group shall make every effort to renew the leases of the existing service centres and maintenance centres and to search and secure suitable locations for its service centres in the future with the view to maintaining the prime location of the service centres.

Risk associated with sufficiency of insurance coverage

Insurance is important to the Target Group's business and an essential means to mitigate the operational risk in relation to the services provided by the Target Group. The Target Group holds and maintains certain insurance policies, including public liability insurance policy and third party policy covering the liability in respect of any bodily injury or property damage claim arising from or in connection with the Target Group's business. However, the Target Group may not have maintained sufficient insurance covering all the risks in respect of its operation. Any material losses, damage and liabilities that are not covered or adequately covered by the Target Group's insurance will result in business interruption or damage in the Target Group's business reputation. In such circumstances, the Target Group's performance could be significantly and adversely affected.

Risk associated with ability to sustain gross profit margin and net profit margin

During the two years ended 31 March 2013, 31 March 2012 and the nine months ended 31 December 2013, the Target Group reported gross profit margin of approximately 29.7%, 31.1% and 32.2% respectively; and net profit margin of approximately 12.3%, 10.4% and 10.1% respectively. There is no assurance that the Target Group will be able to maintain gross profit margin or net profit margin at a similar level in the future.

Risk associated with ability to maintain an adequate and timely supply of equipment, spare parts and other critical supplies at reasonable prices or at all

Cost effective operations of the Target Group depend, among other things, on the adequate and timely supply of auxiliary materials. The Target Group sources its equipment, spare parts and other critical supplies from domestic suppliers and in the PRC and other countries. If its supplies of equipment or spare parts are interrupted or their prices increase, or its existing suppliers cease to supply the Target Group on acceptable terms, its business, financial condition and results of operations could be materially and adversely affected.

Risk associated with exposure to currency exchange fluctuations

Since 2013, certain portion of the revenue has generated from the business in Taiwan, and such portion of revenue is denominated in Taiwan dollars. The Target Group has not entered into any other transactions or applied any policy to manage the exposure to this foreign exchange fluctuations. If there should be any material currency fluctuation in the Taiwan dollars, the Target Group's profit could be affected.

RISKS RELATING TO THE INDUSTRY

Risk associated with competition

The motor vehicles restoration services and auto repair and maintenance services market in Hong Kong is competitive. Market players compete with each other in various aspects, including pricing, service variety and quality control, value-added services, service centre locations and decorations.

The Target Group offers motor vehicles restoration services and auto repair and maintenance services in Hong Kong. The other major competitors in Hong Kong either offer motor vehicles restoration services or auto repair and maintenance service. Some of them may change their business model and provide one stop comprehensive services in Hong Kong in the future. This may allow them to directly compete with the Target Group.

A majority of the Target Group's service centres are located in convenient locations or at major shopping malls. There is no assurance that the Target Group will be able to renew its leases and maintain current service centres' locations. The other major competitors in Hong Kong may also set up service centres in more convenient locations than the service centres of the Target Group.

The other major competitors in Hong Kong may offer more variety and/or better pricing prepaid packages to customers. Although the Target Group has implemented its business model and marketing strategy to ensure that a close relationship with its customers can be created and maintained, there is no assurance that the Target Group will be able to retain its current customers under competitive pricing strategy by other major competitors in Hong Kong.

For further details of the competitions of the Target Group, please refer to the paragraph headed "Competitive Landscape" in the section headed "Letter from the Board" in this circular.

Risk associated with regional economic and political condition

Car beauty services are not necessities and the demand is heavily dependent on the global and regional economic environment. Military conflicts, wars, widespread diseases, economic downturn and political instability could adversely affect the demand for car beauty services. Social factors, culture and other biographical factors also affect the demand for car beauty services. Generally, the demand for car beauty services will increase with economic prosperity and decrease when the economic outlook is dim. A stable political and social environment will promote the demand for luxury items, such as car beauty services. If there is any significant economic downturn in any of the target markets of the Target Group or that the global economy encounters a slowdown or recession, the demand for car beauty services will decrease significantly. In such circumstances, the business of the Target Group could be adversely affected.

"This "Industry Overview" section about auto maintenance, repair and remodel industry in each of Hong Kong and Taiwan contains information extracted from the commissioned report from Euromonitor International Limited and reflects macroeconomic and vehicle registration data and estimates of the market's size and performance from publicly available secondary sources and trade survey analysis of the opinions and perspectives of leading industry players, and is prepared primarily as a market research tool. Research by Euromonitor International Limited should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing, or not investing, in Rising Power Group Holdings Ltd. Accordingly, Euromonitor International Limited does not give any representations as to the accuracy of the information set out in this Industry Overview.

It is believed that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. There is no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. Information provided by the Hong Kong and Taiwan government or official information in the prospectus, or the information prepared by Euromonitor International Limited and set out in this Industry Overview, has not been independently verified by us, the Group or any other party involved in the Acquisition and they do not give any representations as to its accuracy."

The Company had engaged Euromonitor International Limited ("**Euromonitor**") to conduct a market study to evaluate the market opportunity for auto maintenance, repair and remodel industry in each of Hong Kong and Taiwan. Established in 1972, Euromonitor is a global research organisation with over 900 full-time staff based in 12 regional offices and field-based analysts in over 80 countries worldwide researching and tracking consumer, industrial, service and B2B markets and remains independent and privately owned. Euromonitor addressed the Company's request on the market research and produced a report covering the historical figures on macro and socio-economic such as per capita GDP and disposable income in Hong Kong and Taiwan, and the auto maintenance and remodel industry market overview covering the information on number of vehicles and customers consumption in Hong Kong and Taiwan etc..

RESEARCH METHODOLOGY

This Euromonitor report has been compiled after thorough and diligent independent research conducted by Euromonitor's Singapore office.

The market research process for this study involved:

a. Detailed desk research using information from Euromonitor's Passport database, regulatory authorities in Hong Kong and Taiwan, trade associations, companies' annual reports and related industry reports. Where national statistics are quoted in this review, data were taken from the most updated published official statistics when available.

b. Trade interviews with trade associations, auto maintenance, repair and remodel shops, auto dealerships and government sources.

For this industry overview, Euromonitor utilized information obtained from both primary and secondary sources. Furthermore, a test of each respondent's information and views against those of others was applied to ensure reliability and to eliminate bias from these sources.

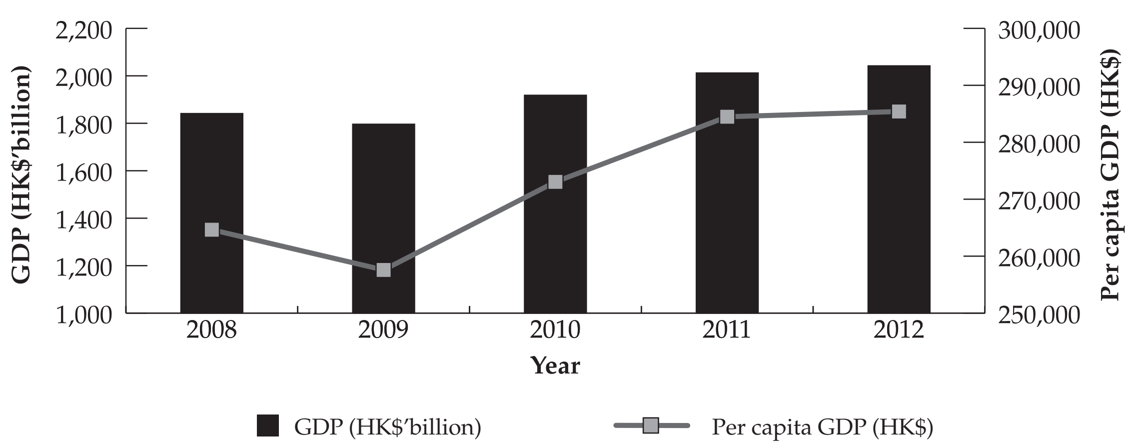
Passenger and vehicle registration data was sourced from the Transport department for Hong Kong and from Taiwan Area National Freeway Bureau, Ministry of Transportation and Communication, Ministry of Finance. Other macro-economic data was sourced from national statistics or other sources as mentioned alongside each chart.

Euromonitor confirms that it has carried out research as per Euromonitor's standard trade research methodology which involves taking an intelligent approach to speaking to as many contacts in leading companies as needed to build an industry consensus on the market's size, outlook, industry trends and developments (not based on sampling techniques). Euromonitor is of the opinion that trade interviews with the industry is the closest measure and best estimate of how the market is expected to perform in the forecast period based on historic as well as current trends.

OVERVIEW OF HONG KONG

Hong Kong is regarded as one of the world's leading financial and trading centres due to its geographic location and its well established legal system. Being a free market economy, the local economy is relatively more sensitive to changes in the global business cycle. Hong Kong's economy slowed down in 2009 due in part to the global financial crisis. However, with the PRC economy remaining strong, Hong Kong's economy experienced recovery in 2010, recording an overall year-on-year increase in GDP at approximately 6.8%. 2011 continued to witness growth in Hong Kong's economy with a further approximately 4.9% increase in GDP at over the corresponding period. Hong Kong's economy in 2012 has been relatively stable while recording approximately 1.5% increase in GDP. Notwithstanding the persistent increase in population in Hong Kong, the per capita GDP over the five years between 2008 and 2012 exhibited an overall increase from HK$268,440 in 2008 to HK$289,500 in 2012, representing a compound annual growth rate ("**CAGR**") of approximately 1.9% over this period. The following chart illustrates Hong Kong's GDP and per capita GDP from the year 2008 to 2012:

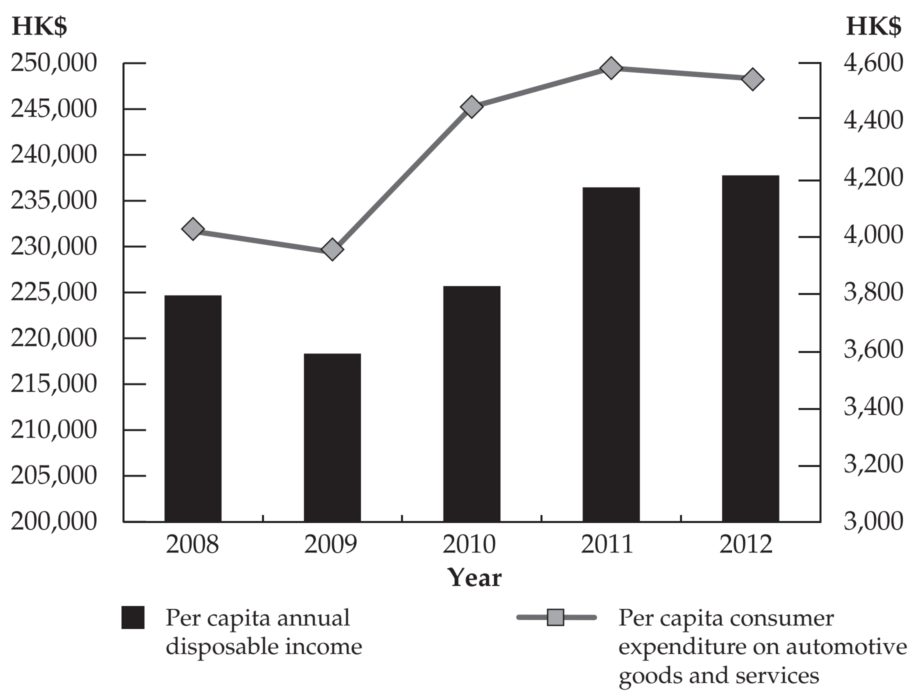
Hong Kong's GDP and per capita GDP (2008-2012)



Source: Euromonitor from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

Except for the period of the global financial crisis during 2008 and early 2009 which led to a decrease of approximately 2.8% in per capita annual disposable income in Hong Kong from HK$224,618 in 2008 to HK$218,270 in 2009 and consumers in Hong Kong cut back on discretionary spending which led to decrease in per capita (based on the total population of Hong Kong) consumer expenditure on automotive goods and services by approximately 1.8% from HK$4,022 in 2008 to HK$3,950 in 2009, Hong Kong has experienced continuous economic development and higher level of affluence for its population. This is evidenced by the gradual increase in the per capita annual disposal income in Hong Kong, which increased from approximately HK$224,618 in 2008 to HK$237,709 in 2012, representing a CAGR of approximately 1.4% over this period. Furthermore, the per capita consumer expenditure on automotive goods and services in Hong Kong turnaround and recorded a strong year-on-year increase of approximately 12.6% in 2010 and approximately 3.0% in 2011. After the strong rebounded in 2010 and 2011, the per capita consumer expenditure on automotive goods and services in Hong Kong slightly declined approximately 0.6% in 2012. The following chart illustrates the per capita annual disposable income and consumer expenditure on automotive goods and services in Hong Kong from the year 2008 to 2012:

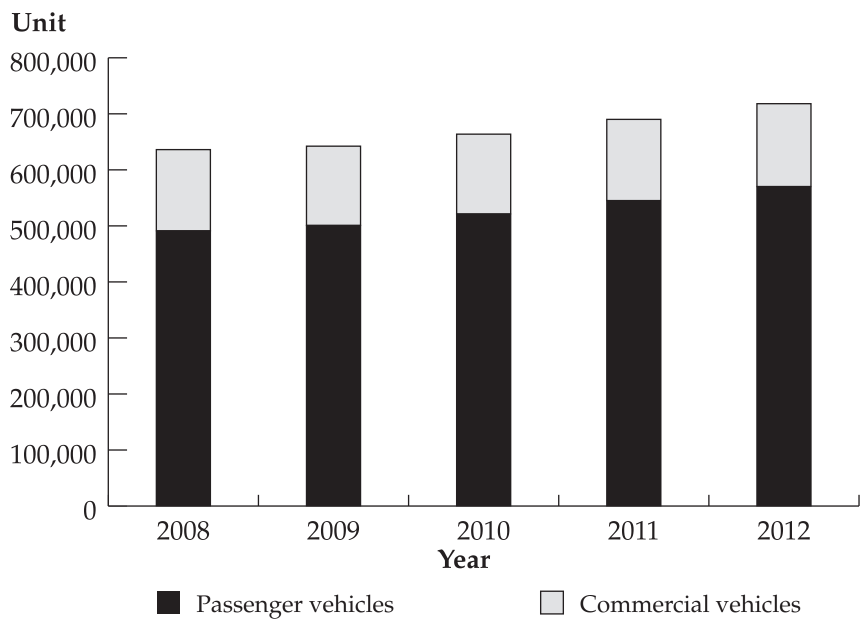
Hong Kong's per capita annual disposable income and consumer expenditure on automotive goods and services (2008-2012)



Source: Euromonitor from national statistics for per capita annual disposable income and from national statistics/Eurostat/UN/OECD for consumer expenditure on automotive goods and services

The number of registered vehicles in Hong Kong has been steadily increasing from 636,143 units in 2008 to 718,109 units in 2012, representing a CAGR of approximately 3.1% over this period. Following the global financial crisis, the stable economic recovery in Hong Kong has encouraged consumers to increase their spending in purchasing more passenger vehicles from 2009 to 2012. The number of passenger vehicles increased from 500,825 units in 2009 to 570,152 units in 2012, representing a CAGR of approximately 4.4% over this period, and accounted for at least three-fourth of the total registered vehicles in Hong Kong. The number of commercial vehicles, on the other hand, remained stable between 2009 and 2012, which has a CAGR of approximately 1.5% over this period. The following chart illustrates the total unit of passenger and commercial vehicles registered in Hong Kong from the year 2008 to 2012:

Total unit of passenger and commercial vehicles registered in Hong Kong (2008-2012)

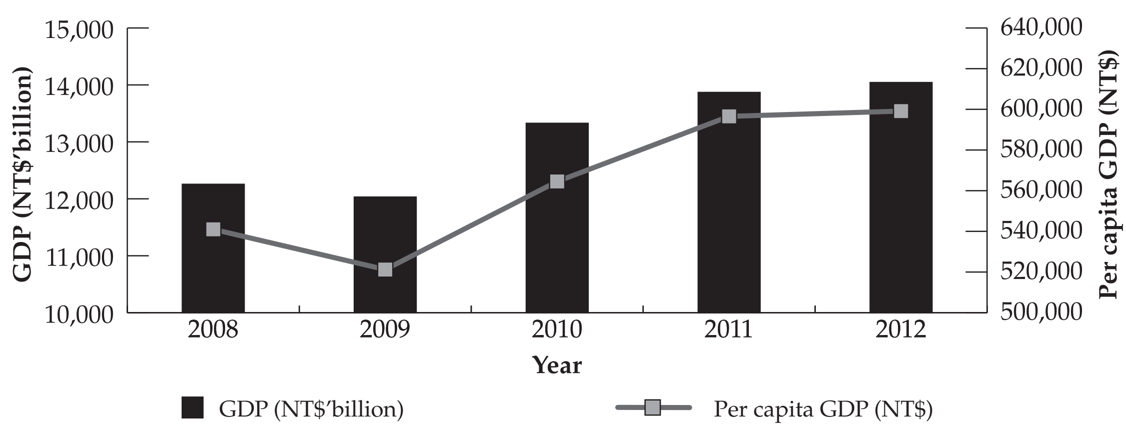


Source: Euromonitor from Hong Kong Transport Department

OVERVIEW OF TAIWAN

Taiwan's economy slowed down in 2009 due to the global financial crisis and decrease in global demand, as evidenced by a decrease of approximately 1.8% in GDP compared to 2008. However, Taiwan's economy staged a broad-based recovery as positive momentum in private consumption and industrial production picked up in 2010, recording an overall year-on-year increase in GDP at approximately 10.8%. 2011 continued to witness growth in Taiwan's economy with a further approximately 4.2% increase in GDP at over the corresponding period. Taiwan's economy in 2012 has been relatively stable while recording approximately 1.5% increase in GDP. Notwithstanding the persistent increase in population in Taiwan, the per capita GDP over the five years between 2008 and 2012 exhibited an overall increase from NT$539,666 (equivalent to approximately HK$138,022) in 2008 to NT$613,349 (equivalent to approximately HK$156,867) in 2012, representing a CAGR of approximately 3.3% over this period. The following chart illustrates Taiwan's GDP and per capita GDP from the year 2008 to 2012:

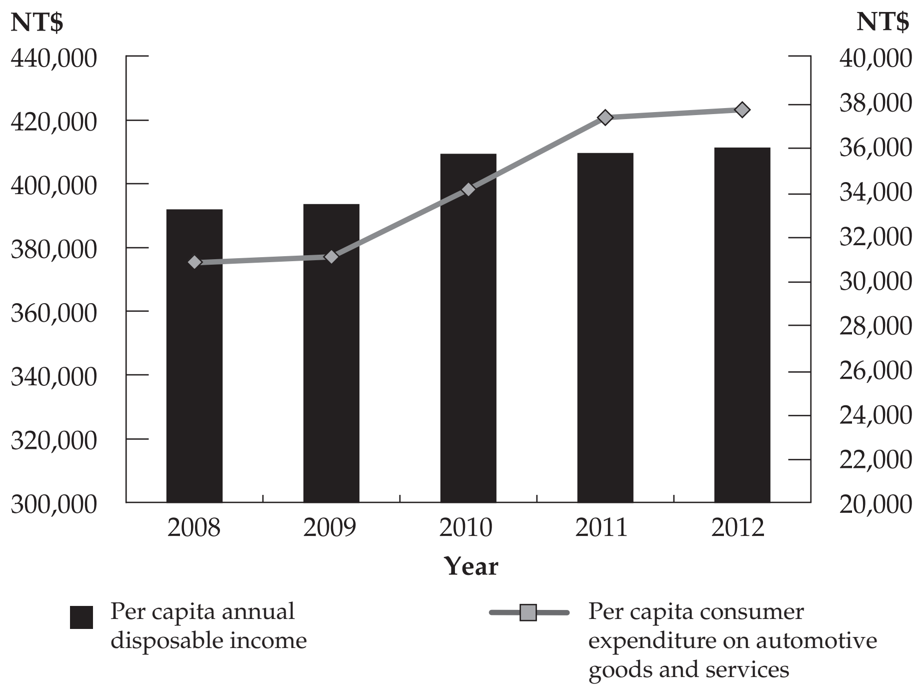
Taiwan's GDP and per capita GDP (2008-2012)



Source: Euromonitor from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), International Financial Statistics (IFS)

Despite the recent fluctuations in the economic outlook, Taiwan's labour market has remained relatively stable which allowed consumers to maintain enough room for discretionary spending, including the automotive goods and services. While Taiwan's per capita annual disposable income recorded a CAGR of approximately 1.2% between 2008 and 2012, it has a larger than proportional growth in the consumer expenditure on per capita (based on the total population of Taiwan) automotive goods and services in Taiwan which recorded a CAGR of approximately 5.1% over the same period. The following chart illustrates the per capita annual disposable income and consumer expenditure on automotive goods and services in Taiwan from the year 2008 to 2012:

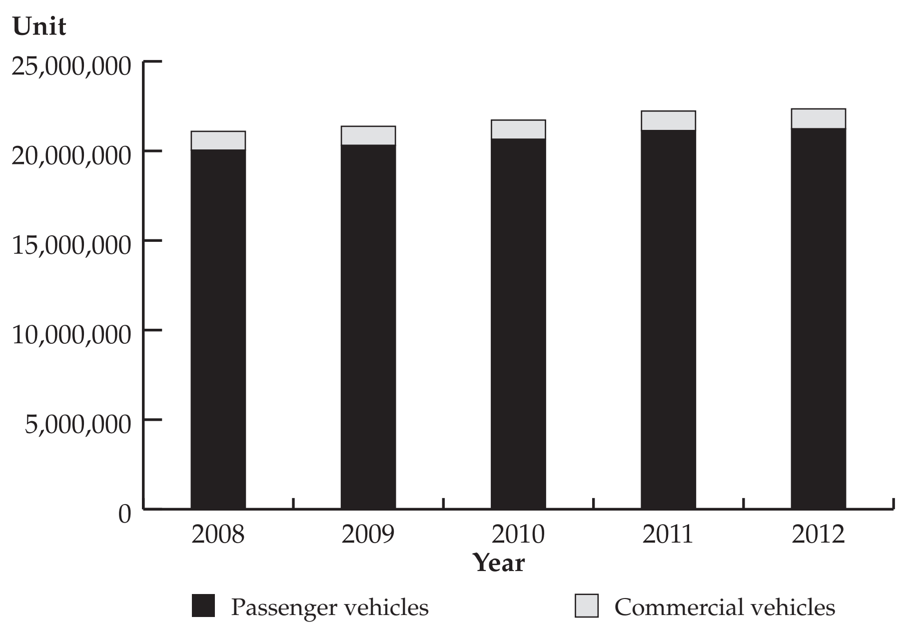
Taiwan's per capita annual disposable income and consumer expenditure on automotive goods and services (2008-2012)



Source: Euromonitor from national statistics for per capita annual disposable income and from national statistics/Eurostat/UN/OECD for consumer expenditure on automotive goods and services

The number of registered vehicles in Taiwan has been steadily increased from 21,092,358 units in 2008 to 22,346,398 units in 2012, representing a CAGR of approximately 1.5% over this period. Following the global financial crisis, the stable economic recovery in Taiwan and rising annual disposable income per capita has encouraged consumers to increase their spending in purchasing new vehicles from 2010 to 2012. The number of new passenger vehicles (including motorcycles) increased from 631,912 units in 2010 to 766,651 units in 2011, representing a year-on-year growth of approximately 21.3%, and further increased to 947,587 units in 2012, representing a year-on-year growth of approximately 23.6%. The total number of passenger vehicles (including motorcycles) accounted for at least 95% of the total registered vehicles in Taiwan. The number of new commercial vehicles, on the other hand, also had a strong year-on-year growth between 2010 and 2012, recording a year-on-year growth of approximately 11.9% from 24,645 units in 2010 to 27,569 units in 2011 and a further year-on-year growth of approximately 56.0% to 43,017 units in 2012. The following chart illustrates the total unit of passenger and commercial vehicles registered in Taiwan from the year 2008 to 2012:

Total unit of passenger and commercial vehicles registered in Taiwan (2008-2012)



Source: Euromonitor from Taiwan Area National Freeway Bureau, Ministry of Transportation and Communication, Ministry of Finance

Rising Power Group Holdings Limited
昇力集團控股有限公司*

(formerly known as "China Neng Xiao Technology (Group) Limited 中國能效科技(集團)有限公司")
(Incorporated in Bermuda with limited liability)
(Stock Code: 8047)

Executive Directors:
Mr. Wu Zhinan *(Chief executive officer)*
Mr. Chan Francis Ping Kuen *(Deputy chairman)*
Mr. Chan Hin Wing, James

Non-executive Director:
Mr. Tsang Ho Ka, Eugene *(Chairman)*

Independent non-executive Directors:
Mr. Kwok Chi Sun, Vincent
Mr. Yeung Kam Yan
Mr. Cheung Chi Hwa, Justin
Mr. Tam Chak Chi

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 1603, 16/F
Tower 1, Silvercord
30 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

20 March 2014

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
OF
75% EQUITY INTEREST IN
HONG KONG AUTOMOBILE RESTORATION GROUP LIMITED

1. INTRODUCTION

On 8 September 2013, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors and the Guarantors pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, which represent 75% of the entire issued share capital of the Target Company, at the Consideration. Upon Completion, the Target Group will become indirect non-wholly-owned subsidiaries of the Company. As a result, the financial results of the Target Group will be consolidated into the financial statements of the Group. On 30 January 2014, the Purchaser, the Vendors and the Guarantors entered into a supplemental agreement to extend the Long Stop Date to 30 April 2014. Save for the above, all other terms and conditions of the Agreement shall remain unchanged and continue in full force and effect.

* *for identification purpose only*

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules, and is subject to the approval of the Shareholders at the SGM. The purpose of this circular is to provide you, among other matters, (i) further details of the Acquisition, (ii) financial and other information on the Group; (iii) financial and other information on the Target Group; (iv) pro forma financial information of the Enlarged Group upon Completion; and (v) the notice of the SGM.

THE AGREEMENT

Date : 8 September 2013 (as supplemented by the Supplemental Agreements)

Purchaser : Star Engine Company Limited, an indirect wholly-owned subsidiary of the Company

Vendors :

(i) Vendor A;

(ii) Vendor B;

(iii) Vendor C; and

(iv) Vendor D

Guarantors :

(i) Guarantor A;

(ii) Guarantor B; and

(iii) Guarantor C

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their ultimate beneficial owner(s) and the Guarantors are Independent Third Parties.

The Guarantors have agreed to guarantee in favour of the Purchaser the due and punctual performance of the obligation of the Vendors under the Agreement and undertake to fully compensate the Purchaser for any liabilities, damages, losses, claims, fees and expenses arising from any default or delay on the Agreement caused by the Vendors.

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares which comprise 1,000 ordinary shares, 4,500 ordinary shares, 1,500 ordinary shares and 500 ordinary shares of the Target Company held by Vendor A, Vendor B, Vendor C and Vendor D respectively, representing in aggregate 75% of the entire issued share capital of the Target Company. The Sale Shares will be acquired free from any encumbrances and together with all rights and benefits attaching to them or accruing to them including but not limited to all dividends paid, declared or made in respect of them from the Completion.

Consideration

The Initial Consideration is HK$148 million which shall be payable in the following manner:

(i) as to HK$5.5 million in cash (the "**Initial Deposit**") as deposit and was paid by the Group upon the signing of the Supplemental MOU, in which HK$3.0 million (the "**Vendor A Initial Deposit**"), HK$0.5 million (the "**Vendor B Initial Deposit**") and HK$2.0 million (the "**Vendor C Initial Deposit**") was paid to Vendor A, Vendor B and Vendor C respectively;

(ii) as to HK$30 million in cash (the "**SPA Deposit**") as refundable deposit and was paid by the Purchaser within 7 Business Days from the date of the Agreement to Vendor B (or its nominees);

(iii) as to HK$29.5 million in cash shall be payable by the Purchaser upon Completion, in which HK$5.0 million, HK$19.5 million, HK$3.0 million and HK$2.0 million shall be payable to Vendor A, Vendor B, Vendor C and Vendor D (or their respective nominee(s)) respectively; and

(iv) the remaining amount of HK$83 million shall be payable by the Purchaser in a way of procuring the Company to issue the Convertible Bonds, in which the principal amount of HK$11,068,000, HK$49,797,600, HK$16,601,200 and HK$5,533,200 shall be issued to Vendor A, Vendor B, Vendor C and Vendor D (or their respective nominee(s)) respectively.

The Initial Deposit, the SPA Deposit and the balance of the cash portion of Consideration were/will be funded by internal resources of the Company including the net proceeds from the top-up placing and top-up subscription of new Shares and the placing of new Shares as announced by the Company on 28 February 2013 and 28 August 2013 which was subsequently completed in March, April and September 2013 respectively. The Company had no intention of further fund raising as at the Latest Practicable Date, but the Board will review the circumstances from time to time and will not rule out the possibility to consider fund raising activities if there is a need or viable fund raising opportunities which are in the interests of the Group and the Shareholders as a whole.

If all of the conditions are not fulfilled (or waived) on or before the Long Stop Date, or if all of the conditions are fulfilled (or waived) on or before the Long Stop Date but the Completion does not take place in accordance with the terms and conditions of the Agreement, Vendor B shall forthwith refund the Vendor B Initial Deposit and the SPA Deposit, but the Vendors shall be entitled to forfeit Vendor A Initial Deposit and Vendor C Initial Deposit paid by the Group and neither party shall have any obligations or liabilities towards each other and neither party shall take any action to claim for damages or to enforce specific performance or any other rights or remedies.

For the avoidance of doubt, Vendor A Initial Deposit and Vendor C Initial Deposit are non-refundable. The Directors consider that the non-refundable deposit of HK$5.0 million in total, which represents an earnest money for the Acquisition, is not an uncommon market practice in the industry. Given the small portion to the Consideration (representing approximately 3.4% of the Initial Consideration) and the additional timing required for the Company to perform due diligence exercise, the Directors consider that such arrangement is acceptable. As a security for the repayment of the Vendor B Initial Deposit, the Share Charge was executed by Vendor B in favour of Upper Power on the date of the Supplemental MOU. A supplemental share charge to the Share Charge was entered into by Vendor B on 12 September 2013 after the payment of the SPA Deposit to vary the terms of the Share Charge such that the Collateral given to Upper Power on the date of the Supplemental MOU, namely the 1,500 ordinary shares of the Target Company, has been extended to be the security for the repayment of both of Vendor B Initial Deposit and the SPA Deposit.

The Earn-out Consideration

Pursuant to the Agreement, if the 2014 Actual Profit exceeds HK$14.8 million, the Company shall pay the Earn-out Consideration to Vendors. Set out below is the calculation of the Earn-out Consideration:

Earn-out Consideration = (2014 Actual Profit – HK$14.8 million) x 13.34 x 75%

provided that the maximum amount of the Earn-out Consideration in any event shall not exceed HK$52 million.

Given the 2013 Actual Profit shall not be less than HK$14.8 million pursuant to the Agreement, the benchmark profit level for the year ending 31 March 2014 is set at HK$14.8 million. The design of the Earn-out Consideration represents an incentive to the Vendors in the event that the 2014 Actual Profit represents a growth to the 2013 Actual Profit. As such, there is no adjustment mechanism in the event that the 2014 Actual Profit could not meet HK$14.8 million. As mentioned in the paragraph headed "Basis of the Consideration" below, the Consideration was determined based on, among others, the price-earnings ratio of 13.34 times. Accordingly, the growth from 2013 Actual Profit to the 2014 Actual Profit is adjusted with the same earning multiplier of 13.34 times as the price-earnings ratio used in determining the Consideration.

The Earn-out Consideration (if any) shall be paid to the Vendors or their respective nominee(s) within 10 Business Days after a certificate showing the 2014 Actual Profit have been issued and delivered by the auditors of the Company in the following manner:

(i) 19.10% of the Earn-out Consideration shall be paid to Vendor A (or its nominee(s)) by the issue of the Earn-out Convertible Bonds (with maximum principal amount of HK$9,932,000);

(ii) 44.62% of the Earn-out Consideration shall be paid to Vendor B (or its nominee(s)) by the issue of the Earn-out Convertible Bonds (with maximum principal amount of approximately HK$23,202,400);

(iii) 27.69% of the Earn-out Consideration shall be paid to Vendor C (or its nominee(s)) by the issue of the Earn-out Convertible Bonds (with maximum principal amount of HK$14,398,800); and

(iv) 8.59% of the Earn-out Consideration shall be paid to Vendor D (or its nominee(s)) by the issue of Earn-out Convertible Bonds (with maximum principal amount of HK$4,466,800).

The Vendors and the Company shall procure that the audited consolidated financial statements of the Target Group for the year ending 31 March 2014 to be prepared in accordance with the HKFRS and reported by the auditors of the Company by the date falling three months after the expiry of the relevant period, and the auditors of the Company shall issue a certificate (the "**Guarantee Certificate**") to certify the amount of the aggregate audited net profits after tax and minority interest and any extraordinary or exceptional items of the Target Group as shown in such audited financial statements for the relevant period. The Guarantee Certificate shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Vendors, the Guarantors and the Purchaser. The corresponding amount of the Earn-out Convertible Bonds will be issued to the Vendors within ten Business Days after the Guarantee Certificate has been issued and provided by the auditors.

The Company will publish announcement(s) to disclose the final amount of the 2014 Actual Profit and the status of the Earn-out Consideration as and when appropriate.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendors, and taking into account a number of factors including the expected level of 2013 Actual Profit, the historical profitable financial performance of the Target Group as well as the business development, the potential growth and profitability of the Target Group.

In addition, the Directors have made reference to the price-to-earnings multiples valuation, which is a simple and commonly adopted valuation method, for assessing the fair value of the business of the Target Group against other public comparable companies (the "**Comparables**") which mainly engaged in vehicle repairing and maintenance services that are similar to certain of the principal businesses of the Target Group. The following table summarises the details of the Comparables:

Comparables (stock code)	Place of listing	Approximate price-to-earnings ratio as at 6 September 2013	Principal businesses
Monro Muffler Brake, Inc. (MNRO.US)	the United States of America (the "**U.S.**")	33.0	principally engaged in automotive undercar repair and tire services in the U.S.
Precision Auto Care, Inc. (PACI.US)	the U.S.	14.8	principally engaged in franchising and self-operation of auto care service centres and offer automotive products and services, including motor vehicles maintenance and repair
AMA Group Limited (AMA.AU)	Australia	15.0	principally engaged in the wholesale vehicle aftercare and accessories market, including service workshops and the wholesale distribution of automotive and electrical accessories

In the course of identifying the Comparables, since there was no company listed in Hong Kong principally engaged in the provision of motor vehicles restoration services including cars detailing, repairing and maintenance services in Hong Kong and Taiwan with net profit for the latest financial period, the Board expanded the selection scope by including listed companies in the U.S. and Australia. The Company had, on a best efforts basis, identified an exhaustive list of Comparables which recorded net profit for their latest financial period. The Board believes that appropriate selection criteria have been adopted in identifying the Comparables with similar business model. According to the International Monetary Fund, Hong Kong, the U.S. and Australia are classified as advanced economies with a high level per capita GDP, as well as a very significant degree of industrialization. Although the market size of the business of motor vehicles beauty services is different across these markets, these markets are all considered to be relatively mature markets for the business of motor vehicles beauty services given their economic development, amount of widespread transportation infrastructure and general standard of living. Having taken into account of the similarity of the business scope of the Comparables and the similarity of the markets in which the Comparables operate, the Directors consider that the Comparables represent a reasonable set of companies comparable to the Target Group for the purpose of assessing the Consideration.

The Directors noted that the number of Comparables for the purpose of assessing the Consideration is relatively small given the uniqueness of the business model of the Target Group adopted by listed companies globally. Notwithstanding that the aforesaid limitation of price-to-earnings multiple approach, the Board also considered other factors, including (i) the business development and prospects of the Target Group in the medium to long term particularly the growth potential of the Taiwan market; (ii) the profitable performance of the Target Group for the three financial years ended 31 March 2011, 2012 and 2013; (iii) the defer payment of consideration by way of Earn-out Consideration; and (iv) that the price-to-earnings ratio of the Consideration of 13.34 times represented by the Initial Consideration and the expected 2013 Actual Profit is lower than the price-to-earnings ratio of all the Comparables, ranging from approximately 14.8 times to 33.0 times as at 6 September 2013, which implied that the Consideration for the 75% interest in the Target Group is priced lower than the market Comparables. Based on the above, the Board considered that the Consideration is fair and reasonable.

The Board did not use other valuation methods such as discounted cash flow method as this valuation method is also subject to limitation on the application of assumptions, cash flow projection and discount rate, and the value of the Target Group is not based on any assets, which means that asset valuation approach is not relevant. On the other hand, valuation by referencing to the price-earnings multiples of the Comparables as a whole would provide a general reference to the valuation multiples of listed companies in similar business, and thus the Board considered that to be fair and reasonable reference in this regard.

After considering the historical profitability of the Target Group, in particular, the audited profit after tax of the Target Group for the year ended 31 March 2013 of approximately HK$14.9 million, the Directors have reasonable grounds to believe that the earnings of the Target Group for the year ending 31 March 2014 would be able to reach the benchmark profit level of HK$14.8 million. Upon Completion, the future performance of the Target Group will not be relied solely on the effort of the Vendors, as the Group (being the controlling shareholder of the Target Group) will also participate in decision making of the Target Group and have the power to control all important decisions such as business strategies and development which may affect the profitability and performance of the Target Group, and accordingly, no adjustment mechanism was set in the event that the 2014 Actual Profit could not meet HK$14.8 million. The design of the Earn-out Consideration represents an incentive to the Vendors in the event that the 2014 Actual Profit represents a growth to the benchmark profit level of HK$14.8 million.

Taken into account the above factors, the Directors consider that the Consideration is fair and reasonable, and will not result in a change of control of the Company. In addition, the total Consideration paid by the Company will not be affected by the allocation portion of the Consideration among the Vendors. As informed by the Vendors, the insignificant disproportionate allocation of the Consideration is the result of minor adjustments reflecting their contributions to the Target Group and rounding effect of the amount to be paid to each of the Vendors.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

(i) the Purchaser being satisfied with the results of the due diligence review on the financial information, operation and business of the Target Group;

(ii) all necessary consents and approvals required to be obtained on the part of the Vendors in respect of the sale and purchase of the Sale Shares having been obtained;

(iii) all necessary consents and approvals required to be obtained on the part of the Purchaser and the Company in respect of the sale and purchase of the Sale Shares having been obtained;

(iv) the obtaining of a BVI legal opinion (in form and substance satisfactory to the Purchaser) from a BVI legal adviser appointed by the Purchaser in relation to the Agreement;

(v) the obtaining of a Hong Kong legal opinion (in form and substance satisfactory to the Purchaser), including but not limited to the incorporation and continued existence of Cars Restoration, Challenger HK and Cars Repairing and matters as requested by the Purchaser, such as the shareholding structure of Cars Restoration, Challenger HK and Cars Repairing, and the property interests, from a Hong Kong legal adviser appointed by the Purchaser in relation to the Agreement;

(vi) the obtaining of a Taiwan legal opinion (in form and substance satisfactory to the Purchaser), including but not limited to the incorporation and continued existence of 台灣挑戰者有限公司 (Challenger (Taiwan) Limited*) ("**Challenger Taiwan**") and Taiwan Challenger and matters as requested by the Purchaser, such as the shareholding structure of Challenger Taiwan and Taiwan Challenger, property interests, and the validity and subsistence of all relevant approvals, licences, registrations, confirmation and/or permits for the said companies to conduct their businesses, from a Taiwan legal adviser appointed by the Purchaser in relation to the Agreement;

(vii) the despatch of the very substantial acquisition circular by the Company in accordance with the GEM Listing Rules;

(viii) the passing by the Shareholders at the SGM to be convened and held of ordinary resolution(s) to approve the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Bonds and the Earn-out Convertible Bonds;

(ix) the granting of the listing of and permission to deal in the Conversion Shares by the GEM Listing Committee of the Stock Exchange;

(x) (where required) the Bermuda Monetary Authority granting its permission to the allotment and issue of Conversion Shares;

(xi) the warranties under the Agreement remaining true and accurate in all material respect and is not misleading;

(xii) the Purchaser having reasonably satisfied that there is no material adverse change by any member of the Target Group since the date of the Agreement;

(xiii) the Agreement and the transactions contemplated thereunder are not considered to be a reverse takeover transaction by the Stock Exchange in accordance with the GEM Listing Rules;

(xiv) the Purchaser having executed the deed of release in the form and substance reasonably satisfactory to the Purchaser in relation to the release of the Share Charge, which shall take effect immediately before the Completion;

(xv) the entering into of service contracts, between the Target Company and the key personnel of the Target Group, with a term of three years from the Completion;

(xvi) 2013 Actual Profit being not less than HK$14.8 million; and

(xvii) a deed of release having been executed in respect of Vendor B Share Charge, which shall take effect immediately before the Completion.

The Purchaser may at any time in writing waive any of the conditions set out in (i), (iv), (v), (vi), (xi), (xii) and (xv) above. If any of the conditions precedent above have not been satisfied (or waived as the case may be) by the Long Stop Date, the Agreement shall cease, and neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. As at the Latest Practicable Date, conditions (ii), (iii) and (xvi) above had been fulfilled and the Purchaser had no intention to waive any waivable conditions.

As the Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (which includes the Stock Exchange). Therefore, so long as the Company remains listed on the Stock Exchange when the Convertible Bonds and the Earn-out Convertible Bonds (if any) are issued and on subsequent allotment and issue of Conversion Shares upon conversion of the Convertible Bonds and/or the Earn-out Convertible Bonds (if any), no application needs to be made to Bermuda Monetary Authority for express permission.

Completion

Completion shall take place at 4:00 p.m. within five Business Days after all the conditions precedents of the Agreement have been fulfilled (or waived as the case may be).

Upon Completion, the Company will continue its existing business and the Target Group will become indirect non-wholly-owned subsidiaries of the Company. As a result, the financial results of the Target Group will be consolidated into the financial statements of the Group.

After the Completion, the board of directors of the Target Company shall comprise not more than seven directors, of which the Purchaser shall be entitled to nominate not more than four directors and Vendor A shall be entitled to nominate not more than three directors. Upon Completion, Vendor A will remain as a substantial shareholder of the Target Company and it is expected that Vendor A shall continue providing support and contribute to the Target Group's on-going business operation and development. The Company anticipates that the operation of the Target Group will benefit from Vendor A's valuable experience in the industry by virtue of its nomination mechanism of the directors of the Target Company. After taken into account (i) the on-going contributions by Vendor A to the Target Group; and (ii) the Company's rights to nominate majority member and obtain effective control over the board of directors of the Target Company, the Company considers that the aforesaid board composition of the Target Company is reasonable.

It is further agreed that until either the Purchaser or Vendor A is no longer a shareholder of the Target Company, in the absence of an unanimous shareholders' approval of the Target Company, the Purchaser and Vendor A shall take all necessary actions to ensure that there is (i) no issue of or consent to issue of any additional shares by the Target Company to any person or no grant of any option over any additional shares by the Target Company; or (ii) no purchase or repurchase any of its shares; or (iii) no action resulting in dilution of the shareholding of the Purchaser and Vendor A in the Target Company.

THE CONVERTIBLE BONDS AND THE EARN-OUT CONVERTIBLE BONDS

The terms of the Convertible Bonds and the Earn-out Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

Issuer	The Company
Principal amount	(i) HK$83 million for the Convertible Bonds; and (ii) Maximum of HK$52 million for the Earn-out Convertible Bonds.
Interest rate	The Convertible Bonds and the Earn-out Convertible Bonds shall not bear any interest.

Maturity A fixed term of 3 years from the date of issue of the Convertible Bonds and the Earn-out Convertible Bonds respectively.

Conversion The Bondholders may convert the whole or part (in multiples of HK$1,000,000) of the outstanding principal amount of the Convertible Bonds and the Earn-out Convertible Bonds into the Conversion Shares at the initial Conversion Price from the date of issue of the Convertible Bonds and the Earn-out Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the third anniversary of the date of issue of the Convertible Bonds and the Earn-out Convertible Bonds, respectively, subject to the limitation on conversion below.

Limitations on conversion Conversion of the Convertible Bonds and the Earn-out Convertible Bonds is allowed provided that (i) any conversion of the Convertible Bonds and/or the Earn-out Convertible Bonds does not result in the Vendors and/or the Bondholders and/or the parties acting in concert with any of them and/or their respective associates being interested in 30% or more of the issued share capital of the Company or such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholders (whether or not such mandatory offer obligation is triggered off) or otherwise pursuant to other provisions of the Takeovers Code; or (ii) any conversion of the Convertible Bonds and the Earn-out Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the GEM Listing Rules) of the issued Shares.

Conversion Price

The initial Conversion Price is HK$0.86 per Conversion Share subject to standard adjustments in certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivatives issues. Such adjustment will be certified by the Company's auditors or by an approved merchant bank and the Company will issue an announcement when there is any adjustment to the initial Conversion Price. An adjustment should be made to the initial Conversion Price as a result of one or more events or circumstances not referred to the abovementioned events, the Company shall request the Company's auditors or an approved merchant bank, at the expense of the Company, to determine (acting as experts) as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable and the date on which such adjustment should take effect.

The initial Conversion Price represents (i) a premium of approximately 2.38% over the closing price of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 0.94% over the average of the closing prices of approximately HK$0.852 per Share for the last five trading days up to and including the Last Trading Day; (iii) a premium of approximately 43.33% over the closing price of HK$0.60 per Share as quoted on the Stock Exchange in the Latest Practicable Date; and (iv) a premium of approximately 95.45% over the net asset value per Share (as adjusted for share consolidation of the Company in May 2013) of approximately HK$0.44 based on the audited consolidated financial statements of the Group as at 31 March 2013.

The initial Conversion Price was determined by the Purchaser and the Vendors on an arm's length basis with reference to the then market price of the Shares at the time of entering into the Agreement and the duration of the Convertible Bond and the Earn-out Convertible Bonds.

Conversion Shares

Assuming the exercise in full of the conversion rights attaching to the Convertible Bonds and the Earn-out Convertible Bonds in the aggregate principal amount of HK$83 million and up to HK$52 million at the initial Conversion Price by the Bondholders respectively, the Company will issue an aggregate of 96,511,626 Conversion Shares and up to 60,465,114 Conversion Shares respectively.

The maximum of 156,976,740 Conversation Shares under the Convertible Bonds and the Earn-out Convertible Bonds represent (i) approximately 35.53% of the existing issued share capital of the Company; and (ii) approximately 26.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares assuming full conversion of the Convertible Bonds and the Earn-out Convertible Bonds at the initial Conversion Price.

However, under the terms of the Convertible Bonds and the Earn-out Convertible Bonds, the aggregate shareholding of the Vendors on any conversion of the Convertible Bonds and the Earn-out Convertible Bonds must not exceed 30% or more of the issue share capital of the Company on the date of the conversion and any such conversion will not trigger a mandatory general offer under Rule 26 of the Takeovers Code on the part of the Vendors.

The Conversion Shares will be issued pursuant to the specific mandate to be sought at the SGM.

Early redemption

The Company may, at its discretion, redeem the Convertible Bonds and the Earn-out Convertible Bonds in whole or in part by serving at least ten (10) days' prior written notice on the relevant Bondholder(s) with the total amount proposed to be redeemed from the Bondholder specified therein at 100% of the total principal amount of such bonds at any time prior to the maturity date of the Convertible Bonds and the Earn-out Convertible Bonds. For the avoidance of doubt, the holder(s) of the Convertible Bonds shall not have any right to redeem or demand early redemption of the Convertible Bonds prior to the maturity date.

Ranking	The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all existing Shares in issue at the date of the conversion respectively.
Transferability	The Convertible Bonds and the Earn-out Convertible Bonds may only be assigned or transferred in whole or in part (in multiples of HK$1,000,000) of its outstanding principal amount provided that a prior written consent of the Company is obtained by the Bondholder. Notwithstanding the aforesaid, the Convertible Bonds and the Earn-out Convertible Bonds can be transferred or assigned at any time by the Bondholders to a transferee who is a wholly-owned subsidiary of the Bondholder(s) or a holding company of such bondholder(s) provided that the transferred or assigned Convertible Bonds and the Earn-out Convertible Bonds will be re-transferred to such Bondholder immediately upon the transferee ceases to be a wholly-owned subsidiary of such Bondholder or a holding company of the Bondholder who owns the entire issued share capital of such Bondholder.
Voting rights	The Convertible Bonds and the Earn-out Convertible Bonds do not confer any right to attend or vote at any meetings of the Company respectively.
Application for listing	No application will be made by the Company for the listing of the Convertible Bonds and the Earn-out Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Conversion Shares. The Conversion Shares will not be subject to any sale restriction or lock up.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) full conversion of the Convertible Bonds into the Conversion Shares; and (iii) full conversion of the Convertible Bonds and Earn-out Convertible Bonds into the Conversion Shares.

	As at the Latest Practicable Date		Assuming full conversion of the Convertible Bonds		Assuming full conversion of the Convertible Bonds and the Earn-out Convertible Bonds	
	Shares	*Approximate*	*Shares*	*Approximate*	*Shares*	*Approximate*
Substantial Shareholders						
Starryland Profits Limited *(Note 1)*	51,960,702	11.76%	51,960,702	9.65%	51,960,702	8.68%
Mr. Lau Kim Hung, Jack ("**Mr. Lau**") *(Notes 1 and 3)*	672,480	0.15%	672,480	0.12%	672,480	0.11%
Ms. Chan Yiu Kan, Katie *(Notes 2 and 3)*	322,000	0.07%	322,000	0.06%	322,000	0.05%
Other parties acting in concert with Mr. Lau	252,693	0.06%	252,693	0.05%	252,693	0.04%
Sub-total	53,207,875	12.04%	53,207,875	9.88%	53,207,875	8.88%
Director						
Mr. Wu Zhinan *(Note 4)*	5,900,000	1.34%	5,900,000	1.10%	5,900,000	0.99%
Vendors						
Vendor A	–	–	12,869,767	2.39%	24,418,604	4.08%
Vendor B	–	–	57,904,186	10.76%	84,883,720	14.18%
Vendor C and Vendor D *(Note 5)*	–	–	25,737,673	4.78%	47,674,416	7.96%
Sub-total	–	–	96,511,626	17.93%	156,976,740	26.22%
Public Shareholders	382,709,473	86.62%	382,709,473	71.09%	382,709,473	63.91%
Total	**441,817,348**	**100.00%**	**538,328,974**	**100.00%**	**598,794,088**	**100.00%**

Notes:

1. Starryland Profits Limited ("**Starryland**"), a company incorporated in the BVI with limited liability, is wholly and beneficially owned by Mr. Lau. Mr. Lau is deemed to be interested in 51,960,702 Shares held by Starryland under the SFO. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan, Katie, Mr. Lau is also deemed to be interested in 322,000 Shares held by Ms. Chan Yiu Kan, Katie under the SFO.

2. Ms. Chan Yiu Kan, Katie, being the spouse of Mr. Lau, is deemed to be interested in 51,960,702 Shares held by Starryland and 672,480 Shares held by Mr. Lau under the SFO.

3. Mr. Lau and Ms. Chan Yiu Kan, Katie is the father-in-law and mother-in-law of Mr. Tsang Ho Ka, Eugene, being the chairman of the Company and the non-executive Director.

4. Mr. Wu Zhinan is the chief executive officer of the Company and an executive Director.

5. Vendor C and Vendor D are wholly-owned by Mr. Ng.

INFORMATION ON THE TARGET GROUP

History and development

The Target Company is a company incorporated in the BVI on 9 January 2012 with limited liability and is principally engaged in investment holding. The Target Company has become the holding company of Cars Restoration, Green Ocean and Cars Repairing since 29 February 2012.

The Target Group mainly consists of four major operating subsidiaries including Challenger HK, Cars Restoration, Cars Repairing and Taiwan Challenger which are operating under two business brand names, namely "Cars" and "Challenger".

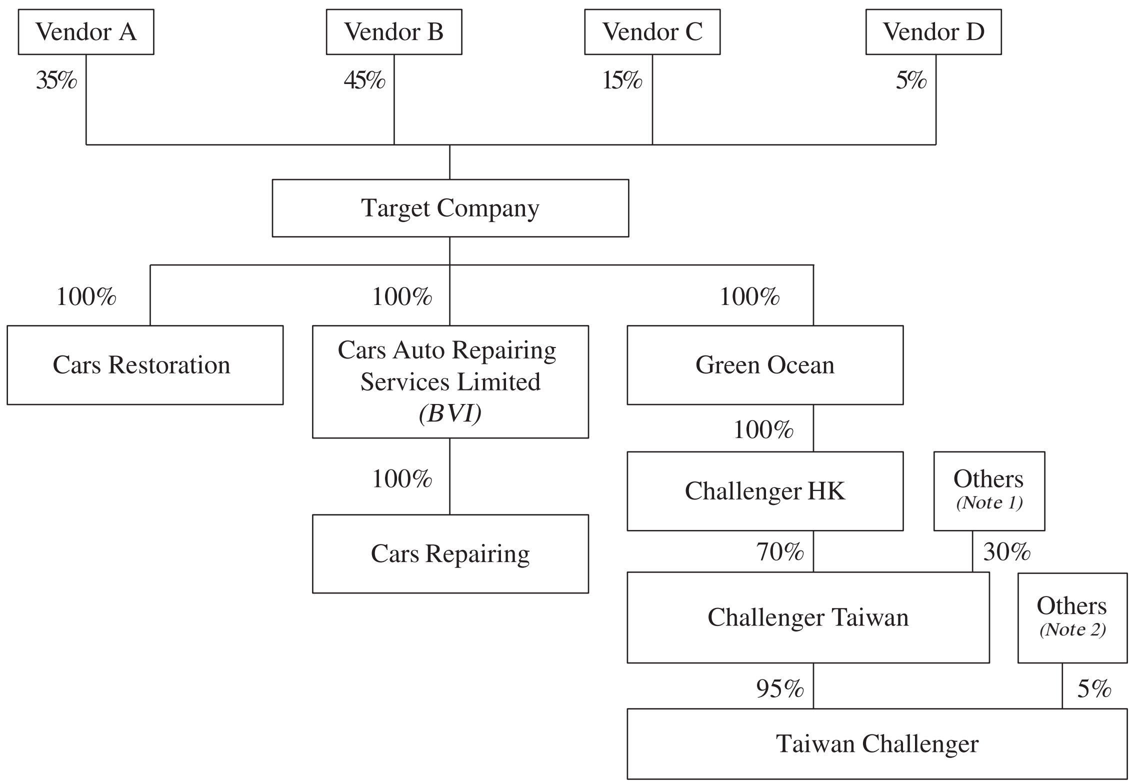
The business of Cars was founded in Malaysia in 1973 and established its first car beauty service centre in Hong Kong in 1990. The business of Challenger was founded in Hong Kong in 1991 and established its first service centre in the same year. Beneficial owners of Vendor A acquired CARs Hong Kong in 2009 from an Independent Third Party. In March 2012, Vendor B and Vendor C became shareholders of the Target Company with interest of 15% each by subscription of the new shares of the Target Company. In December 2012, Vendor A disposed of 30% and 5% of its interest in the Target Company to Vendor B and Vendor D respectively. Accordingly, each of Vendor A, Vendor B and Mr. Ng (through his interest in Vendor C and Vendor D) was interested in 35%, 45% and 20% in the Target Company respectively as at the date of the Agreement.

Following the takeover of Challenger by the Target Group in 2011, the Target Group became a major market player in the industry of vehicles restoration services in chain store sector with two leading brand names in Hong Kong. The management team of the Target Group has over 20 years working experience in the motor vehicles restoration service industry and therefore the brand names of "Cars" and "Challenger" have advantage of providing good quality of the services to their clients.

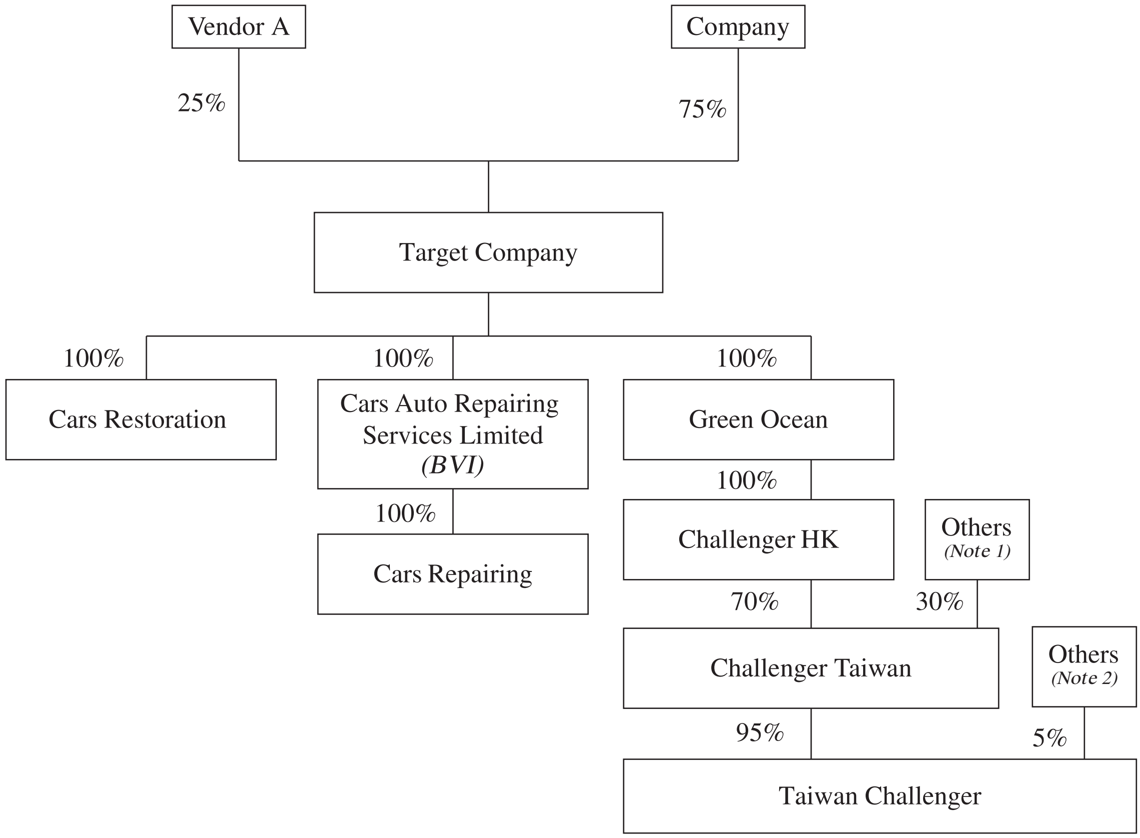
Group structure

Set out below are the simplified group structures of the Target Group as at the Latest Practicable Date and the Enlarged Group immediately after the Completion:

As at the Latest Practicable Date



Immediately after the Completion



Notes:

1. Each of Vendor B and Mr. Ng holds 15% equity interest in Challenger Taiwan.

2. Ms. Hsu Jung-chen, who is an Independent Third Party and independent to the Vendors and the Guarantors, holds the remaining 5% equity interest in Taiwan Challenger.

BUSINESS

Competitive Landscape

Hong Kong

The smallest workshops can be around 1,000 square feet and fit up to two vehicles at one time while the largest workshop occupies nearly 30,000 square feet and can accommodate up to 60 vehicles.

There are minimal differences between the various set up of workshops. The main differences are the different equipment and machinery installed which vary according to the different motor vehicle platform that the workshops service. Service centres which focus primarily on car beautification services such as waxing and polishing are typically located inside car parks to capture latent demand from parked vehicles and typically feature less state-of-the-art equipment, installing only specialised tools used for grooming and cleaning.

The Target Group identified two major competitors, being chain stores with more than five service centres which provide car restoration service in Hong Kong. One of the major competitors focuses on providing car beautification services which include waxing and polishing, car detailing and protection and steam cleaning services while another competitor provides both car beauty service and limited repairing service. According to the website of these two major competitors, they have 20 and 8 chain stores respectively. Since the acquisition of CARs Hong Kong, the Target Group has further expanded its footprint in the car beauty industry and has significant market shares (in terms of total number of service centres in the chain store sector) in chain stores sector in Hong Kong. As compared with the major competitors, the Target Group dominates the business of car beauty in most of the popular shopping malls in Hong Kong, such as Times Square, Harbour City, Festival Walk, Pacific Place, Lee Gardens, Telford Plaza, Peak Galleria etc.. In addition, the Target Group had 30 service centres and 4 maintenance centres operated under the brands, CARs Hong Kong and Challenger HK, as at the Latest Practicable Date.

Taiwan

It is estimated that nearly 70% of the workshops belong to the low-end tier (typically specialising in specific car models and capable of handling 60 vehicles per day) and are independent, single outlet servicing workshops, with 20% of them in the mid-end tier (providing full suite of services for various brands and models and capable of handling 90 vehicles per day) which consist of chained workshops and the remaining 10% in the high-end tier (typically owned by auto dealerships or vehicle manufacturers; while they provide full suite of services, workshops owned by auto dealerships or vehicle manufacturers only provide servicing for the brands and models they distribute, capable of handling 90 vehicles per day) consist of regional and national chains. The differences between the various types of workshops can be minimal with differences in equipment required due to the different motor vehicle platform that they serve. Service outlets focusing on car beautification services are typically located inside car parks or beside petrol stations to capture latent demand from parked vehicles and typically feature less state-of-the-art equipment, installing only specialised tools used for grooming and cleaning.

Competitive Advantage

Hong Kong

Prime location

The service centres of the Target Group are located in shopping malls in prime locations of Hong Kong. Consumers are also willing to pay a premium for their car beautification services due to their convenient locations avoiding them from the hassle of driving to specific locations for such services. The customers of the Target Group can also potentially save their time and cost to have their car parked in the shopping malls and enjoy the car beautification services at the service centres of the Target Group while the customers spend time in the shopping malls.

Comprehensive Services

The Target Group is committed to providing range of comprehensive car beautification services which includes vacuuming, washing, mist sterilization, engine cleaning, repairing, maintenance, modification and annual inspection. The Target Group is one of the two major chain stores with more than ten service centres in Hong Kong and one of the two major chain stores which provide comprehensive one-stop services in car restoration and repairing services. Collectively, the Target Group is the only brand among the major competitors in Hong Kong to have more than ten service centres and also provide comprehensive one-stop services in car restoration and repairing services. In addition, it operates with a distinctive multi-brand strategy providing customer-centric services to maximise the customers' satisfaction level by providing a wide range of services from the customers' point of view and to cater for all their possible demand, through the brands, CARs Hong Kong and Challenger Hong Kong.

Taiwan

Prime location

The Target Group focused on establishing its network of service outlets in the car parks of prime shopping malls in high density downtown areas around Taiwan to provide customers with convenient locations to shop and work while enjoying car beautification services.

Comprehensive Services

The Target Group is committed to providing service of vacuuming, washing, mist sterilization and engine cleaning.

Business of the Target Group

The Target Group is principally engaged in motor vehicles restoration services including cars detailing, repairing and maintenance services in Hong Kong and Taiwan.

The following table summarises the services provided by the four major operating subsidiaries of the Target Group:

Company	Service line	Services
Challenger HK	Restoration	Vacuuming, washing, mist sterilization, engine cleaning
Cars Restoration	Restoration	Vacuuming, washing, mist sterilization, engine cleaning
Cars Repairing	Repairing	Repairing and maintenance, modification, annual inspection
Taiwan Challenger	Restoration	Vacuuming, washing, mist sterilization, engine cleaning

Hong Kong

Currently, the Target Group has two business lines in Hong Kong, named as "CARs Hong Kong" and "Challenger Hong Kong".

CARs Hong Kong

CARs Hong Kong business is mainly divided into (i) comprehensive auto restoration service; and (ii) auto repair and maintenance service.

Comprehensive auto restoration service is carried out by Cars Restoration in Hong Kong. Cars Restoration provides internal and external auto restoration services manually including the 3-steps 2K wax restoration & protection service and car compartment steam cleaning service.

The auto repair and maintenance service is carried out by Cars Repairing in Hong Kong. Cars Repairing provides the aluminum alloy body repair, computer system repair, and engine repair and gearbox repair services. There is a "CARs Automotive Technology Centre" where occupies a site area of approximately 10,000 square feet garage with well facilities of car spray booth, component room, CCD4 wheel alignment system, computerised collision repair system, plasma cutter and airbag computer repair system, etc..

Challenger HK

Challenger HK is a retail chain store in auto servicing with major business operations in the consumer's market. Its business covers the provision of (i) car detailing and protection services; (ii) auto repair and maintenance services; and (iii) service of challenger auto society ("**CAS**").

(i) Car detailing and protection services

Challenger HK provides the premium services in car detailing together with application of the professional-grade products and is the market leader of car detailing service of Hong Kong for uncompromising car owners striving for high quality service. It is now operating a network of service centres and service outlets mainly situated inside car parks of prime shopping malls and commercial districts.

(ii) Auto repair and maintenance services

Challenger Auto Service Centers offer comprehensive and extensive auto repairs and maintenance from engine works to body works, from routine service to safety check, from modification to tailored services.

(iii) Challenger auto society

CAS operates auto club to motorists for driving security. With a dedicated towing team with 3 tow trucks and 3 service vans, CAS offers emergency towing and breakdown rescue service to members at 24-hour and 365-day cycle. The club has ample resources on all types of value-added benefits including but not limited to motor vehicles maintenance and check-up service. CAS members are eligible to enjoy the discounts offered by the financing institution and insurance company as referred by CAS for obtaining car finance and insurance.

Taiwan

The Target Group has expanded its business to Taiwan by setting up its first service centre at Kaohsiung in January 2013. Now, the Target Group has one business line in Taiwan, named as "Challenger Taiwan".

Challenger Taiwan

As at the Latest Practicable Date, the Target Group had 9 service centers located in the major cities of Taiwan, including Taipei, Kaohsiung, Hsinchu and Taichung which are operating under Challenger Taiwan.

Challenger Taiwan provides the service of comprehensive auto restoration service in Taiwan which includes vacuuming, washing, mist sterilization and engine cleaning.

Sales and Marketing

Hong Kong

The customers of the Target Group in Hong Kong comprise walk-in customers and customers with purchased prepaid membership packages. While all customers of the Target Group in Hong Kong can enjoy the same services, the walk-in customers pay original price each time at the service centres for services offered by the Target Group and the prepaid membership packages are prepaid by the customers to enjoy certain number of services offered by the Target Group within the respective validity period ranged from one to two years. The prepaid membership packages are non-refundable and the validity of which are non-extendable. As advised by the Vendors, it is a common industry practice to adopt prepaid membership packages scheme to retain existing customers and attract new customers in Hong Kong. Since the commencement of business of CARs Hong Kong in 1990 and the completion of the acquisition of Challenger HK in December 2010, the Target Group has adopted prepaid packages scheme available to its customers. As advised by the Vendors, for the three years ended 31 March 2013 and for the nine months ended 31 December 2013, the overall membership renewal rate of the Target Group was approximately 40% and the Target Group has not received any written complaint against or claim for the prepaid packages. In accordance with the applicable accounting standards, the Target Group has recognised revenue from any forfeited income arising from the remaining unused services of the prepaid packages after the end of its validity period. For the three financial years ended 31 March 2011, 2012 and 2013 and for the nine months ended 31 December 2013, the forfeited income represented approximately 5.4%, 4.7%, 3.4% and 4.3% respectively, of the total revenue of the Target Group.

The sales and marketing teams of the Target Group are responsible for formulating sales and marketing strategies for CARs Hong Kong and Challenger HK. The following tables set out the nature and difference between different membership offered by CARs Hong Kong and Challenger HK:

CARs Hong Kong
Car restoration plan

	Membership						
Service	**Grand Premium**	**Premium Share**	**Prestigious Mobility**	**Super Saver**	**Supreme Interior**	**VIP**	**VIP plus**
2K paint protection			6 times			10 times	4 times
3-steps 2K paint protection	15 times	6 times	2 times	1 time	2 times		4 times
A+ nano mist compartment sterilization	15 times						
Governmental inspection or brake maintenance						1 time	
Nano technology glass safeguard	2 times						
Pre-check of governmental inspection							1 time
Spray paint							1 time
Steam cleaning	15 times			4 times	10 times	4 times	
Validity	2 years	1 year	1 year	1 year	1 year	1 year	1 year

Challenger HK
Car detailing plan

	Membership			
Service	**City King**	**Limited Edition Dynasty**	**New Olympic**	**New Ultra**
Comprehensive treatment	1 time	15 times	2 times	2 times
Lubrication include engine oil and oil filter			1 time	
Pre-check of governmental inspection			1 time	
Upkeeping services	2 times		5 times	12 times
Validity	1 year	2 years	1.5 years	2 years

Auto maintenance plan

	Membership			
Service	King Star	Service Easy	Smart Care	Twins Star
Check & replace front and rear brake pads	1 time	1 time	1 time	1 time
Computer engine diagnosis check-up service with report		1 time	1 time	1 time
Computerized 4-wheel alignment service with report	1 time	1 time	1 time	1 time
Free pre-mot/vehicle safety checkup	1 time			
Inspect air conditioner and replenish refrigerant	1 time			
Inspect and replenish radiator coolant, battery fluid, transmission oil, power, steering oil, brake fluid, washer fluid etc.		1 time	1 time	1 time
Inspection of air conditioning system and replenishment of refrigerant		1 time	1 time	1 time
Replacement of spark plugs and engine tune up	1 time		1 time	
Replacements of engine oil and oil filter	3 times			
Replacements of engine oil, oil filter and air filter			2 times	4 times
To compile computer engine diagnosis report	1 time			
Validity	1 year	1 year	1.5 years	1 year

Taiwan

The customers of Challenger Taiwan comprise member and non-member of Challenger Taiwan. While all customers can enjoy the car beauty services, such as paint protection, glass and body cleaning coating, ozone sanitizing, the non-member customers pay original price and the member customers enjoy membership price at discount for the same services each time at the service centres of Challenger Taiwan. As at the Latest Practicable Date, Challenger Taiwan offered two choices of membership scheme, namely 城市精英會員卡 (City Elite Membership Card*) (“**CE Membership**”) and 新極速金卡 (New Ultimate Speed Membership Card*) (“**NUS Membership**”), to its customers. Customers can pay certain annual fees to become a member of CE Membership or NUS Membership to enjoy, among other things, discount rate for auto services offered by Challenger Taiwan for one year or two years, respectively.

Internal policies

The Target Group offers commission fees to its sales representatives in each service centre and the rate of which is calculated based on a fixed commission for meeting the pre-determined sales target of the corresponding service centre plus certain progressive percentage of the total sales which exceeds the pre-determined sales target of the service centre in each month. Whenever the Target Group has received complaint or claim from its customers, the manager of each relevant service centre is responsible to handle the complaint or claim and resolve such complaint or claim directly with the relevant customer. As the prepaid membership packages of the Target Group in Hong Kong and the membership scheme offered by Challenger Taiwan are non-refundable and the validity of which are non-extendable, there is no specific internal policies to cover the refund of prepaid packages and the extension of the validity period for prepaid packages.

Customer Service

CARs Hong Kong

CARs Hong Kong has 12 service centres. Their service points are widely located at Hong Kong Island, Kowloon and New Territories in convenient location for providing top quality of comprehensive auto restoration services, addressing enquiries and serving urgent matters of the customers.

Hong Kong Island	
Times Square	Causeway Bay
Island Resort	Siu Sai Wan
Kowloon	
Auto Plaza	Tsim Sha Tsui
Ocean Terminal, Harbour City	Tsim Sha Tsui
Park In Commercial Building	MongKok
Plaza Hollywood	Diamond Hill
Telford Plaza	Kowloon Bay
New Territories	
Sunshine City Plaza	Ma On Shan
Lucky Plaza	Shatin
Golden Plaza	Yuen Long
Tuen Mun Town Plaza	Tuen Mun
Sheung Shui Centre	Sheung Shui

In addition, CARs Hong Kong operates a CARs Automotive Technology Service Centre in Kwai Chung for providing maintenance services to the customers.

Challenger HK

Challenger HK has 18 service centres to provide car detailing and protection services, address enquiries and serve urgent matters of the customers.

Hong Kong Island	
Pacific Place	Admiralty
HK Convention & Exhibition Plaza	Wanchai
Leighton Centre	Causeway Bay
Lee Gardens	Causeway Bay
Cityplaza	Taikoo Shing
Peak Galleria	The Peak
MTR Hong Kong Station	Central
Kowloon	
MegaBox	Kowloon Bay
Amoy Plaza	Ngau Tau Kok
Whampoa Garden Fashion World	Whampoa
Pioneer Centre	MongKok
Olympian City	Tai Kwok Tsui
Festival Walk	Kowloon Tong
MTR Kowloon Station	Tsim Sha Tsui
New Territories	
Shatin Galleria	Shatin
Maritime Square	Tsing Yi
Citygate	Tung Chung
Ma On Shan Plaza	Ma On Shan

Challenger HK has three auto repair centres located in Chai Wan, Kwun Tong and Shatin.

Challenger Taiwan

Challenger Taiwan has 9 service centres to provide car detailing and protection services, address enquiries or/and serve urgent matters of the customers.

Taiwan	*Area*
Kaohsiung Carrefour	Kaohsiung Metro Area
Kaohsiung Top City	Kaohsiung Metro Area
Taisuco Nanzih	Kaohsiung Metro Area
Hsinchu Top City	Hsinchu Metro Area
Banqiao Far East Department Store	Greater Taipei Metro Area
Taichung Top City	Taichung Metro Area
Shilin Test Rite Retail	Shilin District, Taipei City
Nangang Carrefour	Nangang District, Taipei City
Zhonghe RT-MART	Zhonghe District, New Taipei City

Human Resources

CARs Hong Kong

Management

Guarantor A (i.e. Mr. Kwok Ying Ming) is the chairman of Cars Restoration, who is responsible for management and control of the top management team. He joined CARs Hong Kong in 2009 and has over 15 years' management experience in retail and service industry.

Guarantor B (i.e. Mr. Lam Man Kuen) is the director and chief operating officer of Cars Restoration, who is responsible for business development and operation control. He joined CARs Hong Kong in 1992 and has over 20 years' experience in car beauty industry.

Guarantor C (i.e. Mr. Cheung Kai Ming) is the director and senior operation manager of Cars Restoration, who is responsible for training and operation control. He joined CARs Hong Kong in 1991 and has over 20 years' experience in car beauty industry.

Staff training

As at the Latest Practicable Date, CARs Hong Kong had over 100 staff. CARs Hong Kong provides regular training to its staff for maintaining high quality service to the customers.

Challenger HK

Management

Guarantor A (i.e. Mr. Kwok Ying Ming) is the chairman of Challenger HK, who is responsible for management and control of the top management team. He joined Challenger HK in 2011 and has over 15 years' management experience in retail and service industry.

Guarantor B (i.e. Mr. Lam Man Kuen) is the director and chief operating officer of Challenger HK, who is responsible for business development and operation control. He joined Challenger HK in 2011 and has over 20 years' experience in car beauty industry.

Guarantor C (i.e. Mr. Cheung Kai Ming) is the director and senior operation manager of Challenger HK, who is responsible for training and operation control. He joined Challenger HK in 2011 and has over 20 years' experience in car beauty industry.

Staff training

As at the Latest Practicable Date, Challenger HK had over 120 staff. Challenger HK provides regular training to its staff for maintaining high quality service to the customers.

Challenger Taiwan

Management

Mr. Kwok Hey is the sole director of Taiwan Challenger, who is responsible for marketing and business development of car beauty services in Taiwan. He joined CARs Hong Kong in 2005 and is responsible for setting up Taiwan Challenger since 2012. He holds a Bachelor degree in Government and Public Administration and has over 18 years' management experience across various industries including trading, banking and car beauty industry.

Mr. Lee Chao Yu is the senior operation manager of Taiwan Challenger, who is responsible for overseeing the operations in Taiwan. He joined Taiwan Challenger in 2013 and has over 15 years' experience in car beauty industry.

Staff training

As at the Latest Practicable Date, Taiwan Challenger had over 50 staff. Taiwan Challenger provides regular training to its staff for maintaining high quality service to the customers.

Future Business Plan

Hong Kong

Given that the Target Group has significant market shares (in terms of total number of service centres in the chain store sector) in chain store sector in the industry and no other suitable shopping malls in the prime location could be identified for opening new service centres at present, the Target Group intends to adopt a stable business development strategy in Hong Kong. Therefore, it is anticipated that CARs Hong Kong and Challenger HK will aim to maintaining the existing market share of the motor vehicle restoration businesses.

Taiwan

The Target Group has commenced its operation in Taiwan since January 2013 and opened five service centres in Kaohsiung, Hsinchu and Taipei during the first three months in 2013 and further expanded to nine service centres as at the Latest Practicable Date. The tenth service centre of Challenger Taiwan is expected to be opened in the first quarter of 2014. As most of the service centres of the Target Group were opened with less than one year, the Target Group aims to expand its customer bases and improve its reputation in Taiwan by putting more effort in promotion and advertisements. For the nine months ended 31 December 2013, the amount of the revenue of the Target Group recorded from Taiwan was about 7.8 times of the revenue from Taiwan for the year ended 31 March 2013. The Target Group will focus on the development in the Taiwan market and expects to open five more service centres in 2014. The Target Group intends to continue to expand the number of service centres and its footprint in major cities of Taiwan, including but not limited to, Taipei, Taoyuan, Taichung and Tainan. With the above expansion plan, the Target Group expects to record a rapid growth in revenue from Taiwan in the coming years. At present, Challenger Taiwan only provides one-off services to its member or non-member customers. The Target Group intends to offer more variety of discount service packages with different combination of services to cater the needs of its customers and improve their loyalty and relationship with the Target Group after the Target Group settle itself in the Taiwan market.

Financial information of the Target Group

As extracted from the accountants' report on the Target Group as set out in Appendix II to this circular, the following is a summary of the audited financial results of the Target Group for the three years ended 31 March 2013:

	For the year ended 31 March 2011	**For the year ended 31 March 2012**	**For the year ended 31 March 2013**
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	1,918	13,084	18,392
Profit after tax	1,704	10,589	14,865

The 2013 Actual Profit of the Target Group is approximately HK$15.0 million. Based on the accountant's report on the Target Group as set out in Appendix II to this circular, the Target Group recorded an audited net assets of approximately HK$33.5 million as at 31 December 2013.

The Directors noted that the reporting accountants of the Target Group have provided a modified opinion which states the material uncertainty on the Target Group's ability to continue as a going concern. The Directors consider that the going concern uncertainty was mainly due to the net current liabilities position of the Target Group. Under the Target Group's business model, revenue is mainly derived through the prepaid membership packages which generally have a validity period of one year to two years from the date of purchase. The amount of prepaid package are first recognised as deferred income and put under current liabilities in the financial statement and will be recognised as revenue of the Target Group only when the services are rendered and/or the package expired. The nature of this revenue model led to net current liabilities position. As there will not be any cash outflow and with the steady growth of receipts from sales of prepaid packages, the Directors are of the view that the going concern uncertainty arising from the prepaid package business model is not abnormal and unacceptable.

For further details of the financial information of the Target Group, please refer to the Appendix II to this circular.

Future prospects and proposed development plans

As stated above, the Target Group is expanding its business in Taiwan. Upon Completion, the Company intends to carry on the Target Group's existing expansion plan in Taiwan while adopting a stable business development strategy in Hong Kong with an aim to maintaining the existing market share (in terms of total number of service centres in the chain store sector) in chain store sector. It is expected that the operation and capital expenditure of the Target Group will be primarily funded by the internal resources and/or debt financing of the Target Group. As at the Latest Practicable Date, the Target Group had no debt financing plan.

INFORMATION ON THE VENDORS

Vendor A

Vendor A is a company incorporated in the BVI with limited liabilities and is principally engaged in investment holding, and is owned as to 45% by Eversky Holdings Limited, 25% by Global Central Limited, 22.5% by Guarantor B and 7.5% by Guarantor C respectively. Eversky Holdings Limited is wholly-owned by Guarantor A. Global Central Limited is owned as to 60% by Eversky Holdings Limited and 40% indirectly by Mr. Tam Chi Shing, who is an Independent Third Party, respectively.

Vendor B

Vendor B, Mr. Wong Wai Sing, a Hong Kong citizen, is a merchant and has investments in diversified businesses in the PRC and Hong Kong.

As at the Latest Practicable Date, Vendor B and Mr. Chum Hon Sing ("**Mr. Chum**"), a former executive Director who resigned on 6 December 2013, were interested in as to 50% and 50% respectively in Twin Star Global Limited. Twin Star Global Limited is the controlling shareholder holding approximately 30.53% equity interest in Newtree. Vendor B is the executive director, chief executive officer and chairman of Newtree and Mr. Chum is the executive director and vice-chairman of Newtree. In addition, Vendor B also shares common directorships in Newtree with Mr. Tsang Ho Ka, Eugene ("**Mr. Tsang**"), the Chairman and the non-executive Director, and with Ms. Sung Ting Yee ("**Ms. Sung**"), a former executive Director and a former finance director of the Company. Ms. Sung is a director of the subsidiaries of the Company. Mr. Tsang is the executive director and joint company secretaries of Newtree and Ms. Sung is the executive director of Newtree. In addition, Vendor B is the executive director and the chairman of Ming Kei while Mr. Tsang is the vice-chairman and non-executive director of Ming Kei and Ms. Sung is the chief financial officer and chief investment officer of Ming Kei. In addition to the above shareholding and common directorship in listed companies, as at the Latest Practicable Date, Ms. Sung was also the staff and director of certain private companies owned by Vendor B. Save as disclosed above, Mr. Chum, Mr. Tsang and Ms. Sung do not have any interest in Newtree and Ming Kei.

Vendor C

Vendor C is a company incorporated in the BVI with limited liabilities and is principally engaged in investment holding, the entire issued shares of which is wholly-owned by Mr. Ng who is the chief investment officer of Newtree.

Vendor D

Vendor D is a company incorporated in the BVI with limited liabilities and is principally engaged in investment holding, the entire issued shares of which is wholly-owned by Mr. Ng.

Save for the investments in the Target Company, the Vendors including their respective ultimate beneficial owners are also business partners of other investments. The Vendors are parties acting in concert in respect of the Acquisition under the Takeovers Code.

As disclosed in the announcements of the Company dated 10 September 2013 and 16 September 2013 in relation to the completion of the top-up placing and the top-up subscription of new Shares and placing of new Shares, the Placees, including their respective ultimate beneficial owners (where applicable) are Independent Third Parties. As advised by the Vendors, each of the Vendors and their respective associates did not acquire any Shares through the placing mentioned above.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as advised by the Vendors, the Vendors (and their respective ultimate beneficial owners) do not have any relationship with the vendors/purchasers of the Company's previous acquisitions and disposals in the past 2 years from the Latest Practicable Date, which include the acquisitions of electromagnetic pulse protection business and the energy conservation management business and the deemed disposal of optic fiber business.

As at the Latest Practicable Date, save for Mr. Lau and his associates having approximately 11.98% interests in the Company (through his personal and his spouse's interest and his controlled entity in Starryland) under the SFO and approximately 18.30% interests in Ming Kei (through his personal interests and his controlled entity in Vitasmart Limited) under the SFO, there was no other common substantial shareholder among Newtree, Ming Kei and the Company respectively.

Save as disclosed above, there is no current or previous relationship among the Vendors (and their respective ultimate beneficial owners) and the Company and its connected persons. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are all Independent Third Parties.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection business, the provision of energy management business and energy conservation (saving) and emission reduction business. The Group recorded (i) a turnover of approximately HK$34.53 million for the financial year ended 31 March 2013 as compared to that of approximately HK$6.32 million for the financial year ended 31 March 2012; and (ii) a net loss attributable to the Company's equity holders of approximately HK$77.7 million for the financial year ended 31 March 2013 as compared to that of approximately HK$68.2 million for the financial year ended 31 March 2012.

In January 2013, the Company first acquainted Mr. Ng, the beneficial owner of Vendor C and Vendor D, and Mr. Ng has expressed the intention of the Vendors to sell the business. Vendor A and Vendor B were then introduced by Mr. Ng to the Company. As the Board has intention to further extend the scope of its business, the Board commenced to evaluate the potential investment and noticed that the Target Company is one of the long established motor vehicles restoration service providers in Hong Kong, and therefore the Board expressed preliminary intention of acquiring the business and both the parties have subsequently entered into the MOU on 8 February 2013 to commence due diligence exercise of the business on the Target Group.

The Target Group is principally engaged in motor vehicles restoration services including cars detailing, repairing and maintenance services in Hong Kong and Taiwan. The Directors obtain understandings from the research on the Target Group's business which is essential for the decision making of the Acquisition. The Company has also conducted due diligence exercise on the Target Company before entering into the Agreement and will continue such exercises before the Completion to ensure that the Company has sufficient information and understandings on both the financial and legal aspects of the Target Group. The Directors believe that the demand on the motor vehicles restoration services is expected to increase in line with the increasing demand on the automobile as (i) the total registration units of cars in Hong Kong increased from 636,143 units in 2008 to 718,109 units in 2012 and the total registration units of cars in Taiwan has increased from approximately 21.0 million units in 2008 to 22.3 million units in 2012 indicating the vehicles population has been increasing steadily; (ii) the steady growth in the per capita GDP in Hong Kong from HK$268,440 in 2008 to HK$289,500 in 2012 with CAGR of approximately 1.9% and Taiwan from NT$539,666 (equivalent to approximately HK$138,022) in 2008 to NT$613,349 (equivalent to approximately HK$156,867) in 2012 with CAGR of approximately 3.3%; while the consumer expenditure on automotive per capita has been remained steadily in Hong Kong and increased in Taiwan, and therefore the Company is of the view that the motorists from different income range can afford extra expenses and are willing to spend on their motor vehicles; (iii) from 2010 to 2012, there is steady increase in the payments received by the auto maintenance, repair and remodel industry of approximately 3.8% CAGR in Hong Kong and approximately 9.1% CAGR in Taiwan, therefore, the Directors are of the view that people are willing to spend more on the motor vehicles restoration service. The need for safety driving makes motor vehicles restoration services necessities to the motorists. On the other hand, with the significant increasing trend of new registration of vehicles in Taiwan since 2010, there is fruitful market potential of the Target Group to tap in the new market in Taiwan. In determining the Consideration, the Board mainly considered the profitability of the Target Group (i.e. 2013 Target Profit) and the Earn-out Consideration adjustment mechanism. As advised by the Vendors, there is no material difficulty in the negotiations for the renewal of the lease terms of the service centres and relocation of stores in the nearby areas is not difficult in case of non-renewal of lease terms of the service centres upon expiration. Therefore, such uncertainty is not material to affect the determination of Consideration. In view of the growing prospects in the Taiwan motor vehicles restoration services and the Target Group's competitive position in Hong Kong, the Directors consider that the Acquisition represents a good opportunity for the Group as the Target Group (i) will continue to maintain its leading market position of the motor vehicle restoration businesses in Hong Kong; and (ii) is expanding the motor vehicles restoration businesses in the Taiwan market which provides growth potential.

After taking into consideration of the above factors, the Directors consider that the Acquisition, if materialises, represents a good opportunity for the Group to diversify its business and develop a new revenue stream and the Directors are of the opinion that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Company will nominate representatives to each of the companies in the Target Group as directors to control their board. Given that the existing management team of the Target Group will remain in the Target Group upon Completion, the Company does not expect that there will be any material interruption to the operations of the Target Group as a result of the Acquisition. The Company also believes that its existing management team possesses the necessary skills, and corporate management experience to manage the operating companies of the Target Group at the board level. The Company currently does not have any expertise on the motor vehicles restoration services and will rely on the current management team of the Target Group to run the new business. The Company will consider recruiting candidates who possess the relevant industry experience to supplement the existing management team of the Target Group as and when necessary.

As at the Latest Practicable Date, save as the above, the Group had no present intention to acquire further interests in any member of the Target Group or to pursue any potential acquisition or investment or to scale down or terminate its existing principal business subject to the Board's review of the business strategy and potential acquisitions opportunities arising from time to time.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Group will be interested in 75% equity interest in the Target Company and its subsidiaries and the Target Group will be accounted for as a subsidiary of the Group.

(1) Effect on earnings

The financial impact of the Acquisition is set out in Appendix III to this circular. Please refer to the Appendix III to this circular for the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereof.

The Group recorded an audited turnover of approximately HK$34.53 million and loss after tax from continuing operations of approximately HK$68.76 million for the year ended 31 March 2013. Based on the unaudited pro forma financial information as set out in Appendix III of this circular, the turnover of the Enlarged Group for the year ended 31 March 2013 would have been increased by approximately HK$121.44 million to approximately HK$155.97 million as if the Acquisition had taken place at 1 April 2012. Therefore, given the historical financial performance of the Target Group, the Acquisition is expected to enhance the revenue base of the Enlarged Group. The loss of the Enlarged Group for the year ended 31 March 2013 from continuing operations would have been improved from approximately HK$68.76 million to approximately HK$65.95 million; and the loss attributable to equity holders of the Company would have been reduced from approximately HK$77.65 million to approximately HK$74.75 million as if the Acquisition had taken place at 1 April 2012.

(2) Effect on assets

Based on the unaudited pro forma financial information as set out in Appendix III of this circular, if the Acquisition had been completed on 30 September 2013, the unaudited pro forma total assets value of the Enlarged Group as at 30 September 2013 would have been increased by approximately HK$264.77 million from approximately HK$241.88 million to approximately HK$506.65 million. The increase of total assets were mainly due to the increase in (i) the property, plant and equipment of approximately HK$4.32 million; (ii) intangible assets (representing trademarks) of approximately HK$96.20 million; (iii) the goodwill of approximately HK$195.12 million; and (iv) amounts due from related parties of approximately HK$16.26 million and partly offset by the decrease in bank balances and cash of approximately HK$28.22 million and the decrease in trade and other receivables of approximately HK$19.38 million.

In order to assess whether there is any impairment on the intangible assets and goodwill of the Enlarged Group as at 30 September 2013, the directors of the Company have appointed independent professional valuers, Roma Appraisals Limited, to perform an appraisal of the recoverable amount as at 30 September 2013 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"). The Target Group's trademarks are attributable to the same cash-generating units with which the corresponding goodwill amounts are recognised. The valuations of the intangible assets (representing trademarks) were conducted by relief from royalty method under income-based approach which is a general market approach for trademark valuation with major assumptions include, but not limited to, the following:

- The trademarks would have indefinite useful lives as the directors of the Target Company considered that they would be renewable at minimal costs, and the Target Group would renew the trademarks continuously and has the ability to do so;
- Royalty rate of 6% was adopted with reference to several market researches regarding licensing royalty rates;
- Since the major operation of the Target Group is in Hong Kong, the tax rate of the Target Group was estimated by the corporate tax rate in Hong Kong;

- The valuation was mainly based on the projections of the future cash flows as provided by the directors of the Target Company. The projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group; and

- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

Below is the summary of the key parameters of the discount rate of the trademarks adopted as at 30 September 2013:

Key Parameters	**As at 30 September 2013**
a) Risk-Free Rate	1.12%
b) Market Expected Return	13.09%
c) Market Risk Premium	11.98%
d) Beta Coefficient	0.68
e) Size Premium	3.81%
f) Cost of Equity	13.12%
g) Cost of Debt	5.00%
h) Weight of Equity Value to Enterprise Value	88.43%
i) Weight of Debt Value to Enterprise Value	11.57%
j) Corporate Tax Rate	16.50%
k) WACC	12.08%
l) Additional Premium for the Trademarks	1.00%
Discount Rate for the Trademarks	13.08%

Notes:

a) The risk-free rate adopted was the yield rate of Hong Kong 10-year government bond as at 30 September 2013 as extracted and sourced from Bloomberg.

b) The market expected return adopted was the historical market return in Hong Kong stock market as at 30 September 2013 as extracted and sourced from Bloomberg.

c) The market risk premium adopted was the difference between the market expected return and the risk-free rate adopted.

d) The beta coefficient adopted was the median adjusted beta of the comparable companies with similar business natures as the Target Group, namely Carrier Alliance Holdings Inc (stock code: CAHI.US), Monro Muffler Brake, Inc. (stock code: MNRO.US), Precision Auto Care, Inc. (stock code: PACI.US) and AMA Group Limited (stock code: AMA.AU), as extracted from Bloomberg.

e) The size premium adopted was the size premium for micro-cap companies with reference to the size premium study conducted by Ibbotson Associates, Inc.

f) The cost of equity was determined based on Capital Asset Pricing Model ("**CAPM**").

g) The cost of debt adopted was the Hong Kong prime rate as at 30 September 2013 as extracted from Bloomberg.

h) The weight of equity value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at 30 September 2013 as extracted from Bloomberg.

i) The weight of debt value to enterprise value adopted was derived from the median debt-to-equity ratio of the aforementioned comparable companies as at 30 September 2013 as extracted from Bloomberg.

j) The corporate tax rate adopted was the corporate tax rate in Hong Kong.

k) WACC represented the weighted average cost of capital of the Target Group.

l) The additional premium was added to reflect the liquidity risk of the trademarks, having considered that the trademarks were not actively traded.

The intangible assets of the Target Group being the trademarks were initially recognised at the respective acquisition-date fair value upon the acquisitions by the Target Group in 2010. Such intangible assets were considered as having indefinite useful lives and therefore were stated at initial cost less impairment losses if any since their initial recognition in 2010 and such intangible assets were not subsequently restated by the Target Group at fair value according to the Target Group's accounting policy. The carrying value of the trademark of HK$55.5 million as at 31 December 2013 represents the aggregate fair value of the trademarks as at the dates of acquisitions of CARs Hong Kong and Challenger HK on 1 January 2010 and 31 December 2010 respectively. The increment in the fair value of the trademarks were due to the development of the Target Group's customer bases and the overall increasing trend of revenue generated by the Target Group between the period from 2010 (dates of acquisition) to 2013. As advised by the management of the Target Group, the forecast of Challenger's cash-generating unit in the year 2014 consists of the businesses of Challenger HK and Challenger Taiwan. For the business of Challenger HK, the management estimated the revenue growth for the financial year ending 31 March 2014 with reference to the historical revenue growth of Challenger HK, which is over 20% for the year ended 31 March 2013. Challenger Taiwan was newly set up in January 2013. The management estimated the revenue of Challenger Taiwan for the financial year ending 31 March 2014 and its monthly revenues based on the five newly opened service centres since April 2013 together with the future development plan in Taiwan as further detailed on pages 47 and 48 of this circular. This contributes to the remaining portion of the Challenger's revenue growth of 38% in the financial year ending 31 March 2014. Challenger's cash-generating unit revenue growth rate, ranging from approximately 4% to 38%, is estimated to reduce gradually in the next few years and remain relatively stable from 2019 onwards. As advised by the management of the Vendors, the forecast of growth rate of revenue of the CARs Hong Kong is relatively stable ranging from approximately 4% to 10%.

For the purpose of assessing any impairment of goodwill of the Target Group as referred to in Appendix III to this circular, the forecast of the revenue of the Target Group is estimated based on historical figures adjusted with the business development plan of the Target Group whereas the forecast of cost of sales and operating expenses of the Target Group is estimated based on historical figures and adjusted in line with the revenue growth rate estimated.

The Directors concluded that no impairment is required for the intangible assets and goodwill as stated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2013.

(3) Effect on liabilities

Based on the unaudited pro forma financial information as set out in Appendix III of this circular, if the Acquisition had been completed on 30 September 2013, the total liabilities of the Enlarged Group as at 30 September 2013 would have been increased by approximately HK$241.75 million from approximately HK$26.10 million to approximately HK$267.85 million, mainly due to the increase in (i) trade and other payables of approximately HK$10.83 million; (ii) convertible bonds of approximately HK$53.26 million; (iii) financial liability at fair value through profit or loss of approximately HK$49.45 million; (iv) deferred income of approximately HK$97.57 million; (v) tax payable of approximately HK$6.97 million; (vi) the amount due to related parties of approximately HK$7.19 million; and (vii) the deferred tax liabilities of approximately HK$15.87 million.

The Vendors confirmed that the amounts due from directors of the Target Group will be fully settled upon Completion. Taking into account of the above, the Company is of the view that the balances which will be fully settled would not constitute any connected transaction upon Completion. In any events, the Enlarged Group will comply with the relevant rules requirement under GEM Listing Rules if there is any connected transaction after Completion.

If the Acquisition had been completed on 30 September 2013, the turnover of the Enlarged Group as at 31 March 2013 would have been increased by approximately HK$121.44 million and the total assets of the Enlarged Group as at 30 September 2013 would have been increased by approximately HK$264.77 million. Since the increase in total assets is more than the total liabilities, the overall financial position of the Enlarged Group would be improved.

The Acquisition is expected to provide an additional and stable income source to the Group in the medium to long term by way of direct profit contribution to the Target Group as a subsidiary of the Group and the Enlarged Group looks forward to the business opportunities of motor vehicles restoration services to be brought by the Acquisition in Hong Kong and Taiwan.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition on the part of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements at the SGM by way of poll. In this connection, the SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder.

No Shareholder, except for the Vendors and their respective associates, has a material interest in the Acquisition which is different from the other Shareholders and is required to abstain from voting on the relevant resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their respective associates did not hold any Shares, options or securities convertible or exchangeable into Shares as at the Latest Practicable Date. If the Vendors and their respective associates hold any Shares on the date of the SGM, they will be required to abstain from voting on the relevant resolution to be proposed at the SGM in relation to the Agreement and the transactions contemplated thereunder.

THE SGM

The SGM will be held at Unit 1603, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, on Tuesday, 22 April 2014 at 10:30 a.m. for the purpose of considering and, if thought fit, to approve the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Conversion Shares. The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the special general meeting in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effective from 31 March 2014) as soon as possible and in any event not later than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

RECOMMENDATION

The Directors consider that (i) the terms of the Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable; and (ii) the entering into of the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolution at the SGM approving the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Conversion Shares.

ADDITIONAL INFORMATION

As the Completion is subject to the fulfillment of a number of conditions which are described in this circular, the Acquisition may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

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

By Order of the Board
Rising Power Group Holdings Limited
Mr. Tsang Ho Ka, Eugene
Chairman and Non-executive Director

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 March 2013 has been disclosed in the 2011, 2012 and 2013 annual reports of the Company respectively, which are published on both the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.risingpower.com.hk).

II. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following is the management discussion and analysis of the performance of the Group extracted (and modified as appropriate) from interim report for the six months ended 30 September 2013 and the annual reports of the Company for each of the three years ended 31 March 2013, 2012 and 2011.

For the six months ended 30 September 2013

Operational review

Energy conservation (saving) and emission reduction ("**Energy Emission Reduction**") is a new line of business developed by the Group. During the six months ended 30 September 2013, the Group provided resources management services on the infrastructures or facilities for certain telecommunication operators in the PRC. The related projects were completed in Hubei (湖北) and Jiangsu (江蘇). The Energy Emission Reduction business has contributed a turnover of over HK$9.7 million.

For electromagnetic pulse protection business and energy management business, successful tenders were awarded by from China Unicom in Jilin (吉林) and Hubei (湖北) during the period. The new projects for telecommunication operators are still in preparation stage. Management is optimistic in the upcoming results of the tenders and those new projects will commence in the coming quarters.

Financial review

The Group recorded an increase in turnover from continuing operations of approximately 50% to approximately HK$10.2 million for the six months period ended 30 September 2013 as compared to approximately HK$6.8 million for the corresponding period in 2012. The increase in turnover was mainly derived from the Energy Emission Reduction business.

The Group recorded a decrease in gross profit of approximately 82% to approximately HK$1.0 million or the six months period ended 30 September 2013 as compared to approximately HK$5.7 million in the previous year. The decrease in gross profit was mainly due to the majority of revenue was generated from the Energy Emission Reduction business which has a relatively lower gross margin ratio.

During the six months period ended 30 September 2013, administrative expenses incurred by the Group was approximately HK$16.0 million (2012: HK$10.9 million). The increase was mainly due to the increase in professional fee associated with the potential acquisition. Net loss attributable to equity holders of the Company for the six months period ended 30 September 2013 amounted to approximately HK$13.5 million (2012: HK$4.1 million).

Liquidity, financial resources and capital structure

As at 30 September 2013, the Group had total assets of approximately HK$241.9 million (31 March 2013: approximately HK$177.9 million), including cash and bank balances of approximately HK$110.2 million (31 March 2013: approximately HK$80.0 million).

For the period ended 30 September 2013, the Group financed its operations mainly with its own working capital and there were no general banking facilities. There was no charge on the Group's assets as at 30 September 2013 (31 March 2013: Nil).

As at 30 September 2013, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (31 March 2013: Nil). The Group had no bank borrowings as at 30 September 2013 (31 March 2013: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in HKD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 September 2013, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Material acquisitions and disposal of subsidiaries

During the six months ended 30 September 2013, save for the Acquisition, the Group did not have any material acquisition and disposal of subsidiaries. The total Consideration for the Acquisition is HK$200 million comprising the Initial Consideration of HK$148 million and the maximum amount of the Earn-out Consideration of HK$52 million, in which (i) HK$35.5 million in cash had been paid and the remaining balance of the cash consideration of HK$29.5 million will be paid at Completion, both are funded by internal resources of the Company including the net proceeds from the top-up placing and top-up subscription of new Shares and the placing of new Shares of the Company completed in the year 2013 respectively; and (ii) the remaining amount of HK$83 million of the Initial Consideration and the HK$52 million Earn-out Consideration shall be paid by the issue of the Convertible Bonds and the Earn-out Convertible Bonds respectively.

Future plans for material investments and expected source of funding

Save for the Acquisition disclosed in the circular, the Group did not have any plan for material investment or acquisition of material capital assets as at 30 September 2013. However, the Group was constantly looking for opportunities for investments or capital assets to enhance Shareholders' value.

Contingent liabilities

The Group had no contingent liability as at 30 September 2013 (31 March 2013: Nil).

Employees and remuneration policies

As at 30 September 2013, the Group had 65 (31 March 2013: 86) employees including Directors. Total staff costs (excluding directors' emoluments) amounted to approximately HK$3,500,000 for the six months ended 30 September 2013, as compared to approximately HK$4,800,000 in the previous corresponding period. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

For the year ended 31 March 2013

BUSINESS AND OPERATION REVIEW

Electromagnetic pulse protection business

In May 2012, the Group has completed the acquisition of the electromagnetic pulse protection (the "**EPP**") business. Revenue and profit after tax of the EPP business attributable to the Group was approximately HK$16 million and HK$7 million respectively. The EPP business has shown significant improvement in the gross profit margin due to the Group's effort in cost control and experience in tendering.

During the year ended 31 March 2013, contractual works have been completed for China Unicom in provinces such as Hubei (湖北), Anhui (安徽), Jilin (吉林), Sichuan (四川), Shanxi (山西), Tianjin (天津), Henan (河南), and stated-owned electricity enterprise in Liaoning (遼寧). The Group will continue to react vigorously in tenders for the coming year as management is confident and optimistic in the prospect of the EPP business and of its future contribution to the Group.

With the established connections of the Group in China Unicom and the emphasis of China Unicom on the EPP business (total budget of over RMB500 million in 2013), the Group is well positioned to capture further growth in such EPP business in 2013.

Energy management business

The Group recorded a profit after tax in its energy management business of approximately HK$2.3 million during the year ended 31 March 2013 as compared to a loss of approximately HK$425,000 in the previous year. During the year ended 31 March 2013, contractual works have been completed for China Telecom in provinces such as Henan (河南), Jiangsu (江蘇), Anhui (安徽), Guizhou (貴州), Shanxi (山西), and China Mobile in Sichuan (四川).

Telecommunication optic fiber business

The Group's telecommunication optic fiber (the "**TOF**") business is conducted through China Optic Communication Technology Limited and its subsidiaries. After the completion of disposal of 2.43% equity interest in China Optic Communication Technology Limited in December 2012, it changed from a subsidiary of the Group to an associated company of the Group. The TOF business has recorded a turnover and profit after tax of approximately HK$32 million and HK$19 million for the financial year ended 31 December 2012 compared with approximately HK$30 million and HK$13 million for financial year ended 31 December 2011.

During the year ended 31 March 2013, the Group has continued to develop business relationships with China Mobile and other private sectors of the telecommunication industry through direct contractual agreements.

FINANCIAL REVIEW

Results

The Group recorded an increase in turnover from continuing operations of approximately 446% to approximately HK$34.5 million for the year ended 31 March 2013 as compared to approximately HK$6.3 million in the previous year. The increase in turnover was due to the full year contribution from the energy management business and the new electromagnetic pulse protection business acquired in May 2012.

The Group also recorded an increase in gross profit from continuing operations of approximately 381% to approximately HK$26.2 million for the year ended 31 March 2013 as compared to approximately HK$5.4 million for the year ended 31 March 2012. The increase in gross profit was mainly due to the increase in turnover of the energy management business and the contribution from the electromagnetic pulse protection business.

Net loss attributable to equity holders of the Company during the year ended 31 March 2013 amounted to approximately HK$77.7 million (2012: HK$68.2 million). Loss during the year ended 31 March 2013 was mainly due to the impairment loss of goodwill and loss on deemed disposal of subsidiary amounted to approximately HK$62.2 million and approximately HK$11.4 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2013, the Group had total assets of approximately HK$177.9 million (2012: HK$152.1 million), including net cash and bank balances of approximately HK$80.0 million (2012: HK$55.0 million).

For the year ended 31 March 2013, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2012: Nil). There was no charge on the Group's assets as at 31 March 2013 (2012: Nil).

As at 31 March 2013, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2012: Nil). The Group had no bank borrowings as at 31 March 2013 (2012: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in HKD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2013, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

As at 31 March 2013, the Group did not have any charge on its assets (2012: Nil).

Significant investments

The Group did not have any significant investment for the year ended 31 March 2013 (2012: Nil)

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year ended 31 March 2013, the Group has acquired 55% equity interest in Boomtech Limited ("**Boomtech**") and its subsidiaries. Boomtech and its subsidiaries are principally engaged in the provision of integrated solutions for lightning electromagnetic pulse protection, grounding technology, electromagnetic security and high-energy electromagnetic pulse protection and its related engineering design, construction and technical services, including the telecommunication operators and electricity providers, in the PRC.

Details of the acquisition are disclosed in the Company's circular dated 4 May 2012.

Besides, during the year ended 31 March 2013, the Group has disposed 2.43% equity interests in China Optic Communication Technology Limited ("**China Optic BVI**") and its subsidiaries. China Optic BVI and its subsidiaries are principally engaged in the provision of technologies, services and products related to optimal optical fiber, telecommunications and electric power in the PRC.

Details of the disposal are disclosed in the Company's circular dated 19 November 2012.

Future plans for material investments and expected source of funding

Saved as the Acquisition disclosed in this circular, the Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2013. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2013.

Employees and remuneration policies

As at 31 March 2013, the Group had 86 (2012: 125) employees including Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$9.2 million for the year ended 31 March 2013 (2012: HK$8.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

For the year ended 31 March 2012

BUSINESS AND OPERATION REVIEW

During the year ended 31 March 2012, the Group has completed the rationalization of its business model. The Group recorded a loss of approximately HK$71.6 million, which are mainly due to one-off impairment provision, written off of trade and other receivable and stock in relation to the unpromising payment by deduction business of approximately HK$57.2 million and one-off loss on disposal of investment of approximately HK$15.8 million. Whilst the optic fiber business continued to grow and recorded a profit of approximately HK$12.0 million during the year ended 31 March 2012, the foundation of the telecommunication enhancement business in the PRC has laid down through acquisitions of related businesses during the year the year ended 31 March 2012.

The optic fiber business recorded a full year turnover of approximately HK$22.2 million during the year ended 31 March 2012 as compared to HK$6.3 million in the previous financial year. The Group has achieved breakthrough on the business relationships with China Unicom and China Telecom through which direct contractual agreements will be entered into for the provision of fiber and maintenance services in the PRC.

The Group acquired the resources/energy conservation business during the year ended 31 March 2012, which is a forerunner in the industry. It was awarded "2010 China Association of Communications Enterprises Energy Management Innovation Award" "2010年中國通信行業協會節能管理創新一等獎". During the year ended 31 March 2012, the Group has secured contract of over HK$4.8 million of the related business in eight provinces. The Group is currently in negotiation of contracts of over HK$12.0 million of the related business in five provinces in the PRC.

In recent years, the PRC Government has put high emphasis to create a nation-wide green energy/environment. It plans to inject close to RMB100 Billion in the area of resources/energy conservations in the PRC during 2012 with tax benefits granted to participants. Telecommunication operators are among one of the largest consumers of resources/energy in the PRC. Leveraging on the existing connections and infrastructure of the Group, the Group has commenced to engage in the provision of resources/energy conservation products to telecommunication operators in the PRC. The Group is in advanced negotiation stage for provision of such products to China Unicom in several provinces in the PRC.

In January 2012, the Group entered into a contractual agreement for the purchase of the electronic pulse management business, which holds Class C qualification in lightening protection design and construction (防雷工程專業設計丙級資質及防雷工程專業施工丙級資質). Such acquisition was subsequently completed in May 2012. The business contracts that the Group has entered into has developed and expanded from five provinces/municipal cities in 2010 to over nine provinces/municipalities with China Unicom in Hubei (湖北), Tianjin (天津), Anhui (安徽), Shanxi (山西), Jilin (吉林) Guangdong (廣東) and national enterprises as at 31 March 2012.

The Group raised over HK$30 million by way of open offer in September 2011 which has strengthened the financial position of the Company and facilitated its future investments.

FINANCIAL REVIEW

Results

The Group recorded an increase of approximately 19.7% in its turnover for the year ended 31 March 2012 to approximately HK$28.5 million as compared to approximately HK$23.8 million in the previous year. The increase in turnover was due to the full year contribution from the telecommunication optic fiber business.

The Group recorded an increase in gross profit of approximately 22.4% to approximately HK$20.8 million for the year ended 31 March 2012 as compared to approximately HK$17.0 million for the year ended 31 March 2011 mainly due to the increase in turnover of the telecommunication optic fiber business.

Net loss attributable to equity holders of the Company for the year ended 31 March 2012 amounted to approximately HK$68.2 million (2011 net loss of approximately: HK$328.6 million). Loss during the year ended 31 March 2012 was mainly due to the impairment loss of intangible asset and allowance for bad and doubtful debts amounted approximately HK$30.7 million and approximately HK$20.8 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2012, the Group had total assets of approximately HK$152.1 million (2011: HK$167.5 million), including net cash and bank balances of approximately HK$55.0 million (2011: HK$59.6 million).

For the year ended 31 March 2012, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2011: Nil). There was no charge on the Group's assets as at 31 March 2012 (2011: Nil).

As at 31 March 2012, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2011: Nil). The Group had no bank borrowings as at 31 March 2012 (2011: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in HKD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2012, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

As at 31 March 2012, the Group did not have any charge on its assets (2011: Nil).

Significant investments

Other than equity investments in a company, the Group did not have any significant investment during the year ended 31 March 2012 (2011: Nil).

Please also refer to note 15 to the consolidated financial statements in the 2011-2012 annual report of the Company for details of investment.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year ended 31 March 2012, the Group has acquired 51% equity interest in Viva Champion Limited and its subsidiaries. Viva Champion Limited and its subsidiaries are principally engaged in the provision of energy and other resources management and conservation system and integrated solutions to optimize usage for enterprises, including the telecommunication operators, in the PRC which is the forerunner in such industry.

Details of the acquisition are disclosed in the Company's announcements dated 4 October 2011.

Besides, during the year ended 31 March 2012, the Group has disposed 55% equity interests in Great Plan Group Limited and its subsidiaries. Great Plan Group Limited and its subsidiaries are principally engaged in the provision of contactless payment system in the PRC.

Details of the disposal are disclosed in the Company's announcement dated 2 March 2012.

Future plans for material investments and expected source of funding

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2012. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2012.

Employees and remuneration policies

As at 31 March 2012, the Group had 125 (2011: 79) employees including Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$8.1 million for the year ended 31 March 2012 (2011: HK$4.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

For the year ended 31 March 2011

BUSINESS AND OPERATION REVIEW

Payment by deduction business

During the year ended 31 March 2011, the payment by deduction business of the Group was adversely affected by the prevailing rules and regulations in the PRC. While the Sony FeliCa related businesses have commenced during the year ended 31 March 2011, the Board does not foresee any improvements on the payment by deduction business as a whole in the coming future. The Group has, once and for all, made significant impairment provision on the payment by deduction business.

With the China telecommunication operators' ongoing multi-billion dollar investment in upgrading the telecommunication network and infrastructure; the Group will capitalise on our existing resources and know-how in the telecommunication industry and will refocus its business to telecommunication related enhancement, maintenance, security and value-added peripheral business in the PRC.

Acquisition of telecommunication optic fiber business

The Group completed the acquisition of China Optic Communication Technology Limited ("**China Optic**") in February 2011 which is principally engaged in the provision of telecommunication optic fiber business to the telecommunication operators in the PRC.

China Optic's business partner has entered into agreements with China Unicom and China Telecom for the provision of optic fiber and maintenance services in Guangdong (廣東省), Anhui (安徽省), Shandong (山東省), Jiangsu (江蘇省) and Henan (河南省). The established relationship of the Group in the telecommunication related industries is well positioned to facilitate China Optic to penetrate into other provinces in the PRC. The Group believes the acquisition has laid down the foundations and networks for the development of such new business activities. It provides a base for the Group to penetrate into the telecommunication related enhancement, maintenance, security and value-added peripheral business.

FINANCIAL REVIEW

Results

The Group recorded a decrease of approximately 45.2% in its turnover for the year ended 31 March 2011 to approximately HK$23.8 million as compared to approximately HK$43.4 million in the previous year. The decrease in turnover was due to the adverse change in the payment industry in the PRC.

The Group recorded a decrease in gross profit of approximately 56.9% to HK$17.0 million for the year ended 31 March 2011 as compared to approximately HK$39.4 million in the previous year mainly due to the decrease in turnover of the payment gateway services.

Net loss attributable to equity holders of the Company for the year ended 31 March 2011 amounted to approximately HK$328.6 million (2010 net profit of approximately: HK$13.8 million). Loss during the year ended 31 March 2011 was mainly due to the impairment loss of goodwill and allowance for bad and doubtful debts amounted to HK$251.6 million and HK$48.3 million respectively.

Liquidity, financial resources and capital structure

As at 31 March 2011, the Group had total assets of approximately HK$167.5 million (2010: HK$392.7 million), including net cash and bank balances of approximately HK$59.6 million (2010: HK$19.1 million).

For the year ended 31 March 2011, the Group financed its operations mainly with its own working capital and there was no general banking facilities (2010: Nil). There was no charge on the Group's assets as at 31 March 2011 (2010: Nil).

As at 31 March 2011, the gearing ratio (defined as the ratio between total bank borrowings and total assets) was zero (2010: Nil). The Group had no bank borrowings as at 31 March 2011 (2010: Nil).

Exposure to fluctuations in exchange rates and related hedges

Most of the transactions of the Group are denominated in HKD and RMB. The Group adopts a conservative treasury policy with most of the bank deposits being kept in HKD, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 31 March 2011, the Group had no foreign exchange contracts, interests or currency swaps or other financial derivatives for hedging purposes.

Charge on Group assets

As at 31 March 2011, the Group did not have any charge on its assets (2010: Nil).

Significant investments

Other than the acquisition of 100% enquiry interest in challenger for a total consideration of HK$30 million in cash, the Group did not have any significant investment during the year ended 31 March 2011.

Material acquisitions or disposals of subsidiaries and affiliated companies

During the year ended 31 March 2011, the Group has acquired 50.1% equity interests in China Optic Communication Technology Limited and its subsidiaries. China Optic Communication Technology Limited and its subsidiaries are principally engaged in manufacturing and trading of products related to optimal optical fibers, telecommunications, electric power network systems and equipment in the PRC.

Details of the acquisition are disclosed in the Company's announcements dated 25 January 2011 and 27 January 2011.

Future plans for material investments and expected source of funding

The Group did not have any plan for material investment or acquisition of material capital assets as at 31 March 2011. However, the Group is constantly looking for opportunities for investments or capital assets to enhance shareholders' value.

Contingent liabilities

The Group had no contingent liabilities as at 31 March 2011.

Employees and remuneration policies

As at 31 March 2011, the Group had 79 (2010: 51) employees including Directors. Total staff costs (excluding Directors' emoluments) amounted to approximately HK$4.9 million for the year ended 31 March 2011 (2010: HK$5.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

III. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the profit warning announcements of the Company dated 22 July 2013, 28 October 2013 and 24 January 2014 respectively, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up.

A. THE FOLLOWING IS THE TEXT OF A REPORT, PREPARED FOR THE SOLE PURPOSE OF INCLUSION IN THIS CIRCULAR, RECEIVED FROM THE INDEPENDENT REPORTING ACCOUNTANTS, BDO LIMITED, CERTIFIED PUBLIC ACCOUNTANTS, HONG KONG.

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

20 March 2014

The Board of Directors
Rising Power Group Holdings Limited
(formerly known as "China Neng Xiao Technology (Group) Limited")

Dear Sirs

We set out below our report on the financial information of Hong Kong Automobile Restoration Group Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") which comprises the Target Group's consolidated statements of financial position as at 31 March 2011, 2012 and 2013 and 31 December 2013 and the Target Company's statements of financial position as at 31 March 2012 and 2013 and 31 December 2013, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 March 2011, 2012 and 2013, and the nine months ended 31 December 2013 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (the "**Financial Information**") together with the comparative financial information of the Target Group including the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the nine months ended 31 December 2012 (the "**31 December 2012 Financial Information**"), prepared on the basis set out in Note 2 of Section C below, for inclusion in the circular of Rising Power Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Rising Power Group**") dated 20 March 2014 (the "**Circular**") in connection with the Rising Power Group's proposed acquisition of 75% equity interest in the Target Company (the "**Acquisition**") pursuant to the acquisition agreement dated 8 September 2013 and supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014.

The Target Company was incorporated in the British Virgin Islands (the "**BVI**") as a limited liability company on 9 January 2012. Pursuant to a corporate reorganisation (the "**Reorganisation**") as further explained in Note 1 of Section C below, which was completed on 29 February 2012, the Target Company became the holding company of the companies now comprising the Target Group. Details of the Target Company's interests in its subsidiaries are set out in Note 1 of Section C below.

During the Relevant Periods, the Target Company is engaged in investment holding and the Target Group is principally engaged in motor vehicles restoration services including cars detailing, repairing and maintenance services in Hong Kong and Taiwan.

The Target Company and its subsidiaries have adopted 31 March as their financial year end date, except for two subsidiaries, Challenger (Taiwan) Limited and Taiwan Challenger Automotive Maintenance Ltd., which have adopted 31 December as their financial year end date. As at the date of this report, no audited financial statements have been prepared for the Target Company and its subsidiaries incorporated in the BVI since their respective dates of incorporation as there is no statutory requirement for them to prepare audited financial statements under the relevant rules and regulations in their jurisdiction of incorporation. The statutory financial statements or management accounts of the Target Company's subsidiaries incorporated or established in Hong Kong and Taiwan respectively were prepared in accordance with the relevant accounting principles applicable to these companies in their respective jurisdictions and audited by respective certified public accountants, where appropriate, as detailed in Note 1 of Section C below.

For the purpose of this report, the directors of the Target Company have prepared the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Target Group for each of the Relevant Periods; and the consolidated statements of financial position of the Target Group as at 31 March 2011, 2012 and 2013 and 31 December 2013, and the statements of financial position of the Target Company as at 31 March 2012 and 2013 and 31 December 2013, together with the notes thereto (collectively the "**Underlying Financial Statements**"), in accordance with the basis of preparation set out in Note 2 of Section C below and significant accounting policies set out in Note 4 of Section C below which conform with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements with no adjustment made thereon and in accordance with the basis of preparation set out in Note 2 of Section C below.

The directors of the Target Company are responsible for the contents of the Circular including the preparation and the true and fair presentation of the Financial Information in accordance with the basis of preparation set out in Note 2 of Section C below and the significant accounting policies set out in Note 4 of Section C below, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information and carried out appropriate procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

For the purpose of this report, we have also reviewed the 31 December 2012 Financial Information, which has been prepared in accordance with the basis of preparation set out in Note 2 of Section C below and the accounting policies set out in note 4 of Section C below, in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review of Historical Financial Statements" issued by the HKICPA. The directors are responsible for the preparation and presentation of the 31 December 2012 Financial Information in accordance with basis of preparation set out in Note 2 of Section C below and the accounting policies set out in the Note 4 of Section C below, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. Our responsibility is to express a conclusion on the 31 December 2012 Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the 31 December 2012 Financial Information. 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 31 December 2012 Financial Information.

Opinion in respect of the Financial Information

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in Note 2 of Section C below and in accordance with the significant accounting policies set out in Note 4 of Section C below, gives a true and fair view of the state of affairs of the Target Group as at 31 March 2011, 2012 and 2013 and 31 December 2013 and of the Target Company as at 31 March 2012 and 2013 and 31 December 2013, and of the consolidated results and cash flows of the Target Group for each of the Relevant Periods.

Emphasis of Matter

Without qualifying our opinion in respect of the Financial Information, we draw attention to Note 2 of Section C below, which indicates that the Target Group recorded net current liabilities of approximately HK$105,270,000, HK$100,104,000, HK$85,168,000 and HK$81,952,000 as at 31 March 2011, 2012 and 2013 and 31 December 2013 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern.

Review conclusion in respect of the 31 December 2012 Financial Information

Based on our review, nothing has come to our attention that causes us to believe that the 31 December 2012 Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

B. FINANCIAL INFORMATION

1. Consolidated Statements of Comprehensive Income

	Notes	Year ended 31 March			Nine months ended 31 December	
		2011	2012	2013	2012	2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Turnover	*6*	48,101	102,270	121,443	86,207	98,314
Cost of services provided		(36,701)	(70,501)	(85,335)	(61,928)	(66,628)
Gross profit		11,400	31,769	36,108	24,279	31,686
Other income	*7*	176	12	157	156	219
Administrative expenses and selling and distribution costs		(9,260)	(17,453)	(16,763)	(13,148)	(18,071)
Finance costs	*8*	(398)	(1,244)	(1,110)	(891)	(1,032)
Profit before income tax expense	*9*	1,918	13,084	18,392	10,396	12,802
Income tax expense	*12*	(214)	(2,495)	(3,527)	(2,055)	(2,871)
Profit for the year/period		1,704	10,589	14,865	8,341	9,931
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss						
Exchange differences on translating foreign operations		–	28	15	(44)	8
Total comprehensive income for the year/period		1,704	10,617	14,880	8,297	9,939
Profit attributable to:						
– Owners of the Target Company	*13*	1,704	10,595	14,959	8,383	10,819
– Non-controlling interests		–	(6)	(94)	(42)	(888)
		1,704	10,589	14,865	8,341	9,931
Total comprehensive income attributable to:						
– Owners of the Target Company		1,704	10,623	14,977	8,335	10,822
– Non-controlling interests		–	(6)	(97)	(38)	(883)
		1,704	10,617	14,880	8,297	9,939
Earnings per share	*14*					
– Basic and diluted		0.24	1.49	1.50	0.84	1.08

2. Consolidated Statements of Financial Position

	Notes	As at 31 March 2011 HK$'000	As at 31 March 2012 HK$'000	As at 31 March 2013 HK$'000	As at 31 December 2013 HK$'000
Non-current assets					
Property, plant and equipment	*16*	2,452	1,985	3,184	4,324
Intangible assets	*17*	55,500	55,500	55,500	55,500
Goodwill	*18*	64,854	64,854	64,854	64,854
Deferred tax assets	*29*	334	305	303	325
Total non-current assets		123,140	122,644	123,841	125,003
Current assets					
Inventories	*21*	260	148	122	136
Trade receivables	*22*	1,652	2,249	2,761	2,693
Deposits, prepayments and other receivables		4,828	5,719	7,797	13,427
Amounts due from shareholders	*23*	16	–	–	502
Amount due from immediate holding company	*23*	–	16	–	–
Amounts due from directors	*24(a)*	2,900	8,330	13,837	11,526
Amounts due from related companies	*32(b)*	1,428	3,600	3,801	4,229
Pledged bank deposit	*25*	1,505	–	–	–
Cash and cash equivalents		6,239	3,968	7,742	8,285
Total current assets		18,828	24,030	36,060	40,798
Current liabilities					
Trade payables	*26*	–	1,800	2,321	2,181
Accruals and other payables		5,510	5,551	7,365	8,647
Amounts due to directors and shareholders	*24(b)*	6,083	3,277	6,186	7,186
Amount due to a related company	*32(c)*	715	–	–	–
Acquisition consideration payable	*27*	7,343	6,115	–	–
Obligation under finance lease	*28*	–	–	–	200
Deferred income	*37*	103,740	104,768	99,665	97,570
Tax payable		707	2,623	5,691	6,966
Total current liabilities		124,098	124,134	121,228	122,750
Net current liabilities		(105,270)	(100,104)	(85,168)	(81,952)
Total assets less current liabilities		17,870	22,540	38,673	43,051

	Notes	As at 31 March 2011	As at 31 March 2012	As at 31 March 2013	As at 31 December 2013
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Acquisition consideration payable	*27*	6,115	–	–	–
Obligation under finance lease	*28*	–	–	–	429
Deferred tax liabilities	*29*	9,158	9,158	9,158	9,158
Total non-current liabilities		15,273	9,158	9,158	9,587
Net assets		2,597	13,382	29,515	33,464
Equity					
Share capital	*30(a)*	55	78	78	78
Reserves	*30(b)*	2,542	13,180	29,568	34,400
Equity attributable to owners of the Target Company		2,597	13,258	29,646	34,478
Non-controlling interests		–	124	(131)	(1,014)
Total equity		2,597	13,382	29,515	33,464

3. Statements of Financial Position of the Target Company

		As at 31 March		As at 31 December
	Notes	**2012**	**2013**	**2013**
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Investments in subsidiaries	*19*	26	26	26
Current assets				
Prepayments and other receivables		45	45	45
Amount due from a director	*24(a)*	3,300	2,300	–
Cash and cash equivalents		–	1,299	449
Total current assets		3,345	3,644	494
Current liabilities				
Amounts due to subsidiaries	*19*	16	51	51
Amounts due to directors and shareholders	*24(b)*	3,277	3,577	577
Total current liabilities and total liabilities		3,293	3,628	628
Net current assets/(liabilities)		52	16	(134)
Net assets/(liabilities)		78	42	(108)
Equity				
Share capital	*30(a)*	78	78	78
Reserves	*30(b)*	–	(36)	(186)
Total equity/(deficiency in shareholders' fund)		78	42	(108)

4. Consolidated Statements of Changes in Equity

	Share capital HK$'000 (Note (i) and 30(a))	Merger reserve HK$'000 (Note (i))	Share premium HK$'000 (Note (ii))	Foreign exchange reserve HK$'000	Retained profits HK$'000	Equity attributable to owners of the Target Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	55	(45)	–	–	867	877	–	877
Profit and total comprehensive income for the year	–	–	–	–	1,704	1,704	–	1,704
Capital contribution from shareholders	–	16	–	–	–	16	–	16
At 31 March 2011 and 1 April 2011	55	(29)	–	–	2,571	2,597	–	2,597
Profit for the year	–	–	–	–	10,595	10,595	(6)	10,589
Other comprehensive income for the year	–	–	–	28	–	28	–	28
Total comprehensive income for the year	–	–	–	28	10,595	10,623	(6)	10,617
Capital contribution from non-controlling owners of a subsidiary	–	–	–	–	–	–	130	130
Issuance of ordinary shares	23	–	–	–	–	23	–	23
Deemed capital contribution from shareholders	–	–	15	–	–	15	–	15
At 31 March 2012 and 1 April 2012	78	(29)	15	28	13,166	13,258	124	13,382
Profit for the year	–	–	–	–	14,959	14,959	(94)	14,865
Other comprehensive income for the year	–	–	–	18	–	18	(3)	15
Total comprehensive income for the year	–	–	–	18	14,959	14,977	(97)	14,880
Capital contribution from non-controlling owners of a subsidiary	–	–	–	–	–	–	65	65
Changes in the Target Company's interests in subsidiaries	–	–	–	–	614	614	(223)	391
Deemed capital contribution from shareholders	–	–	797	–	–	797	–	797
At 31 March 2013 and 1 April 2013	78	(29)	812	46	28,739	29,646	(131)	29,515

	Share capital HK$'000 (Note (i) and 30(a))	Merger reserve HK$'000 (Note (i))	Share premium HK$'000 (Note (ii))	Foreign exchange reserve HK$'000	Retained profits HK$'000	Equity attributable to owners of the Target Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Profit for the period	–	–	–	–	10,819	10,819	(888)	9,931
Other comprehensive income for the period	–	–	–	3	–	3	5	8
Total comprehensive income for the period	–	–	–	3	10,819	10,822	(883)	9,939
Interim dividends declared and paid *(Note 15)*	–	–	–	–	(7,000)	(7,000)	–	(7,000)
Deemed capital contribution from shareholders	–	–	1,010	–	–	1,010	–	1,010
At 31 December 2013	78	(29)	1,822	49	32,558	34,478	(1,014)	33,464
At 1 April 2012	78	(29)	15	28	13,166	13,258	124	13,382
Profit for the period (unaudited)	–	–	–	–	8,383	8,383	(42)	8,341
Other comprehensive income for the period (unaudited)	–	–	–	(48)	–	(48)	4	(44)
Total comprehensive income for the period (unaudited)	–	–	–	(48)	8,383	8,335	(38)	8,297
Capital contribution from non-controlling owners of a subsidiary	–	–	–	–	–	–	65	65
Change in the Target Company's interest in a subsidiary	–	–	–	–	(3)	(3)	3	–
Deemed capital contribution from shareholders	–	–	578	–	–	578	–	578
At 31 December 2012 (unaudited)	78	(29)	593	(20)	21,546	22,168	154	22,322

Notes:

(i) The Financial Information of the Target Group is a continuation of the combined results and financial position of Cars Restoration (as defined below), Green Ocean (as defined below) and its subsidiaries, and Cars Auto Repairing (as defined below) and its subsidiary, and is prepared as if the current group structure as a result of the Reorganisation as mentioned in Note 1 of Section C below had been in existence throughout the Relevant Periods or since the incorporation of respective group companies. Accordingly the share capital presented in the report is the share capital of the Target Company. The difference between the nominal value of the shares issued by the Target Company and the carrying value of the combined issued capital of Cars Restoration, Green Ocean and Cars Auto Repairing is recognised as merger reserve.

(ii) As further detailed in Note 1 of Section C below, in March 2012, the Target Company has allotted shares to certain shareholders at par. In the opinion of the directors of the Target Company, such allotted issues represented part of overall return to the advances from the related shareholders and their beneficial owners to the Target Group. The deemed imputed interests from the related advances were charged to the profit or loss of the Target Group during the Relevant Periods using the imputed interest rates ranging from 13.42% to 15.27% and accounted for as deemed capital contributions from the related shareholders.

5. Consolidated Statements of Cash Flows

	Year ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cash flows from operating activities					
Profit before income tax expense	1,918	13,084	18,392	10,396	12,802
Adjustments for:					
Interest income	(1)	(1)	(2)	(1)	(7)
Finance costs	398	1,244	1,110	891	1,032
Depreciation of property, plant and equipment	719	974	1,280	840	1,488
Gain on disposal of property, plant and equipment	–	–	–	–	(157)
Operating profit before working capital changes	3,034	15,301	20,780	12,126	15,158
Decrease/(increase) in inventories	223	112	26	11	(14)
(Increase)/decrease in trade receivables	(502)	(597)	(512)	(398)	68
Increase in deposits, prepayments and other receivables	(502)	(891)	(2,078)	(1,198)	(5,630)
(Decrease)/increase in trade payables	(686)	1,800	521	835	(140)
Increase in accruals and other payables	1,961	41	1,814	5,329	1,282
Increase/(decrease) in deferred income	13,551	1,028	(5,103)	(1,713)	(2,095)
Effect of foreign exchange rates changes	–	(1)	11	(12)	16
Cash generated from operations	17,079	16,793	15,459	14,980	8,645
Hong Kong profits tax paid	(325)	(550)	(457)	(457)	(1,618)
Net cash generated from operating activities	16,754	16,243	15,002	14,523	7,027
Cash flows from investing activities					
Purchases of property, plant and equipment	(991)	(507)	(2,506)	(1,271)	(1,919)
Proceeds from sale of property, plant and equipment	–	–	–	–	260
(Increase)/decrease in amounts due from shareholders	(16)	16	–	–	(502)
(Increase)/decrease in amount due from immediate holding company	–	(16)	16	–	–
(Increase)/decrease in amounts due from directors	(2,900)	(5,430)	(5,716)	(3,280)	11
(Increase)/decrease in amounts due from related companies	(1,428)	(2,172)	8	(344)	(428)
Acquisition of a subsidiary and payment for acquisition consideration payable	(9,320)	(8,572)	(6,428)	(6,428)	–
Decrease in pledged bank deposit	–	1,505	–	–	–
Interest received	1	1	2	1	7
Net cash used in investing activities	(14,654)	(15,175)	(14,624)	(11,322)	(2,571)

	Year ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Cash flows from financing activities					
Increase/(decrease) in amounts due to directors and shareholders	2,792	(2,806)	2,909	3,300	3,300
Increase/(decrease) in amount due to a related company	352	(715)	–	–	–
Repayment of obligation under finance lease	–	–	–	–	(171)
Capital contribution from shareholders	16	52	–	–	–
Capital contribution from non-controlling owners of a subsidiary	–	130	65	65	–
Disposal of non-controlling interests	–	–	391	–	–
Interest paid	–	–	–	–	(22)
Interim dividends paid	–	–	–	–	(7,000)
Net cash generated from/(used in) financing activities	3,160	(3,339)	3,365	3,365	(3,893)
Net increase/(decrease) in cash and cash equivalents	5,260	(2,271)	3,743	6,566	563
Cash and cash equivalents at beginning of year/period	979	6,239	3,968	3,968	7,742
Effect of exchange rate changes on cash and cash equivalents	–	–	31	(32)	(20)
Cash and cash equivalents at end of year/period	6,239	3,968	7,742	10,502	8,285
Analysis of cash and cash equivalents balances					
Cash and cash equivalents	6,239	3,968	7,742	10,502	8,285

Details of major non-cash transactions are set out in Note 36 of Section C below.

C. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND THE REORGANISATION

The Target Company was incorporated in the BVI as a limited liability company on 9 January 2012. Its registered office and principal place of business are located at Omar Hodge Building, 3rd Floor, P.O. Box 933, Road Town, Tortola, the BVI and 9th Floor, 100 Texaco Road, Tsuen Wan, New Territories, Hong Kong, respectively. The Target Company is an investment holding company. The Target Group, comprising the Target Company and its subsidiaries, is principally engaged in motor vehicles restoration services including cars detailing, repairing and maintenance services in Hong Kong and Taiwan.

Upon the incorporation of the Target Company, 7,000 ordinary shares of US$1 each were issued at par for cash to Lofty East Limited (the "**First Vendor**").

Pursuant to the reorganisation becoming effective on 29 February 2012, the ex-shareholders of Cars Restoration (Hong Kong) Limited ("**Cars Restoration**"), Green Ocean Cars Detailing Limited ("**Green Ocean**"), and Cars Auto Repairing Services Limited ("**Cars Auto Repairing**") disposed of their entire equity interests in Cars Restoration, Green Ocean and Cars Auto Repairing to the Target Company, which was wholly owned by the First Vendor, on 29 February 2012 (collectively the "**Reorganisation**") at a consideration at par. The shareholders of the First Vendor are also the ex-shareholders of Cars Restoration, Green Ocean and Cars Auto Repairing.

As at 31 March 2011 and in prior to the Reorganisation, Eversky Holdings Limited ("**Eversky**"), a limited liability company incorporated in the BVI, was considered as the ultimate holding company of Cars Restoration, Green Ocean and Cars Auto Repairing on the basis of the shareholding by Eversky. After the Reorganisation, in the opinion of the directors of the Target Company, the ultimate holding company of the Target Company continued to be Eversky.

On 19 March 2012, the Target Company has allotted 1,500 shares to Mr. Wong Wai Sing (the "**Second Vendor**") and 1,500 shares to Creation Era Limited (the "**Third Vendor**"), at par. As at 31 March 2012, the ultimate holding company of the Target Company was Eversky.

On 4 December 2012, First Vendor transferred 3,000 shares to Second Vendor and 500 shares to Davisons Investment Limited (the "**Fourth Vendor**"). Therefore, in the opinion of the directors of the Target Company, the Target Company has no ultimate holding company as at 31 March 2013 and 31 December 2013.

As at the date of this report, the Target Company has direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability. The particulars of the subsidiaries are set out below:

Name of company	Place and date of incorporation/ establishment	Issued share capital/paid–up registered capital	Attributable effective equity interest held by the Target Company (5) Direct	Indirect	Principal activities
Cars Restoration (1) 卡士汽車護理(香港)有限公司	Hong Kong 19 October 2009	Ordinary share HK$10,000	100%	–	Provision of motor vehicles detailing services
Green Ocean (2)	BVI 28 December 2010	Ordinary share US$1,000	100%	–	Investment holding
Cars Auto Repairing (2)	BVI 28 December 2010	Ordinary share US$1,000	100%	–	Investment holding
Challenger Auto Services Limited ("Challenger") (1) 挑戰者汽車服務有限公司	Hong Kong 5 March 1996	Ordinary share HK$4,090,000	–	100%	Provision of motor vehicles detailing services
Challenger (Taiwan) Limited ("Challenger Taiwan") (3) 台灣挑戰者有限公司	Taiwan 1 November 2011	Registered capital NTD5,000,000	–	70%	Investment holding
Taiwan Challenger Automotive Maintenance Ltd. ("Taiwan Challenger Automotive") (3) 台灣挑戰者汽車保養修護有限公司	Taiwan 20 December 2011	Registered capital NTD15,000,000 (4)	–	67%	Provision of motor vehicles detailing services
Cars Auto Repairing Services (Hong Kong) Limited (1) 卡士汽車維修服務有限公司	Hong Kong 5 January 2011	Ordinary share HK$1	–	100%	Provision of motor vehicles detailing services

Notes:

(1) The statutory audited financial statements of these companies during the Relevant Periods or since the respective date of incorporation/establishment were prepared under HKFRSs for Private Entities and audited by Alfred Sung & Co., certified public accountants registered in Hong Kong. The statutory audited financial statements of these companies for the year ended 31 March 2013 have not been issued up to the date of this report.

(2) No statutory audited financial statements have been prepared for these companies since their respective dates of incorporation as they are not subject to any statutory audit requirements in their jurisdiction of incorporation.

(3) No statutory financial statements have been prepared for these companies for the period from their respective dates of establishment to 31 December 2012.

(4) As at 31 March 2012 and 2013 and 31 December 2013, the paid-up registered capital of Taiwan Challenger Automotive amounted to NTD5,000,000, NTD15,000,000 and NTD15,000,000 respectively.

(5) On 5 December 2012, the Target Company's effective interest in Taiwan Challenger Automotive has been increased from 90% to 95% through additional capital injection.

On 13 March 2013, 30% of the Target Company's equity interest in Challenger Taiwan has been disposed of to directors of the Target Company. As a result, the Target Company's effective interests in Challenger Taiwan and Taiwan Challenger Automotive have been decreased from 100% to 70%; and from 95% to 67%, respectively.

Except for the above, the percentage of issued share capital/paid-up registered capital of the above subsidiaries held directly or indirectly by the Target Company remains unchanged during the Relevant Periods or since the respective date of incorporation/establishment or acquisition of the relevant equity interest by the Target Group.

2. BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation as detailed in Note 1, the Target Company and its subsidiaries are regarded as entities under common control before and after the Reorganisation, and accordingly the consolidated statements of financial position of the Target Group have been prepared using merger accounting principles to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence as at the end of each of the Relevant Periods using the existing book values. The consolidated statements of comprehensive income, the consolidated statements of cash flows and consolidated statements of changes in equity include the results of operations of the companies now comprising the Target Group for each of the Relevant Periods as if the current group structure had been in existence throughout the Relevant Periods, or since the respective date of incorporation, establishment or acquisition of the relevant companies which were incorporated or established or acquired at a date later than 1 April 2010 (the earliest date presented in this Financial Information).

The Financial Information of the Target Group is a continuation of the combined results and financial position of Cars Restoration, Green Ocean and its subsidiaries, and Cars Auto Repairing and its subsidiary. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost for the Reorganisation.

The Financial Information set out in this report has been prepared in accordance with HKFRSs (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Financial Information includes applicable disclosures required by the Listing Rules. The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all these new and revised HKFRSs throughout the Relevant Periods.

The Financial Information has been prepared under the historical cost basis.

The Target Group recorded net current liabilities of approximately HK$105,270,000, HK$100,104,000, HK$85,168,000 and HK$81,952,000 as at 31 March 2011, 2012 and 2013 and 31 December 2013 respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern and therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business. All of those directors of the Target Company with outstanding advances to the Target Group have agreed that they would not demand repayment of their amounts due by the Target Group unless and until the Target Group is able to meet its financial obligation as they fall due. The directors of the Target Company also took into accounts of the deferred income of approximately HK$103,740,000, HK$104,768,000, HK$99,665,000 and HK$97,570,000 as at 31 March 2011, 2012 and 2013 and 31 December 2013 respectively which were included in the current liabilities but no cash outflow was expected therefrom. Accordingly, the Financial Information has been prepared on a going concern basis.

The Financial Information is presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Target Company. All values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

(a) New/revised HKFRS that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash-generating unit ("CGU") to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Target Group has early adopted the amendments to HKAS 36.

(b) New/revised HKFRS that have been issued but not yet effective and not early adopted

The following new/revised HKFRSs, potentially relevant to the Target Group's Financial Information, have been issued, but are not yet effective and have not been early adopted by the Target Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2014

[2] Effective for annual periods beginning on or after 1 July 2014

[3] Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

The Target Group is in the process of making an assessment of the potential impact of these pronouncements. The directors of the Target Company so far concluded that the application of these pronouncements will have no material impact on the Target Group's Financial Information.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year/period are included in the profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All inter-company transactions, balances, income, expenses and unrealised gains on transaction between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Target Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Target Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Target Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Target Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity. Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

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

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in below.

(b) Subsidiaries

Subsidiaries are entities over which the Target Company is able to exercise control. The Target Group controls an entity when the Target Group is exposed to, 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.

In the Target Company's statements of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Target Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interest over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration transferred, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial period, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial period. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	–	Over the remaining terms of the leases but not exceeding 4 years
Furniture, fixtures and office equipment	–	4 years
Plant and machinery	–	4 years
Motor vehicles	–	4 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Leasing

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

The Target Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

(f) Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives (i.e. trademarks) are carried at cost less any impairment losses. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

(g) Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

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

(h) Financial instruments

(i) Financial assets

The Target Group's loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers, and also incorporate other types of contractual monetary asset. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods 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.

(iii) Financial liabilities

Financial liabilities at amortised cost are initially recognised at fair value, net of directly attributable costs incurred, and are subsequently measured at amortised cost, using effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense respectively over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability respectively, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Target Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(j) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax liabilities are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Group intends to settle its current tax assets and liabilities on a net basis.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, the results of foreign operations are translated into the presentation currency of the Target Group (i.e. HK$) at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate or individual financial statements on the translation of non-current monetary items forming part of the Target Group's net investment in the foreign operations concerned are reclassified to other comprehensive income and accumulated in equity as the foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(l) Employee benefits

(i) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or the Target Company's parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target 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 the employees of the Target Group or an entity related to the Target 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 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:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services rendered in the normal course of business, net of discounts and allowance.

(i) Revenue from the provision of services are recognised when the services are rendered. Receipts in advance for which the relevant services have not been rendered are deferred and recognised as deferred income in the statements of financial position.

(ii) Interest income is recognised on a time-apportioned basis by reference to the principal outstanding using the effective interest method.

(p) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued using a first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and cost necessary to make the sale.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATES UNCERTAINTY

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

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

(a) Critical judgements in applying accounting policies

(i) Intangible assets and amortisation

The Target Group determines the estimated useful lives and related amortisation for the Target Group's intangible assets. The useful lives of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. The directors of the Target Company determined that the Target Group's intangible assets (i.e. trademarks) have indefinite useful lives as they are considered renewable at minimal costs, and the Target Group would renew the trademarks continuously and has the ability to do so. Intangible assets with infinite useful lives are carried at cost and tested for impairment annually. The conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. The Target Group may need to amortise intangible assets in future periods or recognise impairment losses on intangible assets if events and circumstances indicate that the useful life is not indefinite.

(ii) Going concern

The Financial Information has been prepared on a going concern basis and the details are set out in Note 2.

(b) Key sources of estimation uncertainty

(i) Impairment of intangible assets and goodwill

Determining whether intangible assets and goodwill are impaired requires an estimation of the recoverable amounts of the assets, or, where appropriate, the CGU to which they belong. The directors of the Target Company estimate the amount obtainable from the sale of the assets or the CGU in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal, with reference to professional valuation reports issued by Roma Appraisals Limited, an independent firm of professionally qualified valuers. Where the estimated fair value less cost of disposal is less than expected, impairment on intangible assets and goodwill may be required.

(ii) Deferred tax assets

Deferred tax assets relating to certain temporary differences are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and current tax charges in the period in which such estimates have been changed.

6. TURNOVER AND SEGMENT INFORMATION

Turnover, which is also revenue, represents the value of services rendered to customers after any allowance and discounts and recognised during the Relevant Periods.

(a) Reportable segments

The Target Group determines its operating segments based on the reports reviewed by the chief operating decision makers that are used to make strategic decisions. The directors of the Target Company considers the Target Group's businesses are primarily provision of motor vehicles restoration services including cars detailing, repairing and maintenance services. Therefore, the directors of the Target Company consider the Target Group has only one reportable operating segment (i.e. motor vehicles restoration services) and no additional disclosure on segment information made in the Financial Information.

(b) Geographical information

The following table provides an analysis of the Target Group's revenue from external customers and non-current assets other than financial instruments and deferred tax assets ("**Specified non-current assets**").

(i) Revenue from external customers (Note)

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong (place of domicile)	48,101	102,270	120,812	86,053	93,395
Taiwan	–	–	631	154	4,919
	48,101	102,270	121,443	86,207	98,314

Note: Revenues are attributed to countries on the basis of the customer's location.

(ii) Specified non-current assets

	As 31 March			As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong (place of domicile)	122,806	122,339	122,535	123,625
Taiwan	–	–	1,003	1,053
	122,806	122,339	123,538	124,678

(c) Information about major customers

For each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013, no individual customers accounted for 10% or more of the total revenue of the Target Group.

7. OTHER INCOME

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	1	1	2	1	7
Service income from a related company	156	–	–	–	–
Gain on disposal of property, plant and equipment	–	–	–	–	157
Sundry income	19	11	155	155	55
	176	12	157	156	219

8. FINANCE COSTS

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Imputed interest on acquisition consideration payable	398	1,229	313	313	–
Interest on obligation under finance lease	–	–	–	–	22
Deemed imputed interest on amounts due to shareholders and directors	–	15	797	578	1,010
	398	1,244	1,110	891	1,032

9. PROFIT BEFORE INCOME TAX EXPENSE

This is arrived at after charging/(crediting):

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Auditor's remuneration	78	295	216	113	220
Staff costs (including directors' remuneration *(Note (11))*) *(Note 10)*	17,426	35,626	46,007	33,297	37,235
Depreciation of property, plant and equipment					
– owned	719	974	1,280	840	1,347
– held under finance lease	–	–	–	–	141

10. STAFF COSTS

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and bonus	16,533	33,991	43,760	31,950	35,248
Contributions to defined contribution retirement plan	687	1,427	1,739	1,178	1,701
Other staff benefits	206	208	508	169	286
	17,426	35,626	46,007	33,297	37,235

11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Directors' fees	–	–	–	–	–
Other emoluments:					
Salaries and other benefits	452	775	1,721	1,189	1,538
Discretionary bonuses	317	337	507	–	–
Contributions to defined contribution retirement plan	24	24	45	33	33
	793	1,136	2,273	1,222	1,571

Details of directors' remuneration are as follows:

	Fees	Salaries and other benefits	Discretionary bonuses	Contributions to defined contribution retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2011					
Lam Man Kuen	–	252	173	12	437
Cheung Kai Ming	–	200	144	12	356
Eversky Holdings Limited	–	–	–	–	–
Global Central Limited	–	–	–	–	–
Wong Wai Sing	–	–	–	–	–
Ng Kwai Wah Sunny	–	–	–	–	–
Total	–	452	317	24	793

	Fees	Salaries and other benefits	Discretionary bonuses	Contributions to defined contribution retirement plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2012					
Lam Man Kuen	–	434	183	12	629
Cheung Kai Ming	–	341	154	12	507
Eversky Holdings Limited	–	–	–	–	–
Global Central Limited	–	–	–	–	–
Wong Wai Sing	–	–	–	–	–
Ng Kwai Wah Sunny	–	–	–	–	–
Total	–	775	337	24	1,136
Year ended 31 March 2013					
Lam Man Kuen	–	545	283	15	843
Cheung Kai Ming	–	396	224	15	635
Eversky Holdings Limited	–	–	–	–	–
Global Central Limited	–	–	–	–	–
Wong Wai Sing	–	–	–	–	–
Ng Kwai Wah Sunny	–	780	–	15	795
Total	–	1,721	507	45	2,273
Nine months ended 31 December 2013					
Lam Man Kuen	–	539	–	11	550
Cheung Kai Ming	–	414	–	11	425
Eversky Holdings Limited	–	–	–	–	–
Global Central Limited	–	–	–	–	–
Wong Wai Sing	–	–	–	–	–
Ng Kwai Wah Sunny	–	585	–	11	596
Total	–	1,538	–	33	1,571
Nine months ended 31 December 2012 (unaudited)					
Lam Man Kuen	–	437	–	11	448
Cheung Kai Ming	–	362	–	11	373
Eversky Holdings Limited	–	–	–	–	–
Global Central Limited	–	–	–	–	–
Wong Wai Sing	–	–	–	–	–
Ng Kwai Wah Sunny	–	390	–	11	401
Total	–	1,189	–	33	1,222

No director waived any emoluments during each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013.

The discretionary bonuses are determined by reference to the financial performance of the Target Group and the performance of the individual director for each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013.

Five highest paid individuals

Of the five individuals with the highest emoluments in the Target Group, two were directors of the Target Company for each of the three years ended 31 March 2011, 2012 and 2013 and for the nine months ended 31 December 2012 and 2013 respectively, whose emoluments are included in the analysis presented above. The emoluments of the remaining three individuals for each of three years ended 31 March 2011, 2012 and 2013 and for the nine months ended 31 December 2012 and 2013 were as follows:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)		
Salaries and bonus	1,351	1,956	3,116	1,765	2,286
Contributions to defined contribution retirement plan	36	36	45	33	33
	1,387	1,992	3,161	1,798	2,319

The number of non-director, highest paid individuals whose emoluments fell within the following bands:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
HK$Nil to HK$1,000,000	3	3	2	3	3
HK$1,500,001 to HK$2,000,000	–	–	1	–	–
	3	3	3	3	3

12. INCOME TAX EXPENSE

(a) The amount of income tax expense in the consolidated statements of comprehensive income represents:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax on Hong Kong profits tax					
– provision for the year/period	214	2,409	3,503	2,031	2,827
– underprovision in respect of prior years	–	57	22	22	66
	214	2,466	3,525	2,053	2,893
Deferred tax *(Note 29)*	–	29	2	2	(22)
Income tax expense	214	2,495	3,527	2,055	2,871

(i) Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for each of the Relevant Periods.

(ii) No provision has been made for Taiwan income tax as the Target Group has no assessable profits arising in Taiwan for the Relevant Periods.

(b) The income tax expense for each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013 can be reconciled to the profit before income tax expense per the consolidated statements of comprehensive income as follows:

	Year ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before income tax expense	1,918	13,084	18,392	10,396	12,802
Tax on profit before income tax expense calculated at respective tax rates applicable to profits in the respective jurisdictions concerned	316	2,159	3,025	1,712	2,096
Tax effect of expenses not deductible for tax purpose	132	214	76	76	209
Tax effect of deductible temporary differences not recognised	–	85	64	31	4
Tax effect of income not taxable for tax purpose	–	(36)	–	–	–
Tax effect of tax losses not recognised	1	28	340	214	575
Utilisation of tax losses and deductible temporary differences previously not recognised	(235)	(12)	–	–	(79)
Underprovision in respect of prior years	–	57	22	22	66
Income tax expense	214	2,495	3,527	2,055	2,871

13. PROFIT ATTRIBUTABLE TO THE OWNERS OF THE TARGET COMPANY

Profit attributable to owners of the Target Company for the years ended 31 March 2012 and 2013 and the nine months ended 31 December 2012 and 2013 includes loss of approximately HK$15,000, HK$833,000, HK$614,000 and HK$1,160,000, respectively, which have been dealt with in the financial statements of the Target Company.

14. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to the owners of the Target Company are based on the following data:

	Year ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Earnings					
Earnings for the purposes of basic earnings per share	1,704	10,595	14,959	8,383	10,819

	Year ended 31 March			Nine months ended 31 December	
	2011	2012	2013	2012	2013
				(Unaudited)	
Number of shares					
Weighted average number of ordinary shares for the purposes of basic earnings per share	7,000	7,107	10,000	10,000	10,000

As the Target Group had no potential dilutive ordinary shares issued during these years/periods, the basic and diluted earnings per share are equal for each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013.

15. DIVIDENDS

The directors of the Target Company do not recommend any dividend in respect of each of the three years ended 31 March 2011, 2012 and 2013.

Interim dividends of aggregate HK$700 per share, totally HK$7,000,000, were declared and paid during the nine months ended 31 December 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At 1 April 2010	1,302	453	–	–	1,755
Additions through business combination *(Note 20)*	79	117	240	34	470
Additions	–	74	–	917	991
At 31 March 2011 and 1 April 2011	1,381	644	240	951	3,216
Additions	110	397	–	–	507
At 31 March 2012 and 1 April 2012	1,491	1,041	240	951	3,723
Additions	1,981	516	9	–	2,506
Exchange realignment	(28)	(1)	–	–	(29)
At 31 March 2013 and 1 April 2013	3,444	1,556	249	951	6,200
Additions	1,347	71	15	1,286	2,719
Disposals	–	–	–	(486)	(486)
Exchange realignment	13	–	–	–	13
At 31 December 2013	4,804	1,627	264	1,751	8,446

	Leasehold improvements	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated depreciation:					
At 1 April 2010	27	18	–	–	45
Provided for the year	336	138	12	233	719
At 31 March 2011 and 1 April 2011	363	156	12	233	764
Provided for the year	371	268	91	244	974
At 31 March 2012 and 1 April 2012	734	424	103	477	1,738
Provided for the year	614	330	92	244	1,280
Exchange realignment	(2)	–	–	–	(2)
At 31 March 2013 and 1 April 2013	1,346	754	195	721	3,016
Provided for the period	861	296	54	277	1,488
Eliminated on disposals	–	–	–	(383)	(383)
Exchange realignment	1	–	–	–	1
At 31 December 2013	2,208	1,050	249	615	4,122
Net book values:					
At 31 December 2013	2,596	577	15	1,136	4,324
At 31 March 2013	2,098	802	54	230	3,184
At 31 March 2012	757	617	137	474	1,985
At 31 March 2011	1,018	488	228	718	2,452

As at 31 December 2013, the carrying amount of the Target Group's motor vehicles includes an amount of HK$909,000 in respect of asset acquired under finance lease (Note 28).

17. INTANGIBLE ASSETS

	Trademarks *HK$'000* *(Note (a))*
Cost and carrying amount:	
At 1 April 2011	19,000
Addition through business combination *(Note 20)*	36,500
At 31 March 2011, 2012 and 2013 and 31 December 2013	55,500

Note:

(a) The Target Group's trademarks, namely "Cars" and "Challenger" with carrying values of approximately HK$19,000,000 and HK$36,500,000 respectively, which also represented the respective acquisition-date fair value, have indefinite useful lives as they are considered renewable at minimal costs and in the opinion of the directors of the Target Company, the intangible assets can provide continuing economic benefits to the Target Group taking into account (i) the long-term expected usage of the trademarks by the Target Group with relevant to the history of the operations and consideration that such trademarks could be managed efficiently by another management team; and (ii) the long product life cycles for the trademarks. The directors of the Target Company are of the opinion that the Target Group would renew the trademarks continuously and has the ability to do so. The Target Group's trademarks are attributable to the same CGUs with which the corresponding goodwill amounts are recognised. Details of the impairment assessment of the CGUs are set out in Note 18.

18. GOODWILL

	As at 31 March			As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost and carrying amount:				
As at beginning of year/period	25,135	64,854	64,854	64,854
Addition through business combination *(Note 20)*	39,719	–	–	–
As at end of year/period	**64,854**	**64,854**	**64,854**	**64,854**

Goodwill acquired in business combinations of HK$25,135,000 and HK$39,719,000 are allocated, at acquisition, to the Cars Restoration CGU and Challenger CGU respectively that are expected to benefit from the business combinations.

The Target Group tests goodwill for impairment at the end of each reporting period, or more frequently if there is indication that goodwill might be impaired.

The carrying amounts of intangible assets with indefinite useful life allocated to the Cars Restoration CGU and Challenger CGU are HK$19,000,000 and HK$36,500,000 respectively as at 31 March 2011, 2012 and 2013 and 31 December 2013.

The recoverable amounts of the CGUs are determined from their respective fair-values-less-costs-of-disposal amounts, with reference to professional valuation reports issued by Roma Appraisals Limited, an independent firm of professionally qualified valuers. The fair-value-less-costs-of-disposal amounts are calculated based on the cash flow projections for 5 years derived from the CGUs' results in the future years based on the forecast and extrapolated at 3.5%. The key assumptions for the calculations are the growth rates and discount rates as follow:

	Year ended 31 March			**Nine months ended 31 December**	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Growth rate within the projection period	10% to 22%	10% to 22%	5% to 38%	10% to 22%	5% to 38%
Discount rate	12% to 15%	12% to 14%	11%	12% to 14%	12%

The directors of the Target Company estimate the discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the respective CGUs. The growth rates are estimated by the directors of the Target Company taking into consideration of the past performance of the CGUs and based on industry growth forecasts. In particular, the revenue of the CGU in relation to Challenger was forecasted by the Target Group with a 38% initial growth for the year 2014 after considering the following factors, inter alia,: (i) the actual performance of the Target Group for the first nine months of the year ending 31 March 2014 (from 1 April 2013 to 31 December 2013) together with the monthly budgets for the three months ending 31 March 2014 (from 1 January 2013 to 31 March 2014); and (ii) future business plan of the Target Group.

The recoverable amounts of the goodwill relating to the above CGUs determined by fair value less costs of disposal calculations suggested that there be no impairment in the values of goodwill during each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013.

The directors of the Target Company believe that any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs (including the attributable goodwill) to exceed the respective recoverable amounts of the respective CGUs.

19. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE TO SUBSIDIARIES

	As at 31 March		**As at 31 December**
	2012	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	26	26	26

The amounts due are unsecured, interest-free and repayable on demand.

As at 31 March 2012 and 2013 and 31 December 2013, the directors of the Target Company assessed that the recoverable amount of the investments in subsidiaries is not less than the carrying amount reflected in the Target Company's statement of financial position, and accordingly no provision for impairment is required.

20. ACQUISITION OF A SUBSIDIARY AND DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY

On 31 December 2010, the Target Group acquired 100% equity interest in Challenger for a total consideration of HK$30,000,000 in cash, of which an aggregate amount of HK$15,000,000 was paid during the year ended 31 March 2011. The remaining considerations were repayable by instalments during the years ended 31 March 2012 and 2013 respectively. Taking into account the discounting effect of 12.8% per annum, the aggregate fair value of consideration and the initially recognised amount of the acquisition consideration payable amounted to approximately HK$28,060,000 and HK$13,060,000 respectively. Challenger is engaged in the provision of motor vehicles detailing, repair and maintenance services and the acquisition was made with an aim to enhance the market share of the Target Group in the industry.

Details of the fair value of identifiable assets and liabilities and contingent liabilities, acquisition consideration and goodwill at the date of acquisition are as follows:

	Notes	*HK$'000*
Fair value of net assets acquired:		
Property, plant and equipment	*16*	470
Intangible assets	*17*	36,500
Deferred tax assets	*29*	334
Inventories		294
Trade receivables *(Note (ii))*		925
Deposits, prepayments and other receivables		2,945
Pledged bank deposit		1,505
Cash and cash equivalents		5,680
Trade payables		(686)
Accruals and other payables		(3,078)
Deferred income		(49,707)
Tax payable		(818)
Deferred tax liabilities	*29*	(6,023)
		(11,659)
Goodwill *(Note (iii))*	*18*	39,719
Total consideration		28,060
Satisfied by:		
Cash consideration		15,000
Initially recognised acquisition consideration payable		13,060
Total consideration		28,060
Analysis of cash flows on acquisition:		
Cash paid		(15,000)
Net cash acquired		5,680
Net cash flow outflow on acquisition		(9,320)

Notes:

(i) The acquisition costs of approximately HK$100,000 were expensed and included as administrative expenses in the consolidated statement of comprehensive income for the year ended 31 March 2011.

(ii) The fair value of trade receivables amounted to HK$925,000. The gross amount of trade receivables is HK$1,075,000, of which HK$150,000 is expected to be uncollectible.

(iii) The goodwill of HK$39,719,000, which is not deductible for tax purpose, comprised the expected benefits from expansion in Target Group's motor vehicles detailing services.

(iv) Since the acquisition date, Challenger has contributed HK$12,093,000 and a loss of HK$252,000 to the Target Group's revenue and results for the year ended 31 March 2011.

(v) Had the acquisition of Challenger had occurred on 1 April 2010, the Target Group's revenue and profit for the year ended 31 March 2011 would have been HK$86,337,000 and HK$4,516,000 respectively.

During the year ended 31 March 2013, the Target Group disposed of 30% ownership interest in its subsidiary Challenger Taiwan to the directors of the Target Company. Following the disposal, the Target Group had 70% ownership interests therein. The transaction has been accounted for as an equity transaction with the non-controlling interests as follows:

	2013
	HK$'000
Consideration paid for 30% ownership interest	391
Net liabilities attributable to 30% ownership interest	223
Increase in equity attributable to owners of the Target Company (included in retained profits)	614

21. INVENTORIES

		As at 31 March		**As at 31 December**
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Merchandise goods	260	148	122	136

22. TRADE RECEIVABLES

Generally, no credit terms are granted to customers of the Target Group. The aging analysis of trade receivables (net of impairment loss) based on invoice date (which is also the due date) is as follows:

		As at 31 March		**As at 31 December**
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	1,591	2,203	2,517	2,418
3 to 6 months	56	46	58	100
6 to 12 months	5	–	186	175
	1,652	2,249	2,761	2,693

The directors of the Target Company consider that the carrying amount of trade receivables approximates their fair values.

No interest is charged on trade receivables.

In determining the recoverability of the trade receivables, the Target Group monitors any change in the credit quality of the trade receivables up to the reporting dates.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Target Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Target Group does not hold any collateral over these balances.

The Target Group has not recognised any impairment loss on trade receivables during each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013.

23. AMOUNTS DUE FROM SHAREHOLDERS/IMMEDIATE HOLDING COMPANY

Amounts due are unsecured, interest-free and repayable on demand.

24. AMOUNTS DUE FROM/(TO) DIRECTORS

(a) Amounts due from directors, which are disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

The Target Group

Name of borrower:	Lam Man Kuen	Global Central Limited	Eversky Holdings Limited
Position:	Director	Director	Director
Terms of the advances:			
– Duration and repayment terms	On demand	On demand	On demand
– Interest rate	Nil	Nil	Nil
– Security	Nil	Nil	Nil
Balance of the advances, net:			
– at 31 March 2011	HK$2,900,000	HK$Nil	HK$Nil
– at 31 March 2012	HK$Nil	HK$2,300,000	HK$6,030,000
– at 31 March 2013	HK$Nil	HK$2,300,000	HK$11,537,000
– at 31 December 2013	HK$Nil	HK$Nil	HK$11,526,000
Maximum balance outstanding:			
– during year ended 31 March 2011	HK$2,900,000	HK$Nil	HK$Nil
– during year ended 31 March 2012	HK$2,900,000	HK$2,300,000	HK$6,030,000
– during year ended 31 March 2013	HK$Nil	HK$3,300,000	HK$12,788,000
– during nine months ended 31 December 2013	HK$Nil	HK$2,300,000	HK$11,537,000

The Target Company

Name of borrower:	Global Central Limited
Position:	Director
Terms of the advances:	
– Duration and repayment terms	On demand
– Interest rate	Nil
– Security	Nil
Balance of the advances:	
– at 31 March 2012	HK$3,300,000
– at 31 March 2013	HK$2,300,000
– at 31 December 2013	HK$Nil
Maximum balance outstanding:	
– during year ended 31 March 2011	HK$Nil
– during year ended 31 March 2012	HK$3,300,000
– during year ended 31 March 2013	HK$3,300,000
– during nine months ended 31 December 2013	HK$2,300,000

(b) Amounts due are unsecured, deemed interest-bearing at imputed interest rates ranging from 13.42% to 15.27%, and repayable on demand. Further details are set out in Note (ii) of the consolidated statements of changes in equity of Section B.

25. PLEDGED BANK DEPOSIT

The pledged bank deposit of the Target Group was pledged for the Target Group's banking facility granted by a bank as at 31 March 2011. As at 31 March 2011, the banking facility has not been utilised by the Target Group. During the year ended 31 March 2012, the facility expired and the pledge of the bank balance was released accordingly.

26. TRADE PAYABLES

The ageing analysis of trade payables based on invoice date as of the end of each of the Relevant Periods is as follow:

		As at 31 March		As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	–	1,794	2,321	2,181
3 to 12 months	–	6	–	–
	–	1,800	2,321	2,181

27. ACQUISITION CONSIDERATION PAYABLE

	As at 31 March			As at 31 December
	2011	2012	2013	2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The acquisition consideration payable is repayable as follows:				
Within 1 year	7,343	6,115	–	–
More than 1 year but less than 2 years	6,115	–	–	–
	13,458	6,115	–	–

The acquisition consideration payable arose from the acquisition of a subsidiary as further detailed in Note 20.

28. OBLIGATION UNDER FINANCE LEASE

As at 31 December 2013, the Target Group leases its motor vehicles. Such asset is classified as finance lease as the rental period amounts to the estimated useful economic life of the asset concerned and the Target Group has the right to purchase the asset outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments	Interest	Present value
	HK$'000	*HK$'000*	*HK$'000*
Not later than 1 year	225	25	200
Later than 1 year and not later than 5 years	483	54	429
	708	79	629

The present value of future lease payments are analysed as:

	HK$'000
Current liabilities	200
Non-current liabilities	429
	629

29. DEFERRED TAXATION

The movements in deferred tax assets/(liabilities) during the each of the Relevant Periods, taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Accelerated tax depreciation *HK$'000*
At 1 April 2010	–
Addition through business combination *(Note 20)*	334
At 31 March 2011 and 1 April 2011	334
Charge to profit or loss for the year *(Note 12)*	(29)
At 31 March 2012 and 1 April 2012	305
Charge to profit or loss for the year *(Note 12)*	(2)
At 31 March 2013 and 1 April 2013	303
Credit to profit or loss for the period *(Note 12)*	22
At 31 December 2013	325

Deferred tax liabilities

	Intangible assets *HK$'000*
At 1 April 2010	3,135
Addition through business combination *(Note 20)*	6,023
At 31 March 2011, 2012 and 2013 and 31 December 2013	9,158

At 31 March 2011, 2012 and 2013 and 31 December 2013, the Target Group and the Target Company did not have material unrecognised deferred tax.

30. SHARE CAPITAL AND RESERVES

(a) Share capital

	The Target Company	
	Number of shares	Amount
		HK$'000
Ordinary shares with par value of US$1.00 each		
Authorised:		
At 31 March 2012, 31 March 2013 and 31 December 2013	50,000	390
Issued and fully paid:		
At 31 March 2012, 31 March 2013 and 31 December 2013	10,000	78

The share capital presented on the consolidated statement of financial position as at 31 March 2011 represented the initial share capital of the Target Company of US$7,000 (equivalent to HK$55,000) divided into 7,000 shares with par value of US$1 each upon its incorporation and immediately after the Reorganisation. Details of movements of the share capital are set out in Note 1 of Section C.

(b) Reserves

The Target Group

Details of the movements in the reserves of the Target Group during the Relevant Periods are set out in the consolidated statements of changes in equity.

The Target Company

The movements in the reserves of the Target Company during the Relevant Periods were as follows:

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At date of incorporation	–	–	–
Loss for the period	–	(15)	(15)
Deemed capital contribution from shareholders	15	–	15
At 31 March 2012 and 1 April 2012	15	(15)	–
Loss for the year	–	(833)	(833)
Deemed capital contribution from shareholders	797	–	797
At 31 March 2013 and 1 April 2013	812	(848)	(36)
Profit for the year	–	5,840	5,840
Interim dividends declared and paid *(Note 15)*	–	(7,000)	(7,000)
Deemed capital contribution from shareholders	1,010	–	1,010
At 31 December 2013	1,822	(2,008)	(186)

31. OPERATING LEASES

Operating lease payments represent rental payables by the Target Group for its office premises as well as its motor vehicles detailing and repair service centres. Leases are negotiated and rentals are fixed for an average term of one to five years, and the leases for certain service centres include contingent rents, which are determined by applying pre-determined percentages to turnover less the basic rentals of the respective leases.

The lease payments recognised as expenses during each of the three years ended 31 March 2011, 2012 and 2013 and the nine months ended 31 December 2012 and 2013 are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Minimum lease payments	11,658	21,779	23,607	17,154	20,833
Contingent rents	115	859	1,414	1,056	1,295
	11,773	22,638	25,021	18,210	22,128

The total future minimum lease payments under non-cancellable lease contracts are as follow:

	As at 31 March			As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Not later than one year	10,063	13,988	13,856	20,453
Later than one year and not later than five years	3,390	7,119	4,389	11,843
	13,453	21,107	18,245	32,296

The above lease commitments only include commitments for basic rentals and do not include commitments for contingent rents, if any, as it is not possible to determine in advance the amount of such additional rentals.

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Financial Information, the Target Group entered into the following transactions with related parties:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Service income from a related company	156	–	–	–	–
Service fees charged by related companies	6,295	730	899	703	240

The service income and fees are charged to/by the related companies for the salaries and other staff benefits paid for the relevant parties' services. The above transactions were conducted on mutually agreed terms.

(b) Amounts due from related companies, which are disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name of borrower:	Comprehensive Auto Restoration Limited	Shining Dawn International Limited	Fu An Insurance Brokers Limited	Cars Auto Technology Services Limited	Eversky (Macao) Limited
Position:	Related company	Related company	Related company	Related company	Related company
Terms of the advances:					
– Duration and repayment terms	On demand	On demand	On demand	On demand	On demand
– Interest rate	Nil	Nil	Nil	Nil	Nil
– Security	Nil	Nil	Nil	Nil	Nil
Balance of the advances, net:					
– at 31 March 2011	HK$1,428,000	HK$Nil	HK$Nil	HK$Nil	HK$Nil
– at 31 March 2012	HK$1,431,000	HK$15,000	HK$166,000	HK$1,988,000	HK$Nil
– at 31 March 2013	HK$1,472,000	HK$Nil	HK$1,000	HK$1,928,000	HK$400,000
– at 31 December 2013	HK$1,712,000	HK$7,000	HK$Nil	HK$2,010,000	HK$500,000
Maximum balance outstanding:					
– during year ended 31 March 2011	HK$1,428,000	HK$Nil	HK$Nil	HK$Nil	HK$Nil
– during year ended 31 March 2012	HK$1,431,000	HK$15,000	HK$166,000	HK$1,988,000	HK$Nil
– during year ended 31 March 2013	HK$1,472,000	HK$15,000	HK$166,000	HK$1,988,000	HK$400,000
– during nine months ended 31 December 2013	HK$1,712,000	HK$7,000	HK$1,000	HK$2,089,000	HK$500,000

Lam Man Kuen, Cheung Kai Ming, Global Central Limited and Eversky Holdings Limited, who are directors of the Target Company, are also directors and/or beneficial owners of the above related companies.

(c) Amount due to a related company is unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the Relevant Periods are as follows:

	Year ended 31 March			Nine months ended 31 December	
	2011	**2012**	**2013**	**2012**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, bonus and other benefits	1,483	2,287	4,440	2,406	2,756
Contributions to defined contribution retirement plan	48	48	75	55	55
	1,531	2,335	4,515	2,461	2,811

33. CAPITAL RISK MANAGEMENT

The Target Group's objective of managing capital is to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

As consistent with industry practice, the Target Group monitors its capital structure on the basis of the gearing ratio. This ratio is calculated as total liabilities divided by total assets. Total debts are calculated as total liabilities as shown in the consolidated statements of financial position.

The gearing ratio as at the end of each reporting period was as follows:

	As at 31 March			As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total liabilities	139,371	133,292	130,386	132,337
Total assets	141,968	146,674	159,901	165,801
Gearing ratio	98.2%	90.9%	81.5%	79.8%

34. FINANCIAL RISK MANAGEMENT

The main risks arising from the Target Group's financial instruments in the normal course of the Target Group's business are credit risk, liquidity risk, cash flow interest rate risk and currency risk.

These risks are limited by the Target Group's financial management policies and practices described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable to its trade receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade receivables. Normally, the Target Group does not obtain collateral from customers.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. As at 31 March 2011, 2012 and 2013 and 31 December 2013, the Target Group has no significant concentration of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance. The Target Group does not provide any other guarantee which would expose the Target Group to credit risk.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade receivables are set out in Note 22.

(b) Liquidity risk

The Target Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Target Group maintains a reasonable level of cash and cash equivalents. The Target Group finances its working capital requirements mainly through funds generated from operations.

The following table details the remaining contractual maturities at the end of each reporting period of the Target Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the end of each reporting period) and the earliest date the Target Group can be required to pay.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2011					
Accruals and other payables	5,510	5,510	5,510	–	–
Amounts due to shareholders and directors	6,083	6,083	6,083	–	–
Amount due to a related company	715	715	715	–	–
Acquisition consideration payable	13,458	15,000	8,572	6,428	–
	25,766	27,308	20,880	6,428	–

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2012					
Trade payables	1,800	1,800	1,800	–	–
Accruals and other payables	5,551	5,551	5,551	–	–
Amounts due to shareholders and directors	3,277	3,277	3,277	–	–
Acquisition consideration payable	6,115	6,428	6,428	–	–
	16,743	17,056	17,056	–	–

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2013					
Trade payables	2,321	2,321	2,321	–	–
Accruals and other payables	7,365	7,365	7,365	–	–
Amounts due to shareholders and directors	6,186	6,186	6,186	–	–
	15,872	15,872	15,872	–	–

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013					
Trade payables	2,181	2,181	2,181	–	–
Accruals and other payables	8,647	8,647	8,647	–	–
Amounts due to shareholders and directors	7,186	7,186	7,186	–	–
Obligation under finance lease	629	708	225	225	258
	18,643	18,722	18,239	225	258

(c) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Target Group's exposure to cash flow interest rate risk is minimal as the Target Group does not have any significant long term financial assets or borrowings which bear floating interest rates, and the Target Group's income and operating cash flows are substantially independent of changes in market interest rates.

(d) Currency risk

The functional currency of the Target Company and of its subsidiaries incorporated in Hong Kong and the BVI is HK$ while that of its subsidiaries established in Taiwan is Taiwan dollars. While most of the Target Group's operations are transacted in the functional currencies of the respective group companies, the management considered the Target Group has no significant exposure to risk resulting from changes in foreign exchange rates.

(e) Fair value estimation

All financial instruments are carried at amounts not materially different from their fair values at 31 March 2011, 2012 and 2013 and 31 December 2013.

35. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Target Group's financial assets and financial liabilities as recognised at 31 March 2011, 2012 and 2013 and 31 December 2013 may be categorised as follows:

	As at 31 March			As at 31 December
	2011	**2012**	**2013**	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents) at amortised cost	18,411	23,655	35,134	37,954
Financial liabilities:				
Financial liabilities measured at amortised cost	25,766	16,743	15,872	18,643

36. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 March 2013, amounts due from directors of approximately HK$209,000 have been set off with amounts due from related companies.

(b) During the nine months ended 31 December 2013, property, plant and equipment amounted to HK$800,000 were acquired under finance lease.

(c) During the nine months ended 31 December 2013, amounts due from directors of approximately HK$2,300,000 have been set off against amounts due to directors and shareholders by the same amount.

37. DEFERRED INCOME

Revenue from the provision of services are recognised when the services are rendered. Receipts in advance for which the relevant services have not been rendered are deferred and recognised as deferred income in the statements of financial position. Such receipts in advance are non-refundable.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of the any period subsequent to 31 December 2013.

Yours faithfully
For and on behalf of
BDO Limited
Certified Public Accountants
Hong Kong

Lam Siu Fung

Practising Certificate number: P05308

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group's business and performance for the three years ended 31 March 2011, 2012, 2013 and nine months ended 31 December 2013.

(i) For the year ended 31 March 2011

FINANCIAL REVIEW

The Target Group's revenue for the year ended 31 March 2011 was approximately HK$48.1 million which was generated from the operations in Hong Kong.

The administrative expenses and selling and distribution costs amounted to approximately HK$9.3 million. The finance costs amounted to approximately HK$0.4 million.

Profit before income tax of the Target Group was approximately HK$1.9 million. After deducting the income tax expense of approximately HK$0.2 million, profit for the year of the Target Group was approximately HK$1.7 million.

BUSINESS REVIEW AND OUTLOOK

The Target Group's stores were situated at 31 locations in Hong Kong. The services provided included motor vehicles detailing, repair and maintenance services.

A strong management team of the Target Group has substantial experience in the industry. Although the Target Group had annual staff turnover rate over 30%, the number of staff reached 225 by offering competitive salary package for recruitment of new staff. Therefore, there was no significant impact on the operation of the Target Group. For the year ended 31 March 2011, Challenger HK was acquired, so that the number of service centres was increased by 19 as compared with previous year. Due to optimistic outlook on the economy in Hong Kong, it was anticipated that the demand on the car beauty service would be increased, so that it would be an opportunity to the Target Group to expand their business by the aforesaid acquisition.

For the year ended 31 March 2011, the top five suppliers of the Target Group, which provide the Target Group with engine oil & gasoline, spares parts, tyres, battery and the polish wax, accounted for approximately 12.0%, 4.6%, 4.3%, 4.0% and 3.0% of the total purchases of the Target Group. Given the retail nature of the business of the Target Group, there was no major customer being identified under the Target Group during the year ended 31 March 2011. No individual customers accounted for more than 1% of the total revenue of the Target Group.

For the year ended 31 March 2011, the major expenses of the Target Group were labour, rental and rates and materials which accounted for approximately 38.4%, 31.8% and 11.8% of the total costs of the Target Group and the revenue derived from the prepaid services packages accounted for over 85% of the total revenue of the Target Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group funded its operations mainly by combination of its internal resources and paid-up capital.

As at 31 March 2011, the Target Group's net current liabilities were approximately HK$105.3 million including bank and cash balances of approximately HK$6.2 million. The net current liabilities position was mainly attributable to the deferred income of approximately HK$103.7 million as at 31 March 2011. Under the Target Group's business model, revenue is mainly derived through the prepaid membership packages which generally have a validity period of one year to two years from the date of purchase. The amount of prepaid package are first recognised as deferred income and put under current liabilities in the financial statement and will be recognised as revenue of the Target Group only when the services are rendered and/or the package expired. As the deferred income is a non-cash item, there will not be any cash outflow when the sales of prepaid packages are recognised as revenue. On the basis that the net current liabilities position of the Target Group of approximately HK$105.3 million, and after excluding the deferred income of approximately HK$103.7 million as at 31 March 2011, the Target Group would record a significant reduction in net current liabilities to approximately HK$1.6 million.

As at 31 March 2011, the Target Group's current ratio was approximately 0.15 times. The Target Group's gearing ratio represented by the total liabilities as a percentage of the Target Group's total assets amounted to approximately 98.2%.

The Target Group carries out its business in Hong Kong and most of the transactions are denominated in HK$. Exposures to currency exchange rates arise from the Target Group's overseas sales and purchases were immaterial.

SIGNIFICANT ACQUISITION AND DISPOSAL

During the year ended 31 March 2011, saved for the acquisition of Challenger HK, the Target Group did not have any significant acquisition or disposal of investment.

CHARGES ON TARGET GROUP ASSETS

The Target Group did not have any bank borrowings or charge on its asset as at 31 March 2011.

CONTINGENT LIABILITIES

The Target Group did not have any significant contingent liabilities as at 31 March 2011.

OUTLOOK AND FUTURE PROSPECTS

The Target Group was optimistic and saw enormous potential in the car beauty market of both Hong Kong and Taiwan. For the year ended 31 March 2011, the Target Group had not identified any specific investment opportunity or any new products and services which may utilise the significant cash balance on hand.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Target Group was 225 as at 31 March 2011. The total staff costs of the Target Group, including the directors' emoluments, for the year ended 31 March 2011 amounted to approximately HK$17.4 million. The remuneration package offered by the Target Group to its employees includes contributions to defined contribution plan, insurance and medical coverage. In addition, allowances including discretionary bonuses and commissions may be granted to eligible employees based on the Target Group's and individual's performance.

The Target Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates from time to time. Salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition, the Target Group provides employee benefits including medical insurance and retirement benefits to its employees through contributions to defined contribution plans, being Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") for the qualifying employees in Hong Kong. Contributions by the Target Group to MPF Scheme are made based on 5% of the employees' relevant income, with a cap of monthly salaries of HK$20,000 in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

DIVIDEND

The Target Group did not declare any dividend for the year ended 31 March 2011.

(ii) For the year ended 31 March 2012

FINANCIAL REVIEW

The Target Group's revenue for the year ended 31 March 2012 was approximately HK$102.3 million which was generated from the operations in Hong Kong.

The administrative expenses and selling and distribution costs amounted to approximately HK$17.5 million. The finance costs amounted to approximately HK$1.2 million.

Profit before income tax of the Target Group was approximately HK$13.1 million. After deducting the income tax expense of approximately HK$2.5 million, profit for the year of the Target Group was approximately HK$10.6 million.

BUSINESS REVIEW AND OUTLOOK

The Target Group's stores were situated at 35 locations in Hong Kong. The services provided included motor vehicles detailing, repair and maintenance services.

A strong management team of the Target Group has substantial experience in the industry. Although the Target Group had staff turnover rate over 60%, the number of staff was increased from 225 to 227 by offering competitive package for recruitment of new staff. Therefore, there was no significant impact on the operation of the Target Group. For the year ended 31 March 2012, the Target Group increased its coverage and the number of service centres was increased by 4 as compared with the previous year. Taiwan has higher population and more vehicles as compared with Hong Kong. With substantial experiences in operating car beauty services, the management considered it as a good opportunity for development in Taiwan in future years.

For the year ended 31 March 2012, the top five suppliers of the Target Group, which provide the Target Group with engine oil & gasoline, spares parts, tyres and battery, accounted for approximately 21.1%, 6.9%, 6.5%, 6.5% and 3.5% of the total purchases of the Target Group. Given the retail nature of the business of the Target Group, there was no major customer being identified under the Target Group during the year ended 31 March 2012. No individual customers accounted for more than 1% of the total revenue of the Target Group.

For the year ended 31 March 2012, the major expenses of the Target Group were rental and rates, labour and materials which accounted for approximately 31.7%, 30.2% and 21.0% of the total costs of the Target Group and the revenue derived from the prepaid services packages accounted for over 85% of the total revenue of the Target Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group funded its operations mainly by combination of its internal resources and paid-up capital.

As at 31 March 2012, the Target Group's net current liabilities were approximately HK$100.1 million including bank and cash balances of approximately HK$4.0 million.

The net current liabilities position was mainly attributable to the deferred income of approximately HK$104.8 million as at 31 March 2012. Under the Target Group's business model, revenue is mainly derived through the prepaid membership packages which generally have a validity period of one year to two years from the date of purchase. The amount of prepaid package are first recognised as deferred income and put under current liabilities in the financial statement and will be recognised as revenue of the Target Group only when the services are rendered and/or the package expired. As the deferred income is a non-cash item, there will not be any cash outflow when the sales of prepaid packages are recognised as revenue. On the basis of the net current liabilities position of the Target Group of approximately HK$100.1 million and the deferred income of approximately HK$104.8 million as at 31 March 2012, the Target Group would record net current asset position assuming the deferred income had been excluded.

As at 31 March 2012, the Target Group's current ratio was approximately 0.19 times. The Target Group's gearing ratio represented by the total liabilities as a percentage of the Target Group's total assets amounted to approximately 90.9%.

The Target Group carries out its business in Hong Kong and most of the transactions are denominated in HK$.

SIGNIFICANT ACQUISITION AND DISPOSAL

During the year ended 31 March 2012, the Target Group did not have any significant acquisition or disposal of investment.

CHARGES ON TARGET GROUP ASSETS

The Target Group did not have any bank borrowings or charge on its asset as at 31 March 2012.

CONTINGENT LIABILITIES

The Target Group did not have any significant contingent liabilities as at 31 March 2012.

OUTLOOK AND FUTURE PROSPECTS

The Target Group was optimistic and saw enormous potential in the car beauty market of both Hong Kong and Taiwan. For the year ended 31 March 2012, the Target Group had not identified any specific investment opportunity or any new products and services which may utilise the significant cash balance on hand.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Target Group was 227 as at 31 March 2012. The total staff costs of the Target Group, including the directors' emoluments, for the year ended 31 March 2012 amounted to approximately HK$35.6 million. The remuneration package offered by the Target Group to its employees includes contributions to defined contribution plan, insurance and medical coverage. In addition, allowances including discretionary bonuses and commissions may be granted to eligible employees based on the Target Group's and individual's performance.

The Target Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates from time to time. Salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition, the Target Group provides employee benefits including medical insurance and retirement benefits to its employees through the MPF Scheme for the qualifying employees in Hong Kong. Contributions by the Target Group to MPF Scheme are made based on 5% of the employees' relevant income, with a cap of monthly salaries of HK$20,000 in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

DIVIDEND

The Target Group did not declare any dividend for the year ended 31 March 2012.

(iii) For the year ended 31 March 2013

FINANCIAL REVIEW

The Target Group's revenue for the year ended 31 March 2013 was approximately HK$121.4 million which was generated from the operations in Hong Kong and Taiwan.

The administrative expenses and selling and distribution costs amounted to approximately HK$16.8 million. The finance costs amounted to approximately HK$1.1 million.

Profit before income tax of the Target Group was approximately HK$18.4 million. After deducting the income tax expense of approximately HK$3.5 million, profit for the year of the Target Group was approximately HK$14.9 million.

BUSINESS REVIEW AND OUTLOOK

The Target Group's stores were situated at 32 and 5 locations in Hong Kong and Taiwan respectively. The services provided include motor vehicles detailing, repair and maintenance services.

A strong management team of the Target Group has substantial experience in the industry. Although the Target Group had annual staff turnover rate over 60%, the number of staff was increased from 227 to 250 by recruitment of new staff in Taiwan. Therefore, there was no significant impact on the operation of the Target Group. For the year ended 31 March 2013, the Target Group increased its coverage and the number of service centres was increased by 2 as compared with the previous year. The Target Group started the business in Taiwan and opened 5 service centres during this year. Due to optimistic outlook on the economy in Taiwan, it is anticipated that the demand on the car beauty service will be increased, so that it will be an opportunity to the Target Group to expand their business by opening more service centres in the business and shopping areas in Taiwan.

For the year ended 31 March 2013, the top five suppliers of the Target Group, which provide the Target Group with spares parts, tyres and battery, accounted for approximately 11.5%, 8.1%, 7.9%, 7.3% and 6.5% of the total purchases of the Target Group. Given the retail nature of the business of the Target Group, there was no major customer being identified under the Target Group during the year ended 31 March 2013. No individual customers accounted for more than 1% of the total revenue of the Target Group.

For the year ended 31 March 2013, the major expenses of the Target Group were labour, rental and rates and materials which accounted for approximately 37.8%, 27.7% and 17.7% of the total costs of the Target Group and the revenue derived from the prepaid services packages accounted for over 85% of the total revenue of the Target Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group funded its operations mainly by combination of its internal resources and paid-up capital.

As at 31 March 2013, the Target Group's net current liabilities were approximately HK$85.2 million including bank and cash balances of approximately HK$7.7 million. The net current liabilities position was mainly attributable to the deferred income of approximately HK$99.7 million as at 31 March 2013. Under the Target Group's business model, revenue is mainly derived through the prepaid membership packages which generally have a validity period of one year to two years from the date of purchase. The amount of prepaid package are first recognised as deferred income and put under current liabilities in the financial statement and will be recognised as revenue of the Target Group only when the services are rendered and/or the package expired. As the deferred income is a non-cash item, there will not be any cash outflow from sales of prepaid packages.

On the basis of the net current liabilities position of the Target Group of approximately HK$85.2 million and the deferred income of approximately HK$99.7 million as at 31 March 2013, the Target Group would record net current asset position assuming the deferred income had been excluded.

As at 31 March 2013, the Target Group's current ratio was approximately 0.30 times. The Target Group's gearing ratio represented by the total liabilities as a percentage of the Target Group's total assets amounted to approximately 81.5%.

The increase in the balance of deposits, prepayments and other receivables from 31 March 2012 to 31 March 2013 was mainly due to expansion of business, in terms of the location and number of service centres of the Target Group.

The increase in the balance amount due from directors from 31 March 2012 to 31 March 2013 was mainly due to additional advance made to Eversky Holdings Limited for investment unrelated to the Target Group's core business.

The Target Group carries out its business in Hong Kong and Taiwan and most of the transactions are denominated in HK$ and NT$. As most of the revenue is generated from the business operation in Hong Kong, exposures to currency exchange rates arise from the Target Group's overseas sales and purchases were immaterial.

SIGNIFICANT ACQUISITION AND DISPOSAL

During the year ended 31 March 2013, saved for the disposal of 30% equity interest in Challenger Taiwan (reduced interest from 100% to 70%), the Target Group did not have any significant acquisition or disposal of investment.

CHARGES ON TARGET GROUP ASSETS

The Target Group did not have any bank borrowings or charges on its asset as at 31 March 2013.

CONTINGENT LIABILITIES

The Target Group did not have any significant contingent liabilities as at 31 March 2013.

OUTLOOK AND FUTURE PROSPECTS

The Target Group was optimistic and saw enormous potential in the car beauty market of both Hong Kong and Taiwan. For the year ended 31 March 2013, the Target Group had not identified any specific investment opportunity or any new products and services which may utilise the significant cash balance on hand.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Target Group was 250 as at 31 March 2013. The total staff costs of the Target Group, including the directors' emoluments, for the year ended 31 March 2013 amounted to approximately HK$46.0 million. The remuneration package offered by the Target Group to its employees includes contributions to defined contribution plan, insurance and medical coverage. In addition, allowances including discretionary bonuses and commissions may be granted to eligible employees based on the Target Group's and individual's performance.

The Target Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates from time to time. Salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition, the Target Group provides employee benefits including medical insurance and retirement benefits to its employees through the MPF Scheme for the qualifying employees in Hong Kong and for those employees in Taiwan. Contributions by the Target Group to MPF Scheme are made based on 5% of the employees' relevant income, with a cap of monthly salaries of HK$20,000 and increased to HK$25,000 since 1 June 2012 in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. For the employees in Taiwan, the Target Group contributions to defined contribution plans being 6% of monthly income.

DIVIDEND

The Target Group did not declare any dividend for the year ended 31 March 2013.

(iv) For the nine months ended 31 December 2013

FINANCIAL REVIEW

The Target Group's revenue for the nine months ended 31 December 2013 was approximately HK$98.3 million which was generated from the operations in Hong Kong and Taiwan.

The administrative expenses and selling and distribution costs amounted to approximately HK$18.1 million. The finance costs amounted to approximately HK$1.0 million.

Profit before income tax of the Target Group was approximately HK$12.8 million. After deducting the income tax expense of approximately HK$2.9 million, profit for the year was approximately HK$9.9 million.

BUSINESS REVIEW AND OUTLOOK

The Target Group's stores were situated at 32 and 9 locations in Hong Kong and Taiwan respectively. The services provided include motor vehicles detailing, repair and maintenance services.

A strong management team of the Target Group has substantial experience in the industry. The number of staff was increased from 250 to 280 by offering competitive package for recruitment of new staff. For the nine months ended 31 December 2013, the Target Group increased its coverage and the number of service centres was increased by 3 as compared with the number of the service centre as at 31 March 2013. The Target Group expedited the development of the business in Taiwan and opened 4 additional service centres during this year. Due to optimistic outlook on the economy in Taiwan, it is anticipated that the demand on the car beauty service will be increased in Taiwan, so that it will be an opportunity to the Target Group to expand their business by opening more service centres in the business and shopping areas in Taiwan.

For the nine months ended 31 December 2013, the top five suppliers of the Target Group, which provide the Target Group with spares parts, tyres and battery, accounted for approximately 11.8%, 9.7%, 8.2%, 6.8% and 6.8% of the total purchases of the Target Group. Given the retail nature of the business of the Target Group, there was no major customer being identified under the Target Group during the nine months ended 31 December 2013. No individual customers accounted for more than 1% of the total revenue of the Target Group.

For the nine months ended 31 December 2013, the major expenses of the Target Group were labour, rental and rates and materials which accounted for approximately 36.7%, 31.1% and 15.9% of the total costs of the Target Group and the revenue derived from the prepaid services packages amounted for over 85% of the total revenue of the Target Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Group funded its operations mainly by combination of its internal resources and paid-up capital.

As at 31 December 2013, the Target Group's net current liabilities were approximately HK$82.0 million including bank and cash balances of approximately HK$8.3 million. The net current liabilities position was mainly attributable to the deferred income of approximately HK$97.6 million as at 31 December 2013. Under the Target Group's business model, revenue is mainly derived through the prepaid membership packages which generally have a validity period of one year to two years from the date of purchase. The amount of prepaid package are first recognised as deferred income and put under current liabilities in the financial statement and will be recognised as revenue of the Target Group only when the services are rendered and/or the package expired. As the deferred income is a non-cash item, there will not be any cash outflow from sales of prepaid packages. On the basis of the net current liabilities position of the Target Group of approximately HK$82.0 million and the deferred income of approximately HK$97.6 million as at 31 December 2013, the Target Group would record net current asset position assuming the deferred income had been excluded.

As at 31 December 2013, the Target Group's current ratio was approximately 0.33 times. The Target Group's gearing ratio represented by the total liabilities as a percentage of the Target Group's total assets amounted to approximately 79.8%.

The increase in the balance of deposits, prepayments and other receivables from 31 March 2013 to 31 December 2013 was mainly due to expansion of business, in terms of the location and number of service centres of the Target Group. The Target Group carries out its business in Hong Kong and Taiwan and most of the transactions are denominated in HK$ and NT$. Exposures to currency exchange rates arise from the Target Group's overseas sales and purchases were immaterial.

SIGNIFICANT ACQUISITION AND DISPOSAL

During the nine months ended 31 December 2013, the Target Group did not have any significant acquisition or disposal of investment.

CHARGES ON TARGET GROUP ASSETS

The Target Group did not have any bank borrowings or charges on its asset as at 31 December 2013.

CONTINGENT LIABILITIES

The Target Group did not have any significant contingent liabilities as at 31 December 2013.

OUTLOOK AND FUTURE PROSPECTS

The Target Group was optimistic and saw enormous potential in the car beauty market of both Hong Kong and Taiwan. For the nine months ended 31 December 2013, the Target Group had not identified any specific investment opportunity or any new products and services which may utilise the significant cash balance on hand.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees of the Target Group was 280 as at 31 December 2013. The total staff costs of the Target Group, including the directors' emoluments, for the nine months ended 31 December 2013 amounted to approximately HK$37.2 million. The remuneration package offered by the Target Group to its employees includes contributions to defined contribution plan, insurance and medical coverage. In addition, allowances including discretionary bonuses and commissions may be granted to eligible employees based on the Target Group's and individual's performance.

The Target Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates from time to time. Salary increment is normally approved annually or by special adjustment depending on length of services and performance when warranted. In addition, the Target Group provides employee benefits including medical insurance and retirement benefits to its employees through the MPF Scheme for the qualifying employees in Hong Kong and for those employees in Taiwan. Contributions by the Target Group to MPF Scheme are made based on 5% of the employees' relevant income, with a cap of monthly salaries of HK$25,000 in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. For the employees in Taiwan, the Target Group contributions to defined contribution plans are 6% of monthly income.

DIVIDEND

An interim dividend of HK$7,000,000 was declared and paid for the nine months ended 31 December 2013.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

20 March 2014

The Board of Directors
Rising Power Group Holdings Limited
(formerly known as "China Neng Xiao Technology (Group) Limited")

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Rising Power Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 September 2013, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 March 2013 and related notes as set out on pages III-1 to III-16 in Appendix III of the circular dated 20 March 2014 (the "**Circular**") issued by the Company in connection with the proposed acquisition (the "**Acquisition**") of 75% equity interest in Hong Kong Automobile Restoration Group Limited (the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") pursuant to the acquisition agreement dated 8 September 2013 and supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014. The Group and the Target Group are collectively referred to as the "Enlarged Group". The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are set out on pages III-4 to III-16 in Appendix III to the Circular.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2013 as if the Acquisition had taken place at 30 September 2013, and the

Group's financial performance and cash flows for the year ended 31 March 2013 as if the Acquisition had taken place at 1 April 2012. As part of this process, information about the Group's financial position has been extracted by the directors from the Company's interim report for the six months ended 30 September 2013, on which no audit nor review report has been published, whereas the Group's financial performance and cash flows have been extracted by the directors from the Group's financial statements in the Company's annual report for the year ended 31 March 2013, on which an auditor's report was published on 26 June 2013. The same information about the Target Group has been extracted by the directors from Appendix II of this Circular, on which an accountant's report was published on 20 March 2014.

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 1 April 2012 or 30 September 2013 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 unaudited pro forma adjustments give appropriate effect to those criteria; and

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

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

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

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

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully

BDO Limited
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The accompanying illustrative unaudited pro forma financial information of the Enlarged Group (defined below) (the "**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the proposed acquisition (the "**Acquisition**") of 75% equity interest in Hong Kong Automobile Restoration Group Limited (the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") by Rising Power Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") pursuant to the acquisition agreement dated 8 September 2013 and supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014. The Group and the Target Group are collectively referred to as the "Enlarged Group".

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 30 September 2013 as extracted from the Company's interim report for the six months then ended issued on 11 November 2013 and the audited consolidated statement of financial position of the Target Group as at 31 December 2013 as extracted from the accountants' report set out in Appendix II to this circular, after making unaudited pro forma adjustments relating to the Acquisition, as if the Acquisition had taken place at 30 September 2013.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013 as extracted from the Company's annual report for the year ended 31 March 2013 issued on 26 June 2013 and the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Target Group for the year ended 31 March 2013 as extracted from the accountants' report set out in Appendix II to this circular, after making unaudited pro forma adjustments relating to the Acquisition, as if the Acquisition had taken place at 1 April 2012.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes. Accordingly, as a result of the uncertain nature of the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group, it may not give a true picture on the actual financial position of the Enlarged Group on completion of the Acquisition or the actual results and cash flows of the Enlarged Group after the Acquisition.

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

2. Unaudited pro forma consolidated statement of financial position

	The Group as at 30 September 2013 HK$'000 (Unaudited) *(Note 1)*	The Target Group as at 31 December 2013 HK$'000 (Audited) *(Note 2)*	Pro forma adjustments HK$'000 (Unaudited)	*Notes*	Pro forma The Enlarged Group HK$'000 (Unaudited)
Non-current assets					
Property, plant and equipment	1,218	4,324			5,542
Interests in associates	22,105	–			22,105
Intangible assets	821	55,500	40,700	*4(ii)*	97,021
Goodwill	42,308	64,854	195,119	*4(i)*	237,427
			(64,854)	*4(ii)*	
Deferred tax assets	–	325			325
Total non-current assets	66,452	125,003			362,420
Current assets					
Inventories	–	136			136
Trade and other receivables	65,245	16,120	(35,500)	*4(iii)*	45,865
Amounts due from shareholders	–	502	(502)	*6*	–
Amounts due from directors	–	11,526	(11,526)	*6*	–
Amounts due from related parties	–	4,229	12,028	*6*	16,257
Bank balances and cash	110,187	8,285	(29,500)	*4(iii)*	81,972
			(7,000)	*5*	
Total current assets	175,432	40,798			144,230
Current liabilities					
Trade and other payables	21,384	10,828			32,212
Amounts due to directors and shareholders	–	7,186	(7,186)	*6*	–
Amounts due to related parties	–	–	7,186	*6*	7,186
Obligation under finance lease	–	200			200
Deferred income	–	97,570			97,570
Tax payable	2,243	6,966			9,209
Total current liabilities	23,627	122,750			146,377
Net current assets/(liabilities)	151,805	(81,952)			(2,147)
Total assets less current liabilities	218,257	43,051			360,273

	The Group as at 30 September 2013 HK$'000 (Unaudited) (Note 1)	The Target Group as at 31 December 2013 HK$'000 (Audited) (Note 2)	Pro forma adjustments HK$'000 (Unaudited)	Notes	Pro forma The Enlarged Group HK$'000 (Unaudited)
Non-current liabilities					
Convertible bonds	–	–	53,259	4(iv)	53,259
Financial liability at fair value through profit or loss	–	–	49,445	4(iv)	49,445
Obligation under finance lease	–	429			429
Deferred tax liabilities	–	9,158	6,715	4(ii)	15,873
Other non-current liabilities	2,469	–			2,469
Total non-current liabilities	2,469	9,587			121,475
NET ASSETS	215,788	33,464			238,798
Capital and reserves					
Share capital	4,418	78	(78)	4(v)	4,418
Reserves	209,674	34,400	(34,400)	4(v)	232,796
			(7,000)	5	
			30,122	4(iv)	
Equity attributable to equity holders of the Company	214,092	34,478			237,214
Non-controlling interests	1,696	(1,014)	902	4(i)	1,584
TOTAL EQUITY	215,788	33,464			238,798

3. Unaudited pro forma consolidated statement of comprehensive income

	The Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 3)*	The Target Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 2)*	Pro forma adjustments *HK$'000* (Unaudited)	*Notes*	Pro forma The Enlarged Group *HK$'000* (Unaudited)
Continuing operations					
Turnover	34,529	121,443			155,972
Cost of services rendered and cost of goods sold	(8,324)	(85,335)			(93,659)
Gross profit	26,205	36,108			62,313
Other revenue and income	4,356	157			4,513
Administrative expenses and selling and distribution costs	(37,359)	(16,763)			(54,122)
Other operating expenses	(62,200)	–			(62,200)
Acquisition-related costs	–	–	(7,000)	5	(7,000)
Share of results of associates	2,425	–			2,425
Finance costs	–	(1,110)	(7,519)	*4(iv)*	(8,629)
Fair value change in financial liability at fair value through profit or loss	–	–	2,466	*4(iv)*	2,466
(Loss)/profit before taxation	(66,573)	18,392			(60,234)
Income tax expense	(2,189)	(3,527)			(5,716)
(Loss)/profit for the year from continuing operations	(68,762)	14,865			(65,950)

	The Group For the year ended 31 March 2013 HK$'000 (Audited) *(Note 3)*	The Target Group For the year ended 31 March 2013 HK$'000 (Audited) *(Note 2)*	Pro forma adjustments HK$'000 (Unaudited)	*Notes*	Pro forma The Enlarged Group HK$'000 (Unaudited)
Discontinued operations					
Profit for the year from discontinued operations	2,089	–			2,089
(Loss)/profit for the year	(66,673)	14,865			(63,861)
Other comprehensive income, net of tax					
Exchange differences on consolidation	266	15			281
Share of other comprehensive loss of associates	(127)	–			(127)
	139	15			154
Total comprehensive income for the year	(66,534)	14,880			(63,707)
(Loss)/profit attributable to:					
– Equity holders of the Company	(77,654)	14,959	(12,053)	*4(iv) and 5*	(74,748)
– Non-controlling interests	10,981	(94)			10,887
	(66,673)	14,865			(63,861)
Total comprehensive income attributable to:					
– Owners of the Company	(77,648)	14,977	(12,053)	*4(iv) and 5*	(74,724)
– Non-controlling interests	11,114	(97)			11,017
	(66,534)	14,880			(63,707)

4. Unaudited pro forma consolidated statement of cash flows

	The Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 3)*	The Target Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 2)*	Pro forma adjustments *HK$'000* (Unaudited)	*Notes*	Pro forma The Enlarged Group *HK$'000* (Unaudited)
Cash flows from operating activities					
(Loss)/profit before taxation					
From continuing operations	(66,573)	18,392	(7,519)	*4(iv)*	(60,234)
			2,466	*4(iv)*	
			(7,000)	5	
From discontinued operations	7,765	–			7,765
Adjustments for:					
Allowances for bad and doubtful debts	4,428	–			4,428
Depreciation of property, plant and equipment	624	1,280			1,904
Loss on deemed disposal of subsidiaries	11,444	–			11,444
Impairment loss on goodwill	62,200	–			62,200
Finance costs	–	1,110	7,519	*4(iv)*	8,629
Interest income	(106)	(2)			(108)
Fair value change in promissory notes	(2,091)	–			(2,091)
Fair value change in financial liability at fair value through profit or loss	–	–	(2,466)	*4(iv)*	(2,466)
Waiver of amount due to an ex-director	(1,770)	–			(1,770)
Write-back of trade and other payables	(541)	–			(541)
Share of results of associates	(2,425)	–			(2,425)
Operating profit before working capital changes	12,955	20,780			26,735
(Increase)/decrease in inventories	(96)	26			(70)
Increase in trade and other receivables	(32,202)	(2,590)			(34,792)
Increase in trade and other payables	10,124	2,335			12,459
Decrease in deferred income	–	(5,103)			(5,103)
Effect of foreign exchange rates changes	233	11			244
Cash (used in)/generated from operations	(8,986)	15,459			(527)
Income taxes paid	(1,699)	(457)			(2,156)
Net cash (used in)/generated from operating activities	(10,685)	15,002			(2,683)

	The Group For the year ended 31 March 2013 HK$'000 (Audited) (Note 3)	The Target Group For the year ended 31 March 2013 HK$'000 (Audited) (Note 2)	Pro forma adjustments HK$'000 (Unaudited)	Notes	Pro forma The Enlarged Group HK$'000 (Unaudited)
Cash flows from investing activities					
Interest received	106	2			108
Acquisition of subsidiaries and payment for acquisition consideration payable	(27,519)	(6,428)	(61,032)	4(iii)	(94,979)
Purchases of property, plant and equipment	(389)	(2,506)			(2,895)
Deemed disposal of subsidiaries	(3,055)	–			(3,055)
Decrease in amount due from immediate holding company	–	16	(16)	6	–
Increase in amounts due from directors	–	(5,716)	5,716	6	–
Decrease/(increase) in amounts due from related parties	–	8	(5,700)	6	(5,692)
Net cash used in investing activities	(30,857)	(14,624)			(106,513)
Cash flows from financing activities					
Proceeds from shares issued upon exercise of unlisted warrants	24,300	–			24,300
Proceeds from shares issued upon open offer	23,117	–			23,117
Proceeds from shares issued upon top-up placing	24,069	–			24,069
Repayment of promissory notes	(5,000)	–			(5,000)
Increase in amounts due to directors	–	2,909	(2,909)	6	–
Increase in amounts due to related parties	–	–	2,909	6	2,909
Capital contribution from non-controlling owners of a subsidiary	–	65			65
Disposal of non-controlling interests	–	391			391
Net cash generated from financing activities	66,486	3,365			69,851

	The Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 3)*	The Target Group For the year ended 31 March 2013 *HK$'000* (Audited) *(Note 2)*	Pro forma adjustments *HK$'000* (Unaudited)	*Notes*	Pro forma The Enlarged Group *HK$'000* (Unaudited)
Net increase in cash and cash equivalents	24,944	3,743			(39,345)
Cash and cash equivalents at beginning of reporting period	55,041	3,968	(3,968)	*4(iii)*	55,041
Effect of exchange rate changes, net	–	31			31
Cash and cash equivalents at end of reporting period, represented by bank balances and cash	79,985	7,742			15,727

Notes to the Unaudited Pro Forma Financial Information:

1. The amounts are extracted from the unaudited consolidated statement of financial position of the Group as at 30 September 2013, as set out in the published interim report of the Company for the six months ended 30 September 2013.

2. The amounts are extracted from the accountants' report on the Target Group, as set out in Appendix II to the Circular.

3. The amounts are extracted from the audited consolidated statement of comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 March 2013, as set out in the published annual report of the Company for the year ended 31 March 2013.

4. On 8 September 2013, a subsidiary of the Company (the "**Purchaser**") entered into the acquisition agreement (the "**Agreement**") as supplemented by supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014 with the shareholders of the Target Company (the "**Vendors**") to acquire 75% equity interest in the Target Company, at a consideration with maximum amount of HK$200 million, comprising the initial consideration of HK$148 million (the "**Initial Consideration**") and the possible earn-out consideration with maximum amount of HK$52 million (the "**Earn-out Consideration**").

   The Initial Consideration shall be payable in the following manner:

   (a) as to HK$5.5 million in cash as deposit (the "**Initial Deposit**") and was paid by the Group upon signing of the supplementary memorandum of understanding;

   (b) as to HK$30.0 million in cash as refundable deposit (the "**SPA Deposit**") and was paid by the Purchaser within 7 business days from the date of the Agreement;

   (c) as to HK$29.5 million in cash payable by the Purchaser upon completion of the Acquisition (the "**Completion**"); and

   (d) as to HK$83.0 million by way of issue of convertible bonds (the "**Convertible Bonds**") by the Company to the Vendors (or their respective nominees(s)) upon Completion.

Pursuant to the Agreement, if the audited consolidated net profit after tax of the Target Group attributable to the equity holders of the Target Company for the year ending 31 March 2014 as prepared in accordance with the Hong Kong Financial Reporting Standards and accounting policies of the Target Group without taking into account of any costs allocation from the Group after the Completion, any exceptional items or profit generated from the business other than the existing business of the Target Group (the "**2014 Actual Profit**") exceeds HK$14.8 million, the Company shall pay the Earn-out Consideration to the Vendors as calculated as follow:

Earn-out Consideration = (2014 Actual Profit – HK$14.8 million) x 13.34 x 75%

provided that the maximum amount of the Earn-out Consideration in any event shall not exceed HK$52 million.

The Earn-out Consideration (if any) shall be paid to the Vendors or their respective nominee(s) by way of issue of additional convertible bonds (the "**Earn-out Convertible Bonds**") to the Vendors (or their respective nominees(s)).

The following pro forma adjustments are to reflect the effect of the Acquisition on the unaudited pro forma consolidated statement of financial position of the Enlarged Group as if the Acquisition had taken place at 30 September 2013 and the effect of the Acquisition on the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group as if the Acquisition had taken place at 1 April 2012.

(i) The pro forma adjustment represents goodwill arising on the Acquisition as if the Acquisition had taken place at 30 September 2013:

	HK$'000
Fair value of net identifiable assets of the Target Group *(Note 4(ii))*	3,609
Non-controlling interest	(902)
Goodwill	195,119
Fair value of consideration transferred *(Note 4(iii))*	197,826

In order to assess whether there is any impairment on the intangible assets (note 4(ii)) and goodwill of the Enlarged Group as at 30 September 2013, the directors of the Company have appointed independent professional valuers, Roma Appraisals Limited ("**Roma**"), to perform an appraisal of the recoverable amounts of the cash-generating units of the Target Group as at 30 September 2013 in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"). The directors of the Company concluded that no impairment is required for the intangible assets and goodwill as stated in the unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 September 2013 in accordance with HKAS 36 which is consistent with the accounting policies of the Group.

The reporting accountants of the Company in respect of the Unaudited Pro Forma Financial Information of the Enlarged Group have enquired the management of the Group to ensure that the steps taken on the assessment of impairment on intangible assets and goodwill arising from the Acquisition have been performed in accordance with HKAS 36. On that basis, the Group concluded that no impairment in value of the intangible assets and goodwill arising from the Acquisition is considered necessary. The directors of the Company confirm that they will apply consistent accounting policies and principal assumptions for impairment assessment of intangible assets and goodwill arising from the Acquisition in subsequent reporting periods in accordance with the requirements of HKAS 36.

The reporting accountants conducted a review on the impairment assessment performed by the Company to the extent as required under paragraph 7.31(7) of the GEM Rules, Hong Kong Standard on Assurance Engagements (HKSAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA, and no adjustment is considered necessary after such review.

(ii) Upon Completion, the identifiable assets and liabilities of the Target Group would be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination" ("**HKFRS 3 (Revised)**") issued by the HKICPA.

The pro forma adjustments in relation to the fair value of net identifiable assets of the Target Group are summarised below:

	HK$'000
Net assets of the Target Group attributable to equity holders of the Target Company as extracted from the financial information of the Target Group as at 31 December 2013 set out on Appendix II to the Circular	34,478
Elimination of goodwill recognised by the Target Group	(64,854)
Fair value adjustment on intangible assets	40,700
Effect of deferred tax liabilities in relation to the fair value adjustment on intangible assets at tax rate of 16.5%	(6,715)
Fair value of net identifiable assets of the Target Group	3,609

The valuation of the intangible assets was carried out by Roma on the assumed date of Completion on 30 September 2013 based on income-based approach. Intangible assets include trademarks with indefinite useful lives.

For the purpose of preparation of unaudited pro forma consolidated statement of financial position, trademarks in sum of approximately HK$96,200,000 have been taken as their fair value as at 30 September 2013. The fair value adjustment of approximately HK$40,700,000 on intangible assets represents the difference between the fair value of approximately HK$96,200,000 and the net carrying amount of approximately HK$55,500,000 as at 31 December 2013 brought forward since the Target Group's business combinations in 2010.

The directors of the Company are of the opinion that the trademarks have indefinite useful lives as the trademarks are considered renewable at minimal costs, and the Enlarged Group would renew the trademarks continuously and has the ability to do so.

The fair value of the consideration of the Acquisition, the identifiable assets and liabilities of the Target Group and fair value of the consideration transferred will have to be reassessed upon Completion and as a result of the reassessment, the actual goodwill arising from the Acquisition may be different from the estimated amount as shown above.

(iii) The fair value of the consideration transferred as at 30 September 2013 are as follow:

	HK$'000
– Cash considerations	
Initial Deposit	5,500
SPA Deposit	30,000
Payable upon Completion	29,500
– Convertible bonds and Earn-out Convertible Bonds *(Note 4 (iv))*	132,826
	197,826

The fair value of the Convertible Bonds and Earn-out Convertible Bonds as at 30 September 2013 includes the effects of both Initial Consideration and Earn-out Consideration. To the best estimation of the directors of the Company, the final nominal consideration for the Acquisition is to be HK$200,000,000 which includes the Initial Consideration and Earn-out Consideration. The final consideration is estimated by the directors to be the maximum consideration payable to the Vendors for the Acquisition with the assumption that 2014 Actual Profit will be achieved for the purpose of estimating the fair values of the Earn-out Convertible Bonds.

For the purpose of unaudited pro forma consolidated statement of financial position, the aggregate amounts of HK$35,500,000 should be deducted from trade and other receivables of the Enlarged Group because the related Initial Deposit and SPA Deposit have been paid as of 30 September 2013; and the remaining cash consideration of HK$29,500,000 is deduced from the bank balances and cash of the Enlarged Group.

For the purpose of unaudited pro forma consolidated statement of cash flows, pro forma adjustment for the cash outflow for the Acquisition as if the Acquisition had taken place at 1 April 2012:

	HK$'000
Cash considerations paid for acquisition	(65,000)
Cash and bank balance acquired from the Target Group as at 1 April 2012	3,968
	(61,032)

(iv) For the purpose of preparation of unaudited pro forma consolidated statement of financial position, Convertible Bonds and Earn-out Convertible Bonds with aggregate fair value in the amount of approximately HK$132,826,000 should be assumed to be issued on 30 September 2013, as if the Acquisition had taken place at 30 September 2013.

The fair values of the Convertible Bonds and Earn-out Convertible Bonds on 30 September 2013 were assessed as follows:

	HK$'000
– Convertible Bonds:	
Liability component, net of call option component of the issuer# ("**Liability Component**")	53,259
Conversion component of the bondholders	30,122
– Earn-out Convertible Bonds	49,445
	132,826

Convertible Bonds comprise (i) Liability Component, and (ii) conversion component of the bondholders, which are accounted for separately as financial liability and equity respectively, on initial recognition. The Earn-out Convertible Bonds have been designated and accounted for as a financial liability at fair value through profit or loss. Earn-out Convertible Bonds and Liability Component of the Convertible Bonds are classified under non-current liabilities because the Enlarged Group is required to redeem the any outstanding amount of the Convertible Bonds and the Earn-out Convertible Bonds on the maturity date which is the third anniversary of the date of issue of the Convertible Bonds and the Earn-out Convertible Bonds, respectively.

For the purpose of preparation of unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, the Convertible Bonds and the Earn-out Convertible Bonds are assumed to be issued on 1 April 2012 as if the Acquisition had taken place at the same date. The relevant fair values of the Convertible Bonds and Earn-out Convertible Bonds on 1 April 2012 and as at 31 March 2013 were assessed as:

	1 April 2012	**31 March 2013**
	HK$'000	*HK$'000*
– Convertible Bonds:		
Liability Component	57,922	N/A*
Conversion component of the bondholders	25,361	N/A*
– Earn-out Convertible Bonds	49,391	46,925

* No fair value re-measurement is required.

The call option component of issuer is assessed to be closely related to the host debt contract.

The pro forma adjustments represent (a) the fair value change of Earn-out Convertible Bonds (i.e. financial liability at fair value through profit or loss) in the amount of approximately HK$2,466,000; and (b) the annual imputed interest on the liability component of the Convertible Bonds in the amount of approximately HK$7,519,000 for the year ended 31 March 2013 calculated using effective interest method at an imputed interest rate of 12.74% per annum. These adjustments will have a continuing effect on the Enlarged Group.

The conversion component of the holders of the Convertible Bonds ("**Bondholders**") represents the right of the Bondholders to convert the whole or part of the outstanding principal amount of the Convertible Bonds into the conversion shares, whilst the call option component of the issuer of the Convertible Bonds represents the right of the Company, at its discretion, to redeem the Convertible Bonds in whole or in part at any time prior to the maturity date of the Convertible Bonds.

The valuation of the convertible bonds was carried out by Roma. The fair value of the convertible bonds will have to be reassessed upon Completion and is therefore subject to change upon the Completion.

(v) The adjustment represents the elimination of the pre-acquisition reserves and share capital of the Target Group.

5. For the purpose of the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows, the pro forma adjustment represents payment of estimated acquisition-related costs (including fees to legal advisers, sponsor, joint financial advisers, reporting accountants, valuer, printer and other expenses) of approximately HK$7,000,000, which should be expensed in the consolidated statement of comprehensive income upon Completion in accordance with HKFRS 3 (Revised). The pro forma adjustment is not expected to have continuing effect on the Enlarged Group.

   For the purpose of unaudited pro forma consolidated statement of financial position, the estimated acquisition-related costs were satisfied by the decrease of cash and cash equivalents of HK$7,000,000.

6. For the purpose of the unaudited pro forma consolidated statement of financial position, the pro forma adjustments represent the reclassification of the amounts due from/to shareholders and directors to amounts due from/to related parties of the Target Group upon Completion.

   For the purpose of the unaudited pro forma consolidated statement of cash flows, the pro forma adjustments represent the reclassification of increase/decrease in amounts due from/to immediate holding company and directors to increase/decrease in amounts due/from related parties of the Target Group upon Completion.

II. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings of approximately HK$15,918,000, details of which are set out below:

	HK$'000
Current liabilities	
Other payables*	4,750
Amounts due to directors and shareholders of the Target Company^	8,086
Obligations of finance leases of the Target Group#	200
	13,036
Non-current liabilities	
Loan from a director of the Company*	2,469
Obligations of finance leases of the Target Group#	413
	2,882
Total borrowings	15,918

* Unsecured and interest-free

^ Unsecured, deemed interest-bearing at imputed interest rate range from 13.42% to 15.27% and repayable on demand

\# Secured by property, plant and equipment of the Target Group and interest-bearing at 2.75% to 3.25%

Contingent liabilities

As at 31 January 2014, the Enlarged Group had no material contingent liabilities.

Commitments

The Enlarged Group leases a number of properties as its office premises as well as its motor vehicles detailing and repair service centres under operating leases. Leases are negotiated and rentals are fixed for an average term of one to five years, and the leases for certain service centres include contingent rents, which are determined by applying pre-determined percentages to turnover less the basic rentals of the respective leases.

As at 31 January 2014, the total future minimum lease payments under non-cancellable lease contracts of the Enlarged Group are as follow:

	HK$'000
Not later than one year	20,462
Later than one year and not later than five years	10,845
	31,307

Other than disclosed above, as at 31 January 2014, the Enlarged Group had no other commitments.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 January 2014, the Enlarged Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as aforesaid, the Directors confirmed that there had been no material changes to the indebtedness and contingent liabilities of the Enlarged Group since 31 January 2014 and up to the Latest Practicable Date.

III. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that following the Completion, after taking into account the financial resources available to the Enlarged Group including the internally generated funds and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular, in the absence of unforeseeable circumstances.

IV. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group recorded an increase in turnover from continuing operations of approximately 50% to approximately HK$10.16 million for the six months period ended 30 September 2013 as compared to approximately HK$6.75 million for the corresponding period in 2012. The increase in turnover was mainly derived from the energy conservation (saving) and emission reduction ("**Energy Emission Reduction**") business, which is a new line of business developed by the Group under the resources/energy conservation business.

(i) Resources/Energy Conservation Business

During the 6 months period ended 30 September 2013, the unaudited turnover of this business segment amounted to approximately HK$10.16 million. The energy conservation (saving) and emission reduction is a new line of business developed by the Group. During the 6 months period ended 30 September 2013, the Group provided resources management services on the infrastructures or facilities for certain telecommunication operators in the PRC. The related projects were completed in Hubei (湖北) and Jiangsu (江蘇). The Energy Emission Reduction business has contributed a turnover of over HK$9.7 million.

In recent years, the PRC Government has highly emphasis on creating a nation-wide green energy/environment. Telecommunication operators and national enterprises are the large consumers of resources/energy in the PRC. Leveraging on the existing connections and infrastructure of the Group, the Group has engaged in the provision of resources/energy conservation products to telecommunication operators and national enterprises in the PRC. The Group is in advanced negotiation stage for provision of such products to China Unicom and national enterprises in several provinces in the PRC.

(ii) Electromagnetic Pulse Protection Business (the "EPP Business")

This business segment did not record any turnover for the 6 months period ended 30 September 2013, because most projects are still in progress to complete or in tendering stage.

The successful tenders of the EPP Business were awarded by from China United Network Communications Group Co., Ltd ("**China Unicom**") in Jilin (吉林) and Hubei (湖北) during the 6 months period ended 30 September 2013. The new projects for telecommunication operators are still in preparation stage. Management is optimistic in the upcoming results of the tenders and those new projects will commence in the coming quarters. With the established connection of the Group with China Unicom on the EPP business, the Group is well positioned to capture further growth in the future.

As lightning protection is important in maintaining the normal operation of facilities in a number of industries, especially the telecommunication industry, the electricity industry and wind power industry, the Group will continue to explore different market opportunities in these different industries to broaden the customer base and varieties.

The Enlarged Group would look for suitable investment opportunities from time to time to broaden the source of revenue and will continue to develop on the resource/energy conservation business, Energy Emission Reduction business and electromagnetic pulse protection business.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon full conversion of all of the Convertible Bonds and the Earn-out Convertible Bonds will be as follows:

Authorised:		*HK$*
20,000,000,000	Shares	200,000,000
Issued, fully paid or credited as fully paid:		
441,817,348	Shares in issue as at the Latest Practicable Date	4,418,173.48
96,511,626	Conversion Shares to be issued assuming full conversion of the Convertible Bonds	965,116.26
60,465,114	Conversion Shares to be issued assuming full conversion of the Earn-out Convertible Bonds	604,651.14
598,794,088	Total Shares in issue upon full conversion of all of the Convertible Bonds and the Earn-out Convertible Bonds	5,987,940.88

3. DISCLOSURE OF INTERESTS

(i) Directors' interests

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(a) Long positions in the Shares

Name of Director	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Mr. Wu Zhinan	Beneficial	5,900,000(L)	1.34%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates (within the meaning of the GEM Listing Rules) had any interests and short positions in the shares, debentures or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of the Company which had an interest or short position in the Shares, debentures or underlying shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

(ii) Substantial Shareholders' interests

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company were as follows:

Long positions in the Shares

Name of Shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Starryland Profits Limited *(Note 1)*	Beneficial	51,960,702(L)	11.76%
Mr. Lau Kim Hung, Jack *(Note 1)*	Interests in controlled corporation	51,960,702(L)	11.76%
	Beneficial	672,480(L)	0.15%
	Deemed	322,000(L)	0.07%
Ms. Chan Yiu Kan, Katie *(Note 1)*	Deemed	52,633,182(L)	11.91%
	Beneficial	322,000(L)	0.07%

Note:

1. Starryland Profits Limited, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau Kim Hung, Jack ("**Mr. Lau**"). Mr. Lau is deemed to be interested in 51,960,702 Shares held by Starryland Profits Limited. In addition, by virtue of being the spouse of Ms. Chan Yiu Kan Katie ("**Ms. Chan**"), he is also deemed to be interested in 322,000 Shares held by Ms. Chan.

   Ms. Chan, being the spouse of Mr. Lau, is deemed to be interested in 51,960,702 Shares held by Starryland Profits Limited and 672,480 Shares held by Mr. Lau.

   Mr. Lau and Ms. Chan is the father-in-law and the mother-in-law of Mr. Tsang Ho Ka, Eugene, the Company's chairman and non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party. As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 March 2013, the date to which the latest published audited financial statements of the Group were made up.

(b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group since 31 March 2013, being the date to which the latest published audited financial statements of the Group were made up, and which was significant in relation to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates, the controlling shareholder and/or substantial shareholder and their respective associates of the Company and the Target Group were considered to have an interest in a business which competes or is likely to compete or have any other conflict of interest, either directly or indirectly, with the business of the Enlarged Group.

7. MATERIAL CONTRACTS

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

(i) the loan agreement dated 30 December 2011 (as supplemented by the supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among the shareholders of 北京智勝環宇科技有限公司 (unofficial English name as Beijing Outwitting Huanyu Technology Company Limited#) ("**Outwitting Huanyu**") and 北京瑞斯康柏科技有限公司 (unofficial English name as Beijing Reese Compaq Technology Company Limited#) ("**Reese Compaq**") in relation to an interest free loan in the aggregate amount of not more than RMB12 million for a term of 5 years;

(ii) the share charge dated 30 December 2011 (as supplemented by supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among the shareholders of Outwitting Huanyu and Reese Compaq, pursuant to which the shareholders pledged their entire equity interests in Outwitting Huanyu to Reese Compaq for securing the repayment obligations of the shareholders of Outwitting Huanyu under the loan agreement as mentioned in (i) above;

(iii) the exclusive share purchase agreement dated 30 December 2011 (as supplemented by supplemental agreements dated 12 April 2012 and 16 April 2012) entered into among Reese Compaq and the shareholders of Outwitting Huanyu in relation to the purchase of all (or part) of the shareholders' equity interest in Outwitting Huanyu for a period of 5 years (extendable at the option of Reese Compaq), for a consideration which will be determined based on the higher of the outstanding loan amount under the loan agreement (with an amount of not more than RMB12 million) as mentioned in (i) above and the minimum amount of consideration as permissible under the then PRC laws and regulations, which will be determined at the time of execution;

(iv) the conditional agreement dated 13 January 2012 entered into among Power Chance Holdings Limited a wholly-owned subsidiary of the Group, as purchaser, Brilliant Bloom Investments Limited as vendor, Mr. Ng Yui Wah Sonny and Mr. Wu Zhi Nan as guarantors in relation to the acquisition of the 55% equity interests in Boomtech Limited for a total consideration of HK$60,400,000;

for identification purposes only

(v) the sale and purchase agreement dated 2 March 2012 entered into between Upper Power Limited, a wholly-owned subsidiary of the Company, as vendor and Richwheel Investments Limited, as purchaser in relation to the disposal of 55% equity interests in and loan indebted by Great Plan Group Limited to the Group at an aggregate consideration of HK$123,000;

(vi) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Advantage Horizon Limited as subscriber and Mr. Ong Chor Wei as guarantor for the subscription of 80,000,000 non-listed warrants at HK$0.005 each, which entitle the holders to subscribe for one Share at the subscription price of HK$0.085 (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;

(vii) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Total Accord Investments Limited as subscriber and Mr. Lam Chi Chung Tommy as guarantor for the subscription of 80,000,000 non-listed warrants at HK$0.005 each, which entitle the holders to subscribe for 80,000,000 Shares at the subscription price of HK$0.085 (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;

(viii) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Precise Gains Limited as subscriber and Mr. So Kui Kuen Peter as guarantor for the subscription of 60,000,000 non-listed warrants at HK$0.005 each, which entitle the holders to subscribe for 60,000,000 Shares at the subscription price of HK$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants;

(ix) the warrant subscription agreement dated 12 July 2012 entered into among the Company as issuer, Greenmile Developments Limited as subscriber and Mr. Lee Chun Kun Gary as guarantor for the subscription of 50,000,000 non-listed warrants at HK$0.005 each which entitle the holders to subscribe for 50,000,000 Shares at the subscription price of HK$0.085 each (subject to adjustments) for a period of 36 months commencing from the date of issue of the non-listed warrants; the net proceeds from the warrant subscription agreements combining (vi), (vii) and (viii) above and this (ix) are approximately HK$1 million and the net proceeds from the subscription of new Shares under the warrants are approximately HK$22.95 million;

(x) the subscription agreement dated 12 September 2012 entered into between China Optic Communication Technology Limited ("**China Optic**") as issuer, Millennium Eagle Limited as investor and Mr. Yip Yung Kan as guarantor in relation to the subscription of approximately 4.85% equity interests in China Optic (as enlarged by the allotment and issue of shares in China Optic) for a total consideration of HK$7,000,000;

(xi) the underwriting agreement dated 11 December 2012 entered into among the Company as issuer and Colors Securities Limited as the underwriter in relation to the open offer of 997,897,828 offer shares at HK$0.025 per share on the basis of one offer share for every two then existing shares and was completed on 1 February 2013;

(xii) the top-up placing and subscription agreement dated 28 February 2013 entered into among the Company as issuer, Starryland Profits Limited as the subscriber, and Cheong Lee Securities Limited as the placing agent in relation to the top-up placing and top-up subscription of 345,000,000 placing shares at the price of HK$0.072 per placing share and was completed on 12 March 2013 with a net proceeds of approximately HK$24.07 million;

(xiii) the placing agreement dated 28 February 2013 entered into among the Company as issuer and Cheong Lee Securities Limited as the placing agent in relation to the placing of 349,480,000 new shares at the price of HK$0.072 per placing share and was completed on 17 April 2013 with a net proceeds of approximately HK$24.28 million;

(xiv) the top-up placing and subscription agreement dated 28 August 2013 entered into among the Company as issuer, Starryland Profits Limited as the subscriber, and Cheong Lee Securities Limited as the placing agent in relation to the top-up placing and top-up subscription of 41,000,000 placing shares at the price of HK$0.85 per placing share and was completed on 10 September 2013 with a net proceeds of approximately HK$32.61 million;

(xv) the placing agreement dated 28 August 2013 entered into among the Company as issuer and Cheong Lee Securities Limited as the placing agent in relation to the placing of 32,000,000 new shares of the Company at the price of HK$0.85 per placing share and was completed on 16 September 2013 with a net proceeds of approximately HK$26.17 million; and

(xvi) the Agreement.

8. LITIGATION

As at the Latest Practicable Date, none of the member of the Enlarged Group was involved or may become a party in any material litigation and the Directors were not aware of any potential claims to be pending or threatened by or against any member of the Enlarged Group that would affect the Enlarged Group's financial and operational positions.

9. EXPERTS AND CONSENTS

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

Name	Qualification
BDO Limited ("**BDO**")	Certified Public Accountants

BDO has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or references to its name in the form and context in which it appears as at the Latest Practicable Date.

As at the Latest Practicable Date, BDO did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, BDO did not have any direct or indirect interests in any assets which had been since 31 March 2013, the date of which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any members of the Enlarged Group.

10. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business of the Company in Hong Kong is situated at Unit 1603, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(c) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited situated at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effective from 31 March 2014).

(d) The company secretary of the Company is Mr. Law Ho Ming. He is currently an associate member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(e) The compliance officer of the Company is Mr. Chan Francis Ping Kuen, who is the executive director and deputy chairman of the Company, holds a bachelor's degree in economics from the University of Sydney in Australia. He is an associate member of the Institute of Chartered Accountants in Australia and also a member of the Hong Kong Institute of Certified Public Accountants. He is also an independent non-executive director of Sinocop Resources (Holdings) Limited (stock code: 476) and Earnest Investments Holdings Limited (stock code: 339), both companies are listed on main board of the Stock Exchange.

(f) The audit committee of the Company, which was set up for the purpose of renewing and providing supervision over the financial reporting and internal control of the Group, comprises the four independent non-executive Directors, Mr. Kwok Chi Sun, Vincent, Mr. Yeung Kam Yan, Mr. Cheung Chi Hwa, Justin and Mr. Tam Chak Chi. Set out below are their background and directorships (present and past) of other companies listed on GEM, the main board of the Stock Exchange or other stock exchanges.

Mr. Kwok Chi Sun, Vincent, aged 51, who is also appointed as the chairman of the audit committee, the remuneration committee and the nomination committee, is the sole proprietor of Vincent Kwok & Co. and is a Certified Public Accountant. He is also an independent non-executive director of six other listed companies in Hong Kong, i.e. Shun Ho Resources Holdings Limited (stock code: 253), Shun Ho Technology Holdings Limited (stock code: 219), Magnificent Estates Limited (stock code: 201), Evergreen International Holdings Limited (stock code: 238) and China Digital Culture (Group) Limited (stock code: 8175) (formerly known as China Digital Licensing (Group) Limited), the former four named companies are listed on Main Board of the Stock Exchange while the last named company is listed on GEM. He was the independent non-executive director of Emperor Capital Group Limited (stock code: 717) which is listed on the Main Board of the Stock Exchange.

Mr. Yeung Kam Yan, aged 61, who is also appointed as a member of the audit committee, the remuneration committee and the nomination committee, is a member of the Air & Waste Management Association-Hong Kong Section. Mr. Yeung has over 10 years of experience in accounting, sales and marketing in different international companies including Olivetti (Hong Kong) Ltd. from 1979 to 1982, O.P.D. Limited from 1982 to 1985 and Henry Boot Far East Limited from 1986 to 1990. Mr. Yeung also operated his own trading and investment business in the PRC from 1990 to 1998.

Mr. Cheung Chi Hwa, Justin, aged 60, who was also appointed as a member of the audit committee, the remuneration committee and the nomination committee, holds a bachelor degree of laws from the Manchester Metropolitan University in the United Kingdom, a master degree of laws from University of London in the United Kingdom and a master of business administration degree from California State University in the United States. Mr. Cheung is a member of the American Institute of Certified Public Accountants and has over 20 years of banking, accounting and company secretarial experiences. Mr. Cheung was previously an executive director of Ming Kei Holdings Limited (Stock code: 8239) and an independent non-executive director of Richfield Group Holdings Limited (Stock code: 183) respectively. The former named company is listed on GEM while the latter named company is listed on the Main Board of the Stock Exchange.

Mr. Tam Chak Chi, aged 37, who was also appointed as a member of audit committee, remuneration committee and nomination committee, holds a bachelor's degree of commerce from the University of Toronto. He has more than 10 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies (the shares of which have been listed on the main board and the GEM as well as NASDAQ). He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the international associate of the American Institute of Certified Public Accountants. He was previously an executive director of Seamless Green China (Holdings) Limited (stock code: 8150), a company listed on the GEM. He is currently the company secretary of a company listed on GEM.

(g) In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text thereof.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1603, 16/F, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong, during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the accountants' report of Target Group, the text of which is set out in Appendix II of this circular;

(d) the accountants' assurance report in respect of the unaudited pro forma financial information on the Enlarged Group, the text of which is set out in Appendix III of this circular;

(e) the annual reports of the Company for the two years ended 31 March 2012 and 31 March 2013 respectively and the interim report for the 6-month period ended 30 September 2013;

(f) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix; and

(g) this circular.

Rising Power Group Holdings Limited
昇力集團控股有限公司*

(formerly known as "China Neng Xiao Technology (Group) Limited 中國能效科技(集團)有限公司")
(Incorporated in Bermuda with limited liability)
(Stock Code: 8047)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of Rising Power Group Holdings Limited (the "**Company**") will be held at Unit 1603, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Tuesday, 22 April 2014 at 10:30 a.m. for the purposes of considering and, if thought fit, passing with or without amendments, the following resolution as of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional sale and purchase agreement (the "**Agreement**") dated 8 September 2013 (as amended by the supplemental agreements dated 12 September 2013, 8 November 2013 and 30 January 2014 respectively) and entered into among (i) Star Engine Company Limited, an indirect wholly-owned subsidiary of the Company as purchaser, (ii) Lofty East Limited, Wong Wai Sing, Creation Era Limited and Davisons Investment Limited as vendors and (iii) Kwok Ying Ming, Lam Man Kuen and Cheung Kai Ming as guarantors in relation to the sale and purchase of 75% of the entire share capital of Hong Kong Automobile Restoration Group Limited (a copy of which is marked "A" and produced to the SGM and signed by the chairman of the SGM for identification purpose) and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved;

(b) the issue of the convertible bonds (the "**Convertible Bonds**") in the principal amount of HK$83 million and the additional convertible bonds (the "**Earn-out Convertible Bonds**") of maximum principal amount of HK$52 million by the Company to the Vendors pursuant to the terms and conditions of the Agreement be and is hereby approved;

(c) the allotment and issue of new ordinary shares (the "**Conversion Shares**") of HK$0.01 each in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Bonds and the Earn-out Convertible Bonds pursuant to the terms of the Convertible Bonds and the Earn-out Convertible Bonds be and is hereby approved; and

* *for identification purpose only*

(d) any one or more of the directors (the "**Directors**") of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents for the purpose of, or in connection with, the implementation of and giving effect to the Agreement, including but not limited to the issue of the Convertible Bonds, the issue of the Earn-out Convertible Bonds, and the allotment and issue of the Conversion Shares which may fall to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds and the Earn-out Convertible Bonds and the transactions ancillary thereto and of administrative nature which he/they consider necessary, desirable or expedient."

By order of the Board
Rising Power Group Holdings Limited
Mr. Tsang Ho Ka, Eugene
Chairman and Non-executive Director

Hong Kong, 20 March 2014

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Unit 1603, 16/F
Tower 1, Silvercord
30 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Notes:

1. All resolutions at the SGM will be taken by poll pursuant to the GEM Listing Rules and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.

2. Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, with effective from 31 March 2014) not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the SGM or any adjournment thereof in cases where the SGM was originally held within 12 months from such date.

6. Where there are joint holders of any shares, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the SGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

8. Pursuant to the GEM Listing Rules, the voting on the ordinary resolutions at the SGM will be conducted by way of poll.