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## THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Acceptance Form or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Sanroc International Holdings Limited, you should at once hand this Composite Document and the accompanying Acceptance Form to the purchaser(s) or the transferee(s) or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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

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### BOARDWIN RESOURCES LIMITED

*(Incorporated in the BVI with limited liability)*

### Sanroc International Holdings Limited

善樂國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock code: 1660)

**COMPOSITE DOCUMENT RELATING TO  
UNCONDITIONAL MANDATORY CASH OFFER  
BY WELL LINK SECURITIES LIMITED  
FOR AND ON BEHALF OF BOARDWIN RESOURCES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
SANROC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY  
BOARDWIN RESOURCES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

**Joint financial advisers to  
Boardwin Resources Limited**



**Financial adviser to  
Sanroc International Holdings Limited**



**Independent Financial Adviser to the Independent Board Committee**



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

A letter from Well Link Securities containing, among other things, details of the terms of the Offer are set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 19 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Offer to the Independent Shareholders is set out on pages 20 to 21 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee is set out on pages 22 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Acceptance of the Offer must be received by the Registrar, namely, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no later than 4:00 p.m. on Wednesday, 11 April 2018 or such later time and/or the date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Acceptance Form to any jurisdiction outside Hong Kong should read the details in this regard as contained in the section headed "Important notices" in this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes due in respect of such jurisdiction. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.sanrochk.com](http://www.sanrochk.com) as long as the Offer remains open.

21 March 2018

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## EXPECTED TIMETABLE

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*The timetable sets out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable. All references to times and dates contained in this Composite Document are to Hong Kong time and dates.*

Despatch date of this Composite Document and the accompanying Acceptance Form ( <i>Note 1</i> ) . . . . .	Wednesday, 21 March 2018
Offer opens for acceptance ( <i>Note 2</i> ) . . . . .	Wednesday, 21 March 2018
Latest time and date for acceptance of the Offer ( <i>Notes 2, 4, 5 and 6</i> ) . . . . .	4:00 p.m. on Wednesday, 11 April 2018
Closing Date ( <i>Note 2</i> ) . . . . .	Wednesday, 11 April 2018
Announcement of the results of the Offer on the website of the Stock Exchange and the website of the Company ( <i>Note 2</i> ) . . . . .	by 7:00 p.m. on Wednesday, 11 April 2018
Latest date of posting of remittances in respect of valid acceptances received on or before the latest time for acceptance of the Offer ( <i>Notes 3 and 6</i> ) . . . . .	Friday, 20 April 2018

*Notes:*

1. The Offer, which is unconditional in all respects, is made on Wednesday, 21 March 2018 (being the date of this Composite Document) and are capable of acceptance on and from that date until the Closing Date.
2. The latest time for acceptance of the Offer is 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange and the website of the Company by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended or has expired. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of all the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance to render the acceptance under the Offer complete and valid.
4. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "6. Right of withdrawal" in Appendix I to this Composite Document.

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## EXPECTED TIMETABLE

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5. Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements for causing instructions to be made to CCASS. Further details in this regard have been set out in Appendix I to this Composite Document.
6. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
  - (i) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer or the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, in which cases the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will remain at 4:00 p.m. on the same Business Day; or
  - (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer or the latest date for posting of remittance for the amounts due under the Offer in respect of valid acceptances, in which cases the latest time for acceptance of the Offer or the posting of remittances, as the case may be, will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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## **IMPORTANT NOTICES**

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### **NOTICE TO THE OVERSEAS SHAREHOLDERS**

The making of the Offer to persons with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws and regulations of the relevant jurisdictions. Overseas Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements and, where necessary, seek independent legal advice. It is the responsibility of any such person who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities or legal requirements, and the payment of any transfer or other taxes or other required payments due in respect of such jurisdiction. Any acceptance by any Shareholders will be deemed to constitute a representation and warranty from such Shareholders to the Offeror that the local laws and requirements have been complied with. The Shareholders should consult their professional advisers if in doubt. Please refer to the section headed “Overseas Shareholders” in the letter from Well Link Securities contained in this Composite Document and the section headed “7. Overseas Shareholders” in Appendix I to this Composite Document.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The Offeror and the Company assume no obligation and do not intend to update these forward-looking statements, except as required pursuant to applicable laws.

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## DEFINITIONS

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*In this Composite Document, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings.*

“Acceptance Form”	the form of acceptance and transfer for the Offer Shares
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Agreement”	the sale and purchase agreement dated 24 February 2018 entered into among the Offeror, the Vendor, and Mr. Siu Chun Yiu Jonathan (being the Vendor’s Guarantor) in relation to the acquisition of the Sale Shares by the Offeror from the Vendor
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Business Day(s)”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Closing Date”	Wednesday, 11 April 2018, being the closing date of the Offer or any subsequent closing date of the Offer as may be extended or revised in accordance with the Takeovers Code
“Company”	Sanroc International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1660)
“Completion”	completion of the sale and purchase of the Sale Shares under the Agreement
“Composite Document”	this composite offer and response document dated 21 March 2018 jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer in compliance with the Takeovers Code
“Director(s)”	director(s) of the Company from time to time

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## DEFINITIONS

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“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
“Facility”	a loan facility granted by Hui’s (HK) Credit as lender to the Offeror as borrower for financing the Offer
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hui’s (HK) Credit”	Hui’s (HK) Credit Limited, a licensed money lender to conduct business as a money lender in Hong Kong under the Money Lenders Ordinance and controlled by Mr. Hui Chor Tak (許楚德先生), who is one of the shareholders and directors of the Offeror
“Independent Board Committee”	the independent committee of the Board, comprising all the non-executive Director and the independent non-executive Directors (other than Ms. Chen Huiling), who have no direct or indirect interest in the Offer, established for the purpose of advising the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer
“Independent Financial Adviser” or “Beijing Securities”	Beijing Securities Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee in relation to the Offer
“Independent Shareholders”	Shareholders other than the Offeror, parties acting in concert with it and those who are involved in or interested in the Offer
“Joint Announcement”	the announcement dated 1 March 2018 jointly issued by the Company and the Offeror in respect of, among other things, the Offer

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## DEFINITIONS

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“Last Trading Day”	23 February 2018, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	16 March 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Ms. Zhang”	Ms. ZHANG Meijuan, being a shareholder and a director of the Offeror and a party acting in concert with the Offeror according to the definition of “acting in concert” under the Takeovers Code
“Offer”	the unconditional mandatory cash offer being made by Well Link Securities on behalf of the Offeror to acquire the Offer Shares on the terms and conditions set out in this Composite Document and in compliance with the Takeovers Code
“Offer Period”	the period commencing on 1 March 2018, being the date of the Joint Announcement, up to and including the Closing Date
“Offer Share(s)”	the Share(s) subject to the Offer, being all the issued Share(s) other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Boardwin Resources Limited, a company incorporated in the BVI with limited liability, being the purchaser of the Sale Shares under the Agreement and the offeror in respect of the Offer
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) as shown on the register of members of the Company is/are outside Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan



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## DEFINITIONS

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“Registrar”	Tricor Investor Services Limited, being the Hong Kong branch share registrar of the Company
“Relevant Period”	the period commencing on the date falling six months preceding 1 March 2018, being the date of commencement of the Offer Period, up to and including the Latest Practicable Date
“Sale Share(s)”	an aggregate of 640,000,000 Shares, representing 51.65% of the issued share capital of the Company as at the Latest Practicable Date, acquired by the Offeror from the Vendor pursuant to the terms and conditions of the Agreement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Offer Price”	the cash amount of HK\$0.4843 per Offer Share payable by the Offeror to the Independent Shareholders accepting the Offer
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Vendor”	Lion Spring Enterprises Limited, a company incorporated in the BVI with limited liability, being the vendor of the Sale Shares under the Agreement and the company is legally and beneficially owned by Ms. Wong Fei Heung Terbe, as to 22.87%, and by Diamond Vista Holdings Limited, which in turn is wholly owned by BNP Paribas Singapore Trust Corporation Limited as the Trustee for the JANTS Trust, with Ms. Wong Fei Heung Terbe as the settlor and one of the beneficiaries, as to 77.13%
“Vendor’s Guarantor”	Mr. Siu Chun Yiu Jonathan

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## DEFINITIONS

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“Well Link International Capital”	Well Link International Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and a joint financial adviser to the Offeror in respect of the Offer
“Well Link Securities”	Well Link Securities Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO and the agent making the Offer on behalf of the Offeror
“ZTI Capital”	Zhongtai International Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and a joint financial adviser to the Offeror in respect of the Offer
“%”	per cent.

*\* The English translation of the Chinese name denoted in this Composite Document is for illustration purpose only. Should there be any inconsistencies, the Chinese name shall prevail.*

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## LETTER FROM WELL LINK SECURITIES

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Unit 16–18, 11/F  
China Merchants Tower  
Shun Tak Centre  
168–200 Connaught Road  
Central, Hong Kong

21 March 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER  
BY WELL LINK SECURITIES LIMITED  
FOR AND ON BEHALF OF BOARDWIN RESOURCES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
SANROC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY  
BOARDWIN RESOURCES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### INTRODUCTION

Reference is made to the Joint Announcement. On 24 February 2018, the Vendor (being seller), Mr. Siu Chun Yiu Jonathan (being Vendor's Guarantor) and the Offeror (being purchaser) entered into the Agreement, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares for a consideration of HK\$309,927,360, equivalent to approximately HK\$0.4843 per Sale Share (rounded to 4 decimal places). Other than the consideration payable under the Agreement, there is no other consideration, compensation or benefit in whatever form provided by the Offeror or its concert parties to the Vendor or its concert parties. Completion took place on 27 February 2018.

Prior to Completion, save for an aggregate of 60,528,000 Shares held by Ms. Zhang, who is a party acting in concert with the Offeror according to the definition of "acting in concert" under the Takeovers Code, the Offeror and parties acting in concert with it did not own any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own a total of 700,528,000 Shares, representing approximately 56.54% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it.

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## LETTER FROM WELL LINK SECURITIES

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We, Well Link Securities, are making the Offer for and on behalf of the Offeror.

This letter forms part of this Composite Document and sets out, among other things, the principal terms of the Offer, the information on the Offeror and its intention in relation to the Company. Further details of the Offer are set out in Appendix I to this Composite Document and in the accompanying Acceptance Form. Your attention is also drawn to information contained in the letter from the Board, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendices set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

### THE OFFER

#### Principal terms of the Offer

The Offer is being made by Well Link Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.4843 in cash**

The Share Offer Price of HK\$0.4843 per Offer Share is the same as the price per Sale Share at which the Sale Shares are agreed to be acquired by the Offeror under the Agreement.

As at the Latest Practicable Date, the Company had 1,239,000,000 Shares in issue. The Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares or other types of equity interest, and had not entered into any agreement for the issue of such securities, options, derivatives or warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Shares as at the Latest Practicable Date.

The Offer is unconditional in all respects.

#### Comparison of value

The Share Offer Price of HK\$0.4843 per Offer Share represents:

- (i) a discount of approximately 72.01% to the closing price of HK\$1.730 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 0.90% over the closing price of HK\$0.480 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 0.27% over the average closing price of approximately HK\$0.483 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM WELL LINK SECURITIES

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- (iv) a premium of approximately 2.17% over the average closing price of approximately HK\$0.474 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 3.04% to the average closing price of approximately HK\$0.470 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately 126.94% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.2134 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 September 2017.

### **Highest and lowest Share prices**

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.750 per Share on 15 March 2018, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.241 per Share on 6 September 2017.

### **Value of the Offer**

As at the Latest Practicable Date, there were 1,239,000,000 Shares in issue. Based on the Share Offer Price of HK\$0.4843 per Offer Share, the entire issued share capital of the Company is valued at HK\$600,047,700. Taking into account the 700,528,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it (including the 60,528,000 Shares held by Ms. Zhang, which are subject to an irrevocable undertaking), a total of 538,472,000 Shares will be subject to the Offer.

Based on the Share Offer Price of HK\$0.4843 per Offer Share and a total of 538,472,000 Offer Shares, the value of the Offer amounts to HK\$260,781,990.

### **Confirmation of financial resources available for the Offer**

The Offeror intends to finance the maximum cash consideration payable under the Offer of HK\$260,781,990 by the Facility granted by Hui's (HK) Credit for the purpose of financing the Offer. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the Facility will depend to any significant extent on the business of the Company.

Well Link International Capital and ZTI Capital, being the joint financial advisers to the Offeror in respect of the Offer, are satisfied that there are sufficient financial resources available to the Offeror to satisfy the amount of funds required for full acceptance of the Offer.

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## LETTER FROM WELL LINK SECURITIES

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### **Effect of accepting the Offer**

The acceptance of the Offer by the Shareholders will constitute warranties by such Shareholders to the Offeror that the Shares acquired under the Offer are fully paid, free from all mortgages, charges, pledges, liens, options, restrictions, rights of first refusal, encumbrances, rights of pre-emption, security interest and any other third party rights or interests of any nature and together with all rights attaching to them including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date on which the Offer is made, being the date of this Composite Document.

The Offer is being made in compliance with the Takeovers Code which is administered by the Executive. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

### **Stamp duty**

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptance of the Offer, amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to such Shareholders who accept the Offer. The Offeror will bear its own portion of the buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, and will be liable to account to the Stamp Office of Hong Kong for the stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed Acceptance Form and the relevant documents of title of the Offer Shares in respect of such acceptances are received by the Offeror or its agent acting on behalf of it to render each of such acceptance complete and valid pursuant to the Takeovers Code.

### **Taxation advice**

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications in relation to acceptance and rejection of the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Well Link Securities, Well Link International Capital, ZTI Capital and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accept responsibility for any taxation on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

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## LETTER FROM WELL LINK SECURITIES

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### Overseas Shareholders

The Offer is available to all Independent Shareholders including Overseas Shareholders. The Offer is made in respect of a company in the Cayman Islands and will be subject to the procedural and disclosure requirements of Hong Kong, which may be different from other jurisdictions. Overseas Shareholders who wish to accept the Offer will also be subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer.

It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal and/or regulatory requirements and the payment of any transfer or other taxes due by such overseas Shareholders in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders should consult their professional advisers if in doubt.

### Acceptance and Settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Acceptance Form.

**Independent Shareholders are reminded to read the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in respect of the Offer and the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer which is included in this Composite Document before making decision as regards the Offer.**

### DEALING AND INTEREST IN THE COMPANY'S SECURITIES

During the Relevant Period, save for the Sale Shares, the Offeror and parties acting in concert with it had dealt in the Shares as follows:

Relevant party	Date 2017	Nature of dealing	Number of Shares involved	Price per Share HK\$
Ms. Zhang	4 December	Purchase	27,504,000	0.4050
Ms. Zhang	1 December	Purchase	24,008,000	0.4150
Ms. Zhang	3 November	Purchase	3,544,000	0.4150
Ms. Zhang	3 November	Purchase	2,480,000	0.4200
Ms. Zhang	3 November	Purchase	2,992,000	0.4300

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## LETTER FROM WELL LINK SECURITIES

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Save for the above and the Agreement, none of the Offeror, its ultimate beneficial owner and parties acting in concert with any of them had dealt in the Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

### IRREVOCABLE UNDERTAKING

Ms. Zhang has provided an irrevocable and unconditional undertaking to the Offeror that Ms. Zhang will not (i) dispose of and/or pledge to any other parties and/or transfer and/or otherwise make 60,528,000 Shares, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date available for acceptance for the Offer, from the date of such undertaking to the close of the Offer; and (ii) accept the Offer in respect of these 60,528,000 Shares.

### INFORMATION ON THE OFFEROR

The Offeror was incorporated on 15 January 2018 in the BVI with limited liability and is legally and beneficially owned as to 76% by Mr. XU Chujia (許楚家先生), 8% by Mr. XU Chusheng (許楚勝先生), 6% by Mr. HUI Chor Tak (許楚德先生), 5% by Ms. Zhang, 2% by Ms. XU Jiaoli (許嬌麗女士), 2% by Mr. XU Weizhen (許偉圳先生) and 1% by Ms. XU Weixia (許為霞女士). The Offeror is an investment holding company that has not engaged in any business since its formation, other than to enter into the Agreement.

The directors of the Offeror are Mr. Xu Chujia (許楚家先生), Mr. Hui Chor Tak (許楚德先生), Ms. Zhang, Ms. Xu Jiaoli (許嬌麗女士) and Mr. Xu Weizhen (許偉圳先生).

Set out below are the biographical details of the Offeror's Shareholders:

Mr. XU Chujia (許楚家先生), aged 47, has over 12 years of business experience. Mr. Xu Chujia is a director of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*). 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*) is a company engaged in property development and business investments in the PRC. Mr. Xu Chujia is the spouse of Ms. Zhang.

Mr. XU Chusheng (許楚勝先生), aged 52, has over 12 years of business experience. Mr. Xu Chusheng is a supervisory member of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*).

Mr. HUI Chor Tak (許楚德先生), aged 57, has over 12 years of business experience. Mr. Hui is a director of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*). Mr. Hui is also a director of Hui's Finance Group Holdings Limited, a company engaged in money lending in Hong Kong. In addition, he is a director of Well Link Securities Limited, a company engaged in securities brokerage in Hong Kong.



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## LETTER FROM WELL LINK SECURITIES

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Ms. Zhang, aged 38, is a director of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*). Ms. Zhang is the spouse of Mr. Xu Chujia.

Ms. XU Jiaoli (許嬌麗女士), aged 38, is a director of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*).

Mr. XU Weizhen (許偉圳先生), aged 27, is a director of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*). Mr. Xu Weizhen obtained his bachelor's degree in finance management from 北京經濟管理學院 (Beijing School of Economics and Management\*) in July 2013.

Ms. XU Weixia (許為霞女士), aged 33, is a finance manager of 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*).

### INTENTION OF THE OFFEROR ON THE COMPANY

As detailed in the letter from the Board contained in this Composite Document, the Group's business comprises (i) trading of construction machinery, which mainly consists of foundation machinery and drilling accessories; (ii) leasing of construction machinery, including mainly power and energy machinery; and (iii) the provision of local transportation services with crane lorries.

The Offeror intends to continue the existing principal activities of the Group. The Offeror has no intention to terminate the employment of any senior management personnel of the Group, including the chief executive officer, the chief financial officer and the general manager. The Offeror is inclined to work together with the senior management of the Group and to leverage on their expertise and experience to further promote the growth of the Group. The Offeror has no intention to introduce any major changes to the employment of the employees of the Group. Following completion of the Offer, the Offeror will conduct a detailed review on the existing business operations as well as the financial position of the Group. Based on the results of the review, the Offeror will (i) formulate appropriate and specific business plans or strategies for the Group's future development; and (ii) identify suitable investment projects and explore business opportunities with a view to achieving better growth potential for as well as strengthening the financial position of the Group. To help maintain and further develop the business of the Group, the Offeror may recruit suitable candidates. As at the Latest Practicable Date, the Offeror had no concrete plan for any acquisition or disposal of the existing assets or business of the Group. The Offeror had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any scaling-down of the Group's existing businesses and/or injection of any new business to the Group as at the Latest Practicable Date.

### WARRANTIES AND UNDERTAKINGS

Pursuant to the Agreement, the Vendor and the Vendor's Guarantor have jointly and severally given warranties to the Offeror which are customary in the circumstances, in respect of, among other things, the legal status, financial conditions, business, operations and assets in relation to the Group.

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## **LETTER FROM WELL LINK SECURITIES**

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Pursuant to the Agreement, the Vendor and the Vendor's Guarantor have jointly and severally undertaken that unless otherwise provided or permitted in the Agreement, they will use their reasonable endeavours to procure the business of the Group to be operated on a normal basis in the ordinary course of business from the date of the Agreement up to Completion. In addition, the Vendor's Guarantor undertakes that so far as he remains as a director or a member of the management of the Group, he will use his reasonable endeavours to procure the Group to cooperate with the Offeror to ensure the Group can carry on business smoothly through and after the Completion.

### **MAINTAINING THE LISTING STATUS OF THE COMPANY**

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Main Board of the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally irrevocably undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **PROPOSED CHANGE OF THE BOARD COMPOSITION**

As at the Latest Practicable Date, the Board comprised five executive Directors, namely, Mr. Siu Chun Yiu Jonathan, Ms. Wong Fei Heung Terbe, Ms. Yip Kam Ling, Mr. Ho King Chiu and Ms. Cheng Shing Yan; one non-executive Director, namely, Ms. Chen Huiling; and three independent non-executive Directors, namely, Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Mr. Li Ching Wing. All current Directors have tendered their resignation to the Board that they will resign from the Board with effect immediately after the close of the Offer or such earlier date as permitted under the Takeovers Code.

The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate. However, as at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. The Offeror intends to appoint new directors who possess sufficient relevant knowledge and experience so as to manage and operate the Group's existing principal activities. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and separate announcement(s) will be made in this regard as and when appropriate.

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## LETTER FROM WELL LINK SECURITIES

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### GENERAL INFORMATION

This Composite Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as which would have been disclosed if this Composite Document had been prepared in accordance with the laws of the jurisdictions outside Hong Kong.

To ensure equality of treatment of all Shareholders, those Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the section headed “Important notices” contained in this Composite Document and the paragraph headed “7. Overseas Shareholders” in Appendix I to this Composite Document.

All documents and remittances to be sent to the Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of the members of the Company or in the case of joint Shareholders, to such Shareholder whose name appears first in the register of members of the Company. None of the Offeror, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### ADDITIONAL INFORMATION ABOUT THE OFFER

Your attention is drawn to the additional information set out in the appendices to this Composite Document and the Acceptance Form, which form part of this Composite Document. You are reminded to carefully read the letter from the Board, the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and other information about the Group, which are set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Well Link Securities Limited**  
**Monica Zhan**  
*Director*



**Sanroc International Holdings Limited**  
**善樂國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1660)**

*Executive Directors:*

Mr. Siu Chun Yiu Jonathan (*Chairman*)  
Ms. Wong Fei Heung Terbe  
Ms. Yip Kam Ling  
Mr. Ho King Chiu  
Ms. Cheng Shing Yan

*Non-executive Director:*

Ms. Chen Huiling

*Independent non-executive Directors:*

Mr. Chui Kwong Fun  
Mr. Leung Siu Hong  
Mr. Li Ching Wing

*Registered Office:*

Maples Corporate Services Limited  
PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

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

Rooms 6–7, 18/F  
Laws Commercial Plaza  
788 Cheung Sha Wan Road  
Kowloon  
Hong Kong

21 March 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER  
BY WELL LINK SECURITIES LIMITED  
FOR AND ON BEHALF OF BOARDWIN RESOURCES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
SANROC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY  
BOARDWIN RESOURCES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Joint Announcement. On 24 February 2018, the Vendor (being the seller), Mr. Siu Chun Yiu Jonathan (being the Vendor's Guarantor) and the Offeror (being the purchaser) entered into the Agreement, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell the Sale Shares for a consideration of HK\$309,927,360, equivalent to approximately HK\$0.4843 per Sale Share (rounded to 4 decimal places). Other than the consideration payable under the Agreement, there is no other consideration, compensation or benefit in whatever form provided by the Offeror or its concert parties to the Vendor or its concert parties. Completion took place on 27 February 2018.

Prior to Completion, save for an aggregate of 60,528,000 Shares held by Ms. Zhang, who is a party acting in concert with the Offeror according to the definition of "acting in concert" under the Takeovers Code, the Offeror and parties acting in concert with it did not own any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own a total of 700,528,000 Shares, representing approximately 56.54% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued Shares other than those already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it.

Well Link Securities is making the Offer for and on behalf of the Offeror.

The Independent Board Committee, comprising all the independent non-executive Directors (other than Ms. Chen Huiling as the non-executive Director given her employment in 深圳兆邦基集團有限公司 (Shenzhen Zhaobangji Group Limited\*), of which Mr. Xu Chujia is in control, and certain shareholders of the Offeror are also the directors thereof) namely, Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Mr. Li Ching Wing, who have no direct or indirect interest in the Offer, has been formed in order to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer pursuant to Rule 2.1 of the Takeover Code.

In addition, Beijing Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee as to the fairness and reasonableness of the Offer and as to acceptance of the Offer. The full text of the letter from Beijing Securities to the Independent Board Committee is set out in this Composite Document.

Further terms and the procedures for acceptance of the Offer are set out in the "Letter from Well Link Securities" and Appendix I to this Composite Document. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company, the Offeror and the Offer as well as to set out (i) the "Letter from the Independent Board Committee" containing its recommendation to the Independent Shareholders; and (ii) the "Letter from the Independent Financial Adviser" containing its advice to the Independent Board Committee in relation to the Offer.

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## LETTER FROM THE BOARD

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### THE OFFER

#### Principal terms of the Offer

The Offer is being made by Well Link Securities for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

**For each Offer Share . . . . . HK\$0.4843 in cash**

The Offer Share Price of HK\$0.4843 per Offer Share is the same as the price per Sale Share at which the Sale Shares are agreed to be acquired by the Offeror under the Agreement.

As at the Latest Practicable Date, the Company had 1,239,000,000 Shares in issue. The Company had no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares or other types of equity interest, and had not entered into any agreement for the issue of such securities, options, derivatives or warrants or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Shares as at the Latest Practicable Date.

The Offer is unconditional in all respects.

#### FURTHER INFORMATION OF THE OFFER

Please also refer to the “Letter from Well Link Securities” contained in this Composite Document and Appendix I to this Composite Document for further information in relation to the Offer, the making of the Offer to the Overseas Shareholders, taxation and acceptance and settlement procedures of the Offer.

#### SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

	<b>As at the Latest Practicable Date</b>	
	<b>Number of Shares</b>	<b>Approximate shareholding (%)</b>
The Offeror and parties acting in concert with it (other than Ms. Zhang)	640,000,000	51.65
Ms. Zhang	60,528,000	4.89
Independent Shareholders	538,472,000	43.46
<b>Total:</b>	<b>1,239,000,000</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group's business comprises (i) trading of construction machinery, which mainly consists of foundation machinery and drilling accessories; (ii) leasing of construction machinery, including mainly power and energy machinery; and (iii) the provision of local transportation services with crane lorries.

Your attention is drawn to the financial information of the Group set out in Appendix II and the information of the Group set out in Appendix IV to this Composite Document.

### INFORMATION ON THE OFFEROR

Your attention is drawn to the section headed "Information on the Offeror" in the "Letter from Well Link Securities" in this Composite Document.

### INTENTION OF THE OFFEROR ON THE COMPANY

Please refer to the section headed "Intention of the Offeror on the Company" in the "Letter from Well Link Securities" in this Composite Document for detailed information on the Offeror's intention on the business and management of the Group.

The Board is aware of the intention of the Offeror in respect of the Group. In particular, the Board is pleased that the Offeror intends to continue the existing principal activities of the Group. The Offeror has no intention to terminate the employment of any senior management personnel of the Group, including the chief executive officer, the chief financial officer and the general manager. The Offeror is inclined to work together with the senior management of the Group and to leverage on their expertise and experience to further promote the growth of the Group. The Offeror has no intention to introduce any major changes to the employment of the employees of the Group. Following completion of the Offer, the Offeror will conduct a detailed review on the existing business operations as well as the financial position of the Group. Based on the results of the review, the Offeror will (i) formulate appropriate and specific business plans or strategies for the Group's future development; and (ii) identify suitable investment projects and explore business opportunities with a view to achieving better growth potential for as well as strengthening the financial position of the Group. To help maintain and further develop the business of the Group, the Offeror may recruit suitable candidates. As at the Latest Practicable Date, the Offeror had no concrete plan for any acquisition or disposal of the existing assets or business of the Group. The Offeror had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any scaling-down of the Group's existing businesses and/or injection of any new business to the Group as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### MAINTAINING THE LISTING STATUS OF THE COMPANY

As mentioned in the section headed “Maintaining the listing status of the Company” in the “Letter from Well Link Securities” in this Composite Document, the Offeror intends the Company to remain listed on the Main Board of the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally irrevocably undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

### RECOMMENDATION

Independent Shareholders are advised to read the recommendation of the Independent Board Committee in the “Letter from the Independent Board Committee” in this Composite Document and the “Letter from the Independent Financial Adviser” in this Composite Document before deciding on the actions to be taken on the Offer.

### ADDITIONAL INFORMATION

You are advised to read this Composite Document and the accompanying Acceptance Form in respect of the terms and procedures of acceptance of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,  
For and on behalf of  
**Sanroc International Holdings Limited**  
**Siu Chun Yiu Jonathan**  
*Chairman and executive Director*



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer.*



### Sanroc International Holdings Limited

### 善樂國際控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1660)**

21 March 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER  
BY WELL LINK SECURITIES LIMITED  
FOR AND ON BEHALF OF BOARDWIN RESOURCES LIMITED  
TO ACQUIRE ALL THE ISSUED SHARES OF  
SANROC INTERNATIONAL HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY  
BOARDWIN RESOURCES LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

We refer to the composite offer and response document dated 21 March 2018 jointly issued by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document.

We have been appointed by the Board to consider the terms of the Offer and to make recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptance of the Offer.

Beijing Securities has been appointed, as the Independent Financial Adviser to advise us in respect of the terms of the Offer and as to acceptance thereof. Your attention is drawn to the “Letter from the Independent Financial Adviser” in the Composite Document which contains the details of its advice, the principal factors and reasons taken into consideration in arriving at its recommendation in respect of the Offer.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Your attention is also drawn to the “Letter from the Board”, the “Letter from Well Link Securities” and the additional information set out in the appendices to the Composite Document and the accompanying Acceptance Form.

Having taken into account the terms of the Offer, the independent advice from Beijing Securities and the principal factors, reasons and recommendation as set out in the Composite Document, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer.

The Independent Shareholders should note that the closing prices of the Shares have been above the Share Offer Price during the Post-Announcement Period (as defined in the Letter from the Independent Financial Adviser). As such, we would like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, if the net proceeds from the sale of such Shares in the market would exceed the net proceeds receivable under the Offer. Nevertheless, given that the trading volume of the Shares has been thin during the Review Period (as defined in the Letter from the Independent Financial Adviser), Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for the Independent Shareholders who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of the Shares will exert a downward pressure on the market price of the Shares.

For those Independent Shareholders who wish to retain their holdings and participate in the future prospect of the Group in view of the optimistic outlook of the Group, they may elect to not accept the Offer in respect of part or all of their shareholding in the Company.

Notwithstanding our recommendation, the Independent Shareholders are reminded that the decisions to realise or to hold their investment in the Shares are subject to individual circumstances and investment objectives. The Independent Shareholders are recommended to read the full text of the “Letter from the Independent Financial Adviser” in the Composite Document and should consider carefully the terms and conditions of the Offer. If in any doubt, the Independent Shareholders should consult your own professional advisers for professional advice.

Yours faithfully,  
For and on behalf of the  
Independent Board Committee  
**Sanroc International Holdings Limited**

**Chui Kwong Fun**  
*Independent non-executive  
Director*

**Leung Siu Hong**  
*Independent non-executive  
Director*

**Li Ching Wing**  
*Independent non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Beijing Securities setting out the advice to the Independent Board Committee in respect of the Offer, which has been prepared for the purpose of inclusion in this Composite Document.*

**Beijing Securities**  
Beijing Securities Limited  
北京證券有限公司

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### BEIJING SECURITIES LIMITED

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14th Floor, Shanghai Industrial Investment Building, 48 Hennessy Road, Wanchai, Hong Kong

21 March 2018

*To the Independent Board Committee of  
Sanroc International Holdings Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER  
FOR ALL THE ISSUED SHARES IN THE COMPANY  
(OTHER THAN THOSE SHARES ALREADY OWNED AND/OR  
AGREED TO BE ACQUIRED BY THE OFFEROR  
AND PARTIES ACTING IN CONCERT WITH IT)  
BY WELL LINK SECURITIES LIMITED  
FOR AND ON BEHALF OF THE OFFEROR**

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Offer. The details of the Offer are set out in the Composite Document, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

The Company has been informed by the Vendor that on 24 February 2018, the Vendor, the Vendor's Guarantor and the Offeror, as purchaser, entered into the Agreement pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell an aggregate of 640,000,000 Shares for the consideration of HK\$309,927,360, equivalent to approximately HK\$0.4843 per Sale Share (rounded to 4 decimal places). Other than the consideration payable under the Agreement, there is no other consideration, compensation or benefits in whatever form provided by the Offeror or its concert parties to the Vendor or its concert parties. Completion took place on 27 February 2018.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Prior to Completion, save for an aggregate of 60,528,000 Shares held by Ms. Zhang, who is a party acting in concert with the Offeror according to the definition of “acting in concert” under the Takeovers Code, the Offeror and parties acting in concert with it did not own any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own a total of 700,528,000 Shares, representing approximately 56.54% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued Shares other than those Shares already owned by and/or agreed to be acquired by the Offeror and parties acting in concert with it.

Well Link Securities will, for and on behalf of the Offeror, make the Offer in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.4843 in cash**

As at the Latest Practicable Date, there are no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Further details of the terms of the Offer, including the procedures for acceptance and settlement of the Offer, are set out in the “Letter from Well Link Securities” and Appendix I to the Composite Document.

The Board currently comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The Independent Board Committee, comprising all the independent non-executive Directors (other than Ms. Chen Huiling given her employment in 深圳兆基集團有限公司 (Shenzhen Zhaobangji Group Limited\*), of which Mr. Xu Chujia is in control, and certain shareholders of the Offeror are also the directors thereof), namely, Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Mr. Li Ching Wing, who have no direct or indirect interest in the Offer, has been established to advise the Independent Shareholders in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

We, Beijing Securities, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Such appointment has been approved by the Independent Board Committee.

We are not in the same group as the Offeror or the Company’s financial or other professional advisers. We also do not and did not have any significant connection, financial or otherwise, with the Offeror or the Company or its controlling shareholders of a kind reasonably likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice as referred to in Rule 2.6 of the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Also, in the last two years, there were no engagement between the Company and us. Accordingly, we are considered eligible under the Listing Rules and Takeovers Code to act as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer.

Our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Offer are fair and reasonable and whether or not the Independent Board Committee should recommend the Independent Shareholders to accept the Offer.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations provided to us by the Directors and directors of the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror, its associates and parties acting in concert with it), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Group, the Vendor and their respective associates and parties acting in concert with any one of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We have assumed that all information and representations that have been provided by the Directors and directors of the Offeror, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to the date throughout the Offer Period (as defined under the Takeovers Code). We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and directors of the Offeror in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Directors and directors of the Offeror, which have been provided to us. Should there be any subsequent material changes in such information during the Offer Period, the Company will inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders shall also be informed as soon as practicable when there are any material changes to the information contained or referred to herein and our opinion after the Latest Practicable Date and throughout the Offer Period.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification on the information included in the Composite Document and provided to us by the Directors and directors of the Offeror nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Group, the Offeror and their respective associates.

We have not considered the tax consequences on the Independent Shareholders of their acceptance or non-acceptance of the Offer since these are particular to their own individual circumstances. In particular, Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to these Offer and, if in any doubt, should consult their own professional advisers.

### PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Offer, we have considered the following principal factors and reasons.

#### **1. Background and terms of the Offer**

As set out in the “Introduction” of this letter, on 24 February 2018, the Vendor, the Vendor’s Guarantor and the Offeror, as purchaser, entered into the Agreement and Completion took place on 27 February 2018.

As upon Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own a total of 700,528,000 Shares, representing approximately 56.54% of the total issued share capital of the Company as at the Latest Practicable Date, therefore, pursuant to Rule 26.1 of the Takeovers Code, the Offeror and parties acting in concert with it are required to make an unconditional mandatory cash offer for all the issued Shares (other than those Shares already owned by and/or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, there are no outstanding warrants, options, derivatives or securities convertible into Shares and the Company has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Ms. Zhang has irrevocably and unconditionally undertaken to the Offeror that Ms. Zhang will not (i) dispose of and/or pledge to any other parties and/or transfer and/or otherwise make 60,528,000 Shares, representing approximately 4.89% of the total issued share capital of the Company as at the Latest Practicable Date available for acceptance for the Offer, from the date of such undertaking to the close of the Offer; and (ii) accept the Offer in respect of these 60,528,000 Shares.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Well Link Securities will, for and on behalf of the Offeror, make the Offer in compliance with the Takeovers Code on the following basis:

**For each Offer Share . . . . . HK\$0.4843 in cash**

The Share Offer Price of HK\$0.4843 (rounded to 4 decimal places) for each Offer Share is the same as the price per Sale Share at which the Sale Shares are agreed to be acquired by the Offeror pursuant to the Agreement.

As at the Latest Practicable Date, there are 1,239,000,000 Shares in issue. Save for 700,528,000 Shares that are already owned by the Offeror and parties acting in concert with it (including the 60,528,000 Shares held by Ms. Zhang, which are subject to an irrevocable undertaking), a total of 538,472,000 Shares will be subject to the Offer. Assuming full acceptance of the Offer, the cash consideration payable by the Offeror at the Share Offer Price of HK\$0.4843 per Share will amount to HK\$260,781,990.

### 2. Financial information and industry overview of the Group

#### (i) Financial information of the Group

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group's business comprises (i) trading of construction machinery, which mainly consists of foundation machinery and drilling accessories; (ii) leasing of construction machinery, including mainly power and energy machinery; and (iii) the provision of local transportation services with crane lorries.

Set out below is a summary of the audited financial information of the Group for the years ended 31 March 2016 and 2017 as extracted from the Company's annual report for the year ended 31 March 2017 (the "Annual Report") and the unaudited financial information of the Group for the six months ended 30 September 2016 and 2017 as extracted from the Company's interim report for the six months ended 30 September 2017 (the "Interim Report").

	For the six months ended 30 September		For the year ended 31 March	
	2017 (HK\$'000) (Unaudited)	2016 (HK\$'000) (Unaudited)	2017 (HK\$'000) (Audited)	2016 (HK\$'000) (Audited)
<b>Revenue</b>				
– Trading of construction machinery	22,131	49,764	92,192	137,128
– Leasing of construction machinery	38,894	35,217	74,203	66,993
– Transportation services	10,036	4,147	9,467	1,318
<b>Total Revenue</b>	<u>71,061</u>	<u>89,128</u>	<u>175,862</u>	<u>205,439</u>
<b>Profit attributable to the owners of the Company for the period/year</b>	<u>15,921</u>	<u>13,402</u>	<u>17,182</u>	<u>32,985</u>



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at</b>	<b>As at 31 March</b>	
	<b>30 September</b>	<b>2017</b>	<b>2016</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Audited)	(Audited)
<b>Equity attributable to the owners of the Company</b>	264,407	249,361	118,442

The revenue of the Group was approximately HK\$175.9 million for the year ended 31 March 2017, representing a decrease of approximately 14.4% as compared with the revenue of the Group of approximately HK\$205.4 million for the year ended 31 March 2016. Whilst the revenue generated from the Group's leasing of construction machinery and transportation services increased from approximately HK\$67.0 million and HK\$1.3 million respectively for the year ended 31 March 2016 to approximately HK\$74.2 million and HK\$9.5 million respectively for the year ended 31 March 2017, such increases was offset by the decrease in the revenue generated from the trading of construction machinery from approximately HK\$137.1 million for the year ended 31 March 2016 to approximately HK\$92.2 million for the year ended 31 March 2017. The decrease in revenue generated from the trading of construction machinery for the year ended 31 March 2017 was due to the delay in commencement of several public projects and public related projects. For the year ended 31 March 2017, the Group recorded a profit attributable to the owners of the Company of approximately HK\$17.2 million, representing a decrease of approximately 47.9% when compared with the profit attributable to the owners of the Company of approximately HK\$33.0 million for the year ended 31 March 2016. The decrease in such profit of the Group was mainly due to, amongst others, the increase in the administrative expenses of the Group.

The revenue of the Group was approximately HK\$71.1 million for the six months ended 30 September 2017, representing a decrease of approximately 20.3% as compared with the revenue of the Group of approximately HK\$89.1 million for the six months ended 30 September 2016. Whilst the revenue generated from the Group's leasing of construction machinery and transportation services increased from approximately HK\$35.2 million and HK\$4.1 million respectively for the six months ended 30 September 2016 to approximately HK\$38.9 million and HK\$10.0 million respectively for the six months ended 30 September 2017, such increase was offset by the decrease in the revenue generated from the trading of construction machinery from approximately HK\$49.8 million for the six months ended 30 September 2016 to approximately HK\$22.1 million for the six months ended 30 September 2017. The decrease in revenue generated from the trading of construction machinery for the six months ended 30 September 2017 was also due to the delay in commencement of several public projects and public related projects. For the six months ended 30 September 2017, the Group recorded a profit attributable to the owners of the Company of approximately HK\$15.9 million, representing an increase of approximately 18.8% when



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

compared with the profit attributable to the owners of the Company of approximately HK\$13.4 million for the six months ended 30 September 2016 which was due to, amongst others, the decrease in administrative expenses of the Group.

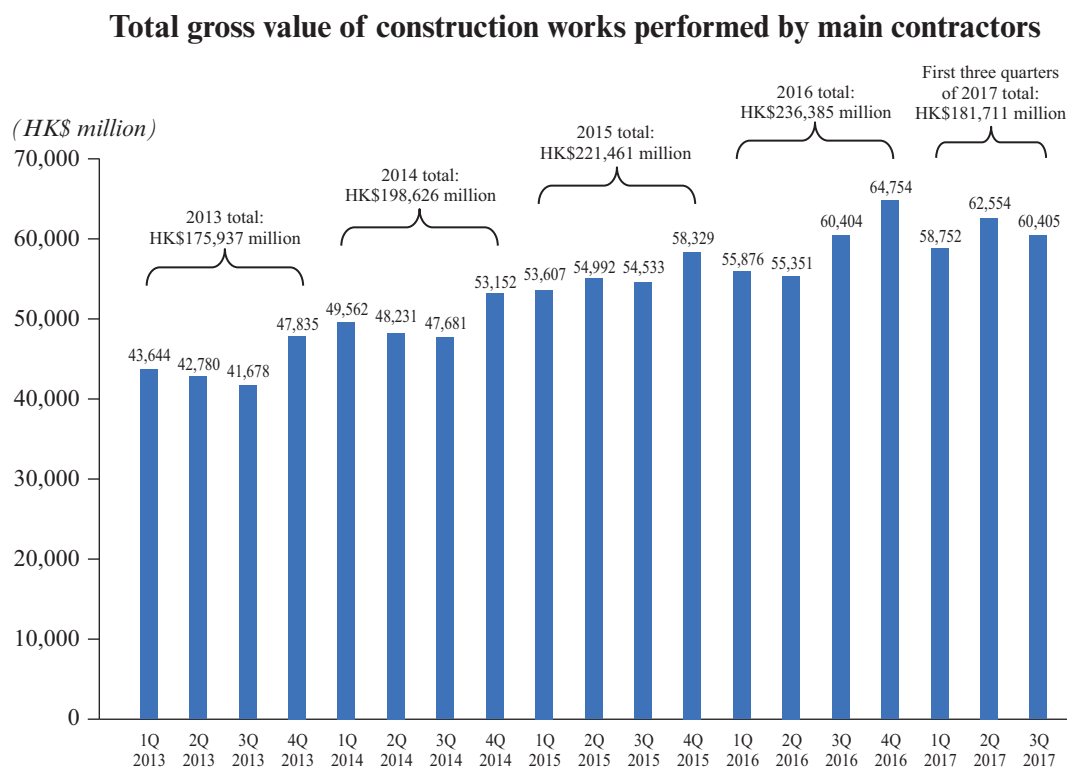
As at 31 March 2017 and 30 September 2017, the equity attributable to owners of the Company was approximately HK\$249.4 million and HK\$264.4 million respectively.

With reference to the financial information of the Group as stated above, it is noted that the revenue of the Group has decreased for the year ended 31 March 2017 and for the six months ended 30 September 2017 as compared with their prior corresponding year/period. Based on the foregoing, there could be uncertainties in whether the Group will be able to continue to record the same profit level going forward.

### (ii) *Industry overview of the Group*

As the revenue of the Group is mainly contributed by the trading and leasing of construction machinery in Hong Kong, the outlook of the industry that the Group operates in is highly affected by the construction industry in Hong Kong. As such, we have studied the statistics and trend in the construction industry in Hong Kong by reviewing the data released by Census and Statistics Department of the Hong Kong Government.

The following is graph of the quarterly total gross value of construction works performed by main contractors in Hong Kong from the first quarter of 2013 to the third quarter of 2017.



Source: statistics released by Hong Kong Census and Statistics Department as of end of February 2018

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As set out in the chart above, the total gross value of construction works performed by main contractors has increased from approximately HK\$175,937 million in 2013 to approximately HK\$236,385 million in 2016, representing a compound annual growth rate of approximately 10.3%. In the first three quarters of 2017, the total gross value of construction works performed by main contractors was approximately HK\$181,711 million, representing an increase of approximately 5.9% of approximately HK\$171,631 million for the first three quarters of 2016. The growth of Hong Kong construction industry has been largely supported by the commencement of a series of large scale infrastructure projects in the recent few years such as Zhuhai-Macao Bridge, Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link, West Kowloon Cultural Project, Kai Tak Development and redevelopment of Kwong Wah Hospital and Kwai Chung Hospital etc.

In view of the growth in the construction industry of Hong Kong in the last few years, we are of the view that the industry that the Group operates in is optimistic. In considering the fair and reasonableness of the terms of the Offer, we have also analysed other factors including the Share Offer Price which is set out in section 7 “The Share Offer Price” of this letter below.

### **3. Information on the Offeror**

The Offeror is a company incorporated in the BVI on 15 January 2018 with limited liability and is legally and beneficially owned as to 76% by Mr. XU Chujia (許楚家先生), 8% by Mr. XU Chusheng (許楚勝先生), 6% by Mr. HUI Chor Tak (許楚德先生), 5% by Ms. Zhang, 2% by Ms. XU Jiaoli (許嬌麗女士), 2% by Mr. XU Weizhen (許偉圳先生) and 1% by Ms. XU Weixia (許為霞女士). The Offeror is an investment holding company that has not engaged in any business since its formation, other than to enter into the Agreement. The directors of the Offeror are Mr. Xu Chujia (許楚家先生), Mr. Hui Chor Tak (許楚德先生), Ms. Zhang, Ms. Xu Jiaoli (許嬌麗女士) and Mr. Xu Weizhen (許偉圳先生). Details of the shareholders of the Offeror are set out in the “Letter from Well Link Securities”.

### **4. Intention of the Offeror on the Company**

As set out in the “Letter from Well Link Securities”, the Offeror intends to continue the existing principal activities of the Group. The Offeror has no intention to terminate the employment of any senior management personnel of the Group, including the chief executive officer, the chief financial officer and the general manager. The Offeror is inclined to work together with the senior management of the Group and to leverage on their expertise and experience to further promote the growth of the Group. The Offeror has no intention to introduce any major changes to the employment of the employees of the Group. Following completion of the Offer, the Offeror will conduct a detailed review on the existing business operations as well as the financial position of the Group. Based on the results of the review, the Offeror will (i) formulate appropriate and specific business plans or strategies for the Group’s future development; and (ii) identify suitable investment projects and explore business opportunities with a view to achieving better growth potential for as well as strengthening the financial

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position of the Group. To help maintain and further develop the business of the Group, the Offeror may recruit suitable candidates. As at the Latest Practicable Date, the Offeror had no concrete plan for any acquisition or disposal of the existing assets or business of the Group. The Offeror had no intention, arrangement, agreement, understanding, negotiation (concluded or otherwise) on any scaling-down of the Group's existing businesses and/or injection of any new businesses to the Group as at the Latest Practicable Date.

### **5. Proposed change to the Board composition**

As at the Latest Practicable Date, the Board comprises (i) Mr. Siu Chun Yiu Jonathan, Ms. Wong Fei Heung Terbe, Mr. Ho King Chiu, Ms. Yip Kam Ling and Ms. Cheng Shing Yan as executive Directors; (ii) Ms. Chen Huiling as non-executive Director; and (iii) Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Mr. Li Ching Wing as independent non-executive Directors. All current Directors have tendered their resignation to the Board that they will resign from the Board with effect immediately after the close of the Offer or such earlier date as permitted under the Takeovers Code.

The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate. However, as at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. The Offeror intends to appoint new directors who possess sufficient relevant knowledge and experience so as to manage and operate the Group's existing principal activities. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and separate announcement(s) will be made in this regard as and when appropriate.

#### ***Our view on the intention of the Offeror on the Company and proposed change to the Board composition***

As noted above, the Offeror intends to continue the existing principal activities of the Group. Whilst the Offer has no intention to terminate the employment of any senior management personnel of the Group or introduce any major changes to the employment of the employees of the Group, the Offeror will be conducting a detailed review on the existing business operations following completion of the Offer with the view to lay down an appropriate business plan and to explore other business opportunities of the Group in the future. As such, there could be uncertainties with the direction and strategies the Offeror will take after its review considering that the shareholders of the Offeror do not have direct experience in the current principal businesses of the Company (i.e., trading and leasing of construction machinery). Further, given that all the current Directors will resign, there could be uncertainties in how such change will affect the current employees as well as the operations of the Group going forward. Although the Offeror may recruit suitable employees to assist the Company in the implementation of its business plan after its review and also to appoint new Directors who possess sufficient relevant knowledge and experience to manage and operate the Group's existing principal activities, as at the Latest

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Practicable Date, no such appointment is made and therefore there is not sufficient information to determine the suitability of such new Directors or employees.

In light of the above and in particular that the shareholders of the Offeror do not have direct experience in the current principal businesses of the Company, the Offeror has not laid down detailed business plan as at the Latest Practicable Date and all the current Directors will resign as directors of the Company immediately after the close of the Offer or such earlier date as permitted under the Takeovers Code, we are of the view that there could be uncertainties in the future business development of the Group.

### **6. Maintaining the listing status of the Company**

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

The Stock Exchange has stated that if, at the close of the Offer, less than 25% of the issued Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Main Board of the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally irrevocably undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### **7. The Share Offer Price**

The Share Offer Price of HK\$0.4843 per Offer Share represents:

- (i) a premium of approximately 0.90% over the closing price of approximately HK\$0.480 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 0.27% over the average closing price of approximately HK\$0.483 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 2.17% over the average closing price of approximately HK\$0.474 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 3.04% over the average closing price of approximately HK\$0.470 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

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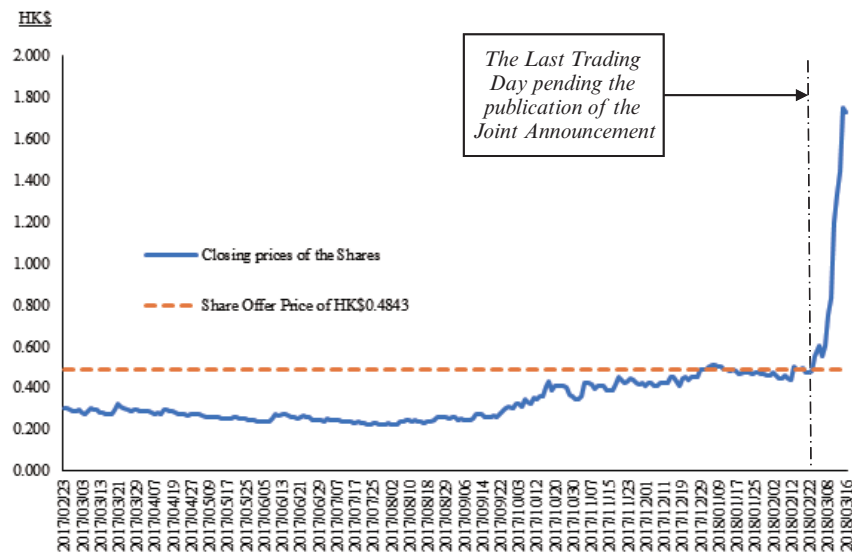
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) a discount of approximately 72.01% to the closing price of HK\$1.730 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (vi) a premium of approximately 126.94% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.2134 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 September 2017 as set out in the Interim Report.

### *Historical price performance of the Shares*

We have reviewed and analysed the closing prices of the Shares from 23 February 2017 (being the 12-month period prior to the Last Trading Day) up to the Latest Practicable Date (the “**Review Period**”). The Review Period is selected on the basis that it is a reasonable timeframe given that it covers a period encompassing one full calendar year prior to the Last Trading Day and the subsequent period thereafter up to the Latest Practicable Date, which is also a substantial portion of the entire trading record of the Company since its listing on the Stock Exchange on 10 February 2017. Such period is sufficient for us to carry out our analysis on the historical share price performance of the Company and the trading liquidity of the Shares as we consider that such timeframe is long enough to avoid any short-term fluctuation which may distort our analysis and that it also reflects the recent share price performance of the Company as well as its recent trading volume of the Shares. The following is a chart of the closing prices of the Shares during the Review Period:



*Note:* Trading in the Shares was suspended from 26 February 2018 to 1 March 2018 pending for the release of the Joint Announcement.

*Source:* website of the Stock Exchange

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As illustrated in the chart above, the closing prices of the Shares was trading in the range of HK\$0.222 to HK\$0.510 per Share prior to the release of the Joint Announcement during the Review Period (the “**Pre-Announcement Period**”), representing a discount of approximately 54.2% and a premium of approximately 5.3% respectively to/over the Share Offer Price of HK\$0.4843. In particular, it is noted that out of the 248 trading days in the Pre-Announcement Period, the closing prices of the Shares have been below the Share Offer Price except for 15 trading days and the average closing price of the Shares during the Pre-Announcement Period was approximately HK\$0.328, representing a discount of approximately 32.3% to the Share Offer Price.

Since the publication of the Joint Announcement and up to the trading day immediately preceding the Latest Practicable Date (the “**Post-Announcement Period**”), we noted that the closing prices of the Shares have increased and the closing prices of the Shares ranged from HK\$0.550 to HK\$1.750 per share, representing a premium of approximately 13.6% and 261.3% respectively over the Share Offer Price. After having enquired with the Company, it was unaware of any reasons for the surge in the prices of the Shares during the Post-Announcement Period. Given that the surge in the prices of the Share happened during the Post-Announcement Period after the publication of the Joint Announcement and the Company also did not announce any other significant news during the Post-Announcement Period, we are of the view that such surge in the prices of the Shares in the Post-Announcement Period was highly likely due to the news and market reaction of the Offer as disclosed in the Joint Announcement. In this connection, we consider that in the absence of any significant positive events and the Offer, there is no assurance that the closing prices of the Shares will continue to rise or maintain at a level equal to or above the Share Offer Price after the Latest Practicable Date or after closing of the Offer. Accordingly, we also consider the price trend prior to the publication of the Joint Announcement in the Pre-Announcement Period more appropriately reflects the general price trend of the Company.

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### *Historical trading liquidity of the Shares*

The table below sets out during the Review Period, the average daily number of the Shares traded per month (the “**Average Volume**”) and the respective percentages of the monthly trading volume of the Shares as compared to (i) the total number of Shares held by the Independent Shareholders as at the Latest Practicable Date; and (ii) the total number of Shares as at the Latest Practicable Date:

<b>Month</b>	<b>The Average Volume Shares</b>	<b>% of the Average Volume to the total number of the Shares held by the Independent Shareholders as at the Latest Practicable Date (Note 1) %</b>	<b>% of the Average Volume to the total number of Shares as at the Latest Practicable Date (Note 2) %</b>
<b>2017</b>			
February	19,394,000	3.60	1.57
March	12,830,087	2.38	1.04
April	4,065,647	0.76	0.33
May	2,364,000	0.44	0.19
June	3,605,455	0.67	0.29
July	1,375,238	0.26	0.11
August	1,890,182	0.35	0.15
September	10,849,143	2.01	0.88
October	15,997,600	2.97	1.29
November	16,268,545	3.02	1.31
December	10,200,421	1.89	0.82
<b>2018</b>			
January	6,054,727	1.12	0.49
February (Note 3)	2,089,067	0.39	0.17
March (up to the Latest Practicable Date) (Note 3)	46,796,818	8.69	3.78
<b>Average</b>	<b>10,984,352</b>	<b>2.04</b>	<b>0.89</b>

Source: website of the Stock Exchange

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*Notes:*

1. Based on 538,472,000 Shares held by the Independent Shareholders as at the Latest Practicable Date.
2. Based on 1,239,000,000 Shares in issue as at the Latest Practicable Date.
3. Trading in the Shares was suspended from 26 February 2018 to 1 March 2018 pending for the release of the Joint Announcement.

As noted from the above table, the Average Volume to the total number of the Shares has an average of below 2% and therefore we considered that the trading volume of the Shares was thin during the Review Period.

Given the thin trading volume of the Shares during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without causing an adverse impact on the market price level of the Shares and accordingly, the market price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. The Offer, therefore, represents an opportunity and a viable alternate exit for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of their entire holding at the Share Offer Price if they so wish to.

### *Comparison with other comparable companies*

To further assess the fairness and reasonableness of the Share Offer Price, we have considered using price-to-earnings (the “P/E”) ratio analysis and price-to-book (the “P/B”) ratio analysis, the most commonly used benchmarks for valuation of companies, to compare the Share Offer Price against the market valuation of other comparable companies. Given that the Group is listed on the Main Board of the Stock Exchange and its revenue is principally derived from the trading and leasing of construction machinery in Hong Kong, we have searched for companies listed on the Main Board on the Stock Exchange which are engaged in similar lines of business as the Group with majority of their revenue (i.e., more than 50%) derived from the trading and leasing/renting of construction machinery in Hong Kong and with market capitalization of not more than HK\$1 billion, being similar in size to the Company, for our comparison purpose (the “Comparable Companies”). In this regard, 4 Comparable Companies are identified based on our research on the website of the Stock Exchange in accordance with the above criteria which we consider to be exhaustive. Whilst the scale of operations, financial position, market capitalisation and future prospects of the Comparable Companies are not exactly the same as the Company, given that we have included all available Comparable Companies listed on the Stock Exchange based on our selection criteria (the Comparable Companies are mainly engaged in the trading and leasing/trading of construction machinery in Hong Kong and thus are in general affected by similar factors, including, but not limited to, the outlook of the construction industry in Hong Kong), we are of the view that the Comparable Companies serve as a reference



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in assessing the fairness and reasonableness of the Share Offer Price and also that the list of Comparable Companies is fair, sufficient and representative sample.

Company (stock code)	Description	Market capitalisation (HK\$ million) (Note 1)	Profit attributable to the owners of the company (HK\$ million)	Equity attributable to the owners of the company (HK\$ million)	P/E (times) (Note 2)	P/B (times) (Note 3)
Hao Tian International Construction Investment Group Limited (stock code: 1341)	Engaged in the construction machinery related businesses	684.0	0.30	243.9	2,280	2.80
AP Rentals Holdings Limited (Stock Code: 1496)	Provides a range of construction, electrical and mechanical engineering, and event and entertainment equipment, equipment rental-related solutions and value-added services to its customers	289.4	12.0	233.4	24.12	1.24
Yuk Wing Group Holdings Limited (Stock Code: 1536)	Engaged in the manufacturing and trading of rock drilling and piling and drilling equipment and machineries	676.4	(2.3)	128.1	N/A	5.28
Progressive Path Group Holdings Limited (Stock Code: 1581)	Engaged in the construction works and the provision of construction machinery rental	477.3	23.9	246.7	19.97	1.93
<b>Average (Note 4)</b>					<b>22.04</b>	<b>2.81</b>
<b>Maximum (Note 4)</b>					<b>24.12</b>	<b>5.28</b>
<b>Minimum (Note 4)</b>					<b>19.97</b>	<b>1.24</b>
<b>The Company</b>		<b>600.0</b> (Note 5)	<b>17.2</b>	<b>249.4</b>	<b>34.88</b>	<b>2.41</b>

Source: website of the Stock Exchange

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*Notes:*

1. Market capitalisation is based on the number of shares in issued and the closing share price as at the Last Trading Day.
2. P/E ratio is calculated using the market capitalisation divided by the profit attributable to the owners of the company as disclosed in the latest audited financial statements of the Comparable Companies and the Company prior to the Last Trading Day.
3. P/B ratio is calculated using the market capitalisation divided by the equity attributable to the owners of the company as disclosed in the latest audited financial statements of the Comparable Companies and the Company prior to the Last Trading Day. The equity attributable to shareholders of the company is the net assets of the company subtracting the equity of the non-controlling interests of the company.
4. Given that the P/E ratio of Hao Tian International Construction Investment Group Limited is abnormal with a P/E ratio of 2,280 times which will also skew the calculation of the P/E ratio of the Comparable Companies significantly, we therefore have excluded it from the calculation of the average, maximum and minimum of the P/E ratio of the Comparable Companies.
5. The market capitalisation of the Company of approximately HK\$600.0 million is based on 1,239,000,000 Shares issued as at the Last Trading Day multiple by the Share Offer Price of HK\$0.4843.

We have compared the P/E ratio of the Company as implied by the Share Offer Price, being the market capitalisation of the Company based on the Share Offer Price of approximately HK\$600.0 million divided by the profit attributable to the owners of the Company as disclosed in its latest audited financial statements of approximately HK\$17.2 million (the “**Share Offer Price P/E**”), with those of the Comparable Companies. As shown in the table above, the P/E ratio of the Comparable Companies is in the range of approximately 19.97 times to approximately 24.12 times with an average P/E ratio of approximately 22.04 times whilst the Share Offer Price P/E is approximately 34.88. As such, the Share Offer Price P/E is above the range of the P/E ratio of the Comparable Companies which implied that the valuation of the Share Offer Price in terms of the P/E ratio is more favourable than the valuation of the Comparable Companies.

In addition, we have also compared the P/B ratio of the Company as implied by the Share Offer Price, being the market capitalisation of the Company based on the Share Offer Price of approximately HK\$600.0 million divided by the equity attributable to the owners of the Company as disclosed in its latest audited financial statements of approximately HK\$249.4 million (the “**Share Offer Price P/B**”), with those of the Comparable Companies. As shown in the table above, the P/B ratio of the Comparable Companies is in the range of approximately 1.24 times to approximately 5.28 times with an average P/B ratio of approximately 2.81 times whilst the Share Offer Price P/B is approximately 2.41. As such, the Share Offer Price P/B is within range of the P/B ratio of the Comparable Companies and is also close to the average P/B ratio of the Comparable Companies which implied that the valuation of the Share Offer Price in terms of the P/B ratio is similar to the valuation of the Comparable Companies.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the Share Offer Price is above the closing prices of the Shares during substantially all of the time in the Pre-Announcement Period; (ii) the Share Offer Price is at a premium over the average closing price of the Shares in the Pre-Announcement Period; (iii) the Share Offer Price is at a slight premium over the closing price of the Shares on the Last Trading Day; (iv) the thin liquidity of the Shares during the Review Period; (v) the Share Offer Price P/E is above the range of the P/E ratio of the Comparable Companies; and (vi) the Share Offer Price P/B is within range of the P/B ratio of the Comparable Companies and is also close to the average of the P/B ratio of the Comparable Companies, we are of the view that the Share Offer Price is fair and reasonable.

### OPINIONS AND RECOMMENDATIONS

Whilst we are optimistic with the industry the Group operates in (i.e., the Hong Kong construction industry) and that the Share Offer Price has been below the closing prices of the Shares during the Post-Announcement Period, having considered and balanced against the various factors and reasons as set out in this letter above and in particular that:

- (i) there could be uncertainties in the future business development of the Group given that the shareholders of the Offeror do not have direct experience in the current principal businesses of the Company, the Offeror has not laid down detailed business plan and all the current Directors will resign immediately after the close of the Offer;
- (ii) the decrease in the revenue of the Group for the year ended 31 March 2017 and for the six months ended 30 September 2017 as compared with their prior corresponding year/period;
- (iii) the Share Offer Price is at a premium over the average closing price of the Shares in the Pre-Announcement Period;
- (iv) the Share Offer Price is at a slight premium over the closing price of the Shares on the Last Trading Day;
- (v) the increase in the closing prices of the Shares in the Post-Announcement Period may be due to the news of the Offer and therefore the current price level of the Shares might not sustain after the close of the Offer;
- (vi) the thin trading volume of the Shares during the Review Period and the uncertainty as to whether the Independent Shareholders will be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price higher than the Share Offer Price;
- (vii) the Share Offer Price P/E is above the range of the P/E ratio of the Comparable Companies; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(viii) the Share Offer Price P/B is within range of the P/B ratio of the Comparable Companies and is also close to the average of the P/B ratio of the Comparable Companies,

we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise and recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to accept the Offer.

However, as set out above, the Independent Shareholders should note that the closing prices of the Shares have been above the Share Offer Price during the Post-Announcement Period. As such, we would like to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period, and consider selling their Shares in the open market, if the net proceeds from the sale of such Shares in the market would exceed the net proceeds receivable under the Offer. Nevertheless, given that the trading volume of the Shares has been thin during the Review Period, Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for the Independent Shareholders who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of the Shares will exert a downward pressure on the market price of the Shares.

For those Independent Shareholders who wish to retain their holdings and participate in the future prospect of the Group in view of the optimistic outlook of the Group, they may elect to not accept the Offer in respect of part or all of their shareholding in the Company.

Independent Shareholders are also reminded that their decisions to dispose or hold their investments or exercise their rights in the Shares are subject to their individual circumstances and investment objectives and they are reminded to carefully (i) monitor the stock market and the trading price and liquidity of the Shares before the end of the Offer and consider selling their Shares in the open market, where possible, rather than accepting the Offer if the net proceeds from the market sale of their Shares after deducting all transaction costs are more than the net amount to be received under the Offer; and (ii) evaluate the future prospects of the Group.

Yours faithfully,  
For and on behalf of  
**Beijing Securities Limited**  
**Charles Li**  
*Director*

\* *The English translation of the Chinese name denoted in this letter is for illustration purpose only. Should there be any inconsistencies, the Chinese name shall prevail.*

**1. PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the accompanying Acceptance Form in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Offer.

- (i) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer in respect of your Shares, you must send the Acceptance Form duly completed and signed together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, namely, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "Sanroc International Holdings Limited – General Offer" on the envelope, in any event no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code.
- (ii) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares (whether in full or in part), you must either:
  - (a) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "Sanroc International Holdings Limited – General Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (b) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "Sanroc International Holdings Limited – General Offer" the duly completed and signed Acceptance Form together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (c) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed

securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (d) if your Shares have been lodged with your investor participant stock account with CCASS, authorise your instruction via the CCASS phone system or CCASS internet system no later than the deadline set out by HKSCC Nominees Limited.
  
- (iii) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked “Sanroc International Holdings Limited – General Offer” to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to the Offeror and/or Well Link Securities or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Acceptance Form.
  
- (iv) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Acceptance Form and deliver it in an envelope marked “Sanroc International Holdings Limited – General Offer” to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), you should also write to the Registrar requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (v) Acceptance of the Offer will be treated as valid only if the duly completed and signed Acceptance Form is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive and in accordance with the Takeovers Code), and the Registrar has recorded that the Acceptance Form and any relevant documents required under paragraph (vi) below have been so received.
- (vi) Acceptance of the Offer may not be counted as valid unless the Acceptance Form is duly completed and signed and is:
- (a) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (b) inserted in the Acceptance Form, the total number of Shares equal to that represented by the certificates for Shares tendered for acceptance of the Offer. If no number is inserted or a number inserted is greater or smaller than that represented by the certificates for Shares tendered for acceptance of the Offer, the Acceptance Form will be returned to you for correction and resubmission. Any corrected Acceptance Form must be resubmitted and received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code; or
  - (c) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another sub-paragraph under this paragraph (vi)); or
  - (d) certified by the Registrar or the Stock Exchange.

If the Acceptance Form is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (vii) No acknowledgement of receipt of any Acceptance Form, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.



**2. SETTLEMENT**

- (i) Provided that the Acceptance Form(s) and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar before the close of the Offer, settlement of the consideration, less seller's ad valorem stamp duty, will be made by cheque as soon as possible, but in any event within seven (7) Business Days following the date of receipt of all relevant documents which renders a complete and valid acceptance of the Offer. Each cheque will be despatched by ordinary post to the address specified on the relevant Shareholder's Acceptance Form at his/her/its own risk.
- (ii) No fractions of a cent will be payable and the amount of cash consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

**3. ACCEPTANCE PERIOD AND REVISIONS**

The Offer is made on Wednesday, 21 March 2018, which is the date of despatch of this Composite Document. The latest time and date for acceptance will be 4:00 p.m. on the Closing Date, or if the Offer is extended or revised, any subsequent closing date of the Offer as announced by the Offeror in accordance with the Takeovers Code. The Offer is unconditional in all respects.

If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The benefit of any revision of the Offer will be available to any Independent Shareholder who has previously accepted the Offer. The execution by or on behalf of any Independent Shareholder who has previously accepted the Offer shall be deemed to constitute acceptance of the revised Offer unless such holder becomes entitled to withdraw his/her/its acceptance and duly does so.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Closing Date, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.



**4. ANNOUNCEMENT**

- (i) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision or extension of the Offer. The Offeror must publish an announcement on the website of the Stock Exchange and the website of the Company by 7:00 p.m. on the Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code and whether the Offer has been revised or extended. The announcement will state the following:
- (a) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
  - (b) the total number of Shares and rights over Shares held, controlled or directed by the Offeror and parties acting in concert with it before the Offer Period; and
  - (c) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold.

The announcement will also specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers of Shares.

- (ii) In computing the total number of Offer Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.
- (iii) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

**5. NOMINEE REGISTRATION**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold Offer Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of such beneficial owners separately. In order for beneficial owners of Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their nominees.

**6. RIGHT OF WITHDRAWAL**

- (i) Acceptance of the Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (ii) below.
- (ii) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcement” above or any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph and the rule are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post and at the risk of the relevant acceptor, in respect of the Offer, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Acceptance Form(s) to the relevant Shareholder.

**7. OVERSEAS SHAREHOLDERS**

The Offer is made in respect of a company incorporated in the Cayman Islands and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offer is available to all the Independent Shareholders, including the Overseas Shareholders. The availability of the Offer to persons who are not residents in Hong Kong may be affected by the applicable laws of the relevant jurisdiction in which they reside. Overseas Shareholders should observe any applicable legal and regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection with the acceptance of the Offer (including obtaining any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal and/or regulatory requirements and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions). The Overseas Shareholders are recommended to seek professional advice on whether or not to accept the Offer.

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. Overseas Shareholders should consult their professional advisers if they are in doubt.

## **8. STAMP DUTY**

In Hong Kong, the seller's ad valorem stamp duty arising in connection with acceptance of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptance of the Offer, whichever is the higher, which will be deducted from the cash amount payable by the Offeror to such Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

## **9. PAYMENT**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) Business Days of the date on which the duly completed Acceptance Form and the relevant documents of title of the Offer Shares in respect of such acceptance are received by the Offeror or its agent acting on behalf of it to render each of such acceptances complete and valid pursuant to the Takeovers Code.

Settlement of the consideration to which any Independent Shareholder who accepts the Offer is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller's ad valorem stamp duty in respect of the Offer) without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder. No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder will be rounded up to the nearest cent.

## **10. TAXATION ADVICE**

Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications in relation to acceptance and rejection of the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Well Link Securities, Well Link International Capital, ZTI Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer are in a position to advise the Independent Shareholders on their individual tax implication nor accept responsibility for any taxation on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

**11. GENERAL**

- (i) All communications, notices, the Acceptance Form, share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk. Such communications, notices, documents and remittances will be sent to Independent Shareholders at their addresses specified on the relevant Acceptance Form. None of the Offeror, the Company, and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts any responsibility for any loss or delay in transmission or any other liabilities that may arise as a result thereof.
- (ii) The provisions set out in the Acceptance Form form part of the terms of the Offer.
- (iii) The accidental omission to despatch this Composite Document and/or the Acceptance Form or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (iv) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (v) Due execution of the Acceptance Form will constitute an irrevocable authority to the Offeror and/or Well Link Securities (or such person or persons as the Offeror and/or Well Link Securities may direct) to complete and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror (or such person or persons as it may direct) the Offer Shares in respect of which such person or persons has accepted the Offer.
- (vi) Acceptance of the Offer by Independent Shareholders will be deemed to constitute a warranty by such person(s) to the Offeror and the Company that such Offer Shares acquired under the Offer are sold or tendered by such Independent Shareholder(s) free from all pledges, charges, claim, community or other marital property interest, liens, mortgages, lease, security interests, attachments, pre-emption rights, options, restrictions, conditional sale agreement or other title retention agreement and any other encumbrances or similar third party rights or claims of any kind and together with all rights accruing or attaching thereto on the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends (whether final or interim) and other distributions, if any, declared, made or paid on or after the date on which the Offer is made.
- (vii) References to the Offer in this Composite Document and in the Acceptance Form shall include any extension and/or revision thereof.

- (viii) Any Independent Shareholder accepting the Offer will be responsible for payment of any other transfer or cancellation or other taxes or duties payable by them in any relevant jurisdiction.
- (ix) Save for the payment of stamp duty, settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.
- (x) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Acceptance Form is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.
- (xi) The English text of this Composite Document and the Acceptance Form shall prevail over the Chinese text for the purpose of interpretation.
- (xii) In making their decision, Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained therein together with the Acceptance Form, shall not be construed as any legal or business advice on the part of the Offeror, the Company, Well Link Securities, the Registrar or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.
- (xiii) The Composite Document has been prepared for the purpose of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

## 1. SUMMARY OF FINANCIAL INFORMATION

Set out below is a summary of the financial information of the Group for the three years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017, which is extracted from the annual reports of the Company for each of the years ended 31 March 2015, 2016 and 2017 and the six months ended 30 September 2017 respectively:

	For the six months ended 30 September 2017	For the year ended 31 March		
	HK\$'000 (unaudited)	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)	2015 HK\$'000 (audited)
<b>Results</b>				
Revenue	71,061	175,862	205,439	207,534
Profit before income tax	18,679	23,944	39,921	35,300
Income tax expenses	(2,758)	(6,762)	(6,936)	(5,853)
Profit for the year/period	<u>15,921</u>	<u>17,182</u>	<u>32,985</u>	<u>29,447</u>
Attributable to owners of the Company	<u>15,921</u>	<u>17,182</u>	<u>32,985</u>	<u>29,447</u>
Basic and diluted earnings per Share (HK cents)	1.28	1.82	3.67	3.27 <sup>(1)</sup>
Dividend per Share (HK cents)	–	N/A <sup>(2)</sup>	–	–
	As at 30 September 2017	As at 31 March		
	HK\$'000 (unaudited)	2017 HK\$'000 (audited)	2016 HK\$'000 (audited)	2015 HK\$'000 (audited)
<b>Assets and liabilities</b>				
Total assets	375,207	377,563	229,336	184,774
Total liabilities	(110,800)	(128,202)	(110,894)	(99,317)
Net assets	<u>264,407</u>	<u>249,361</u>	<u>118,442</u>	<u>85,457</u>
Equity attributable to owners of the Company	<u>264,407</u>	<u>249,361</u>	<u>118,442</u>	<u>85,457</u>

The auditors of the Company, PricewaterhouseCoopers, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective financial statements of the Company for the three years ended 31 March 2015, 2016 and 2017, and the Company did not have any items which were exceptional because of size, nature or incidence for each of the three years ended 31 March 2015, 2016 and 2017.

*Note (1):* The weighted average number of ordinary shares used for the purpose of calculation of earnings per share has been retrospectively adjusted for the effects of the issue of shares in connection with the Group's reorganisation completed on 10 November 2016 and the capitalisation issue of the ordinary shares which took place on 10 February 2017.

*Note (2):* Dividends of HK\$15 million during the year ended 31 March 2017 represent dividends declared on 15 July 2016 by a subsidiary of the Group to the then equity holders of such subsidiary, which is prior to the completion of the Group's reorganisation on 10 November 2016.

## 2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2017 extracted from the annual report of the Company for the year ended 31 March 2017 (the "Annual Report"). Capitalised terms used in this section have the same meanings as those defined in the Annual Report:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2017*

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	175,862	205,439
Cost of sales and services	7	<u>(115,029)</u>	<u>(147,477)</u>
Gross profit		60,833	57,962
Other income and gains/(losses), net	6	1,389	(62)
Selling expenses	7	(2,937)	(3,453)
Administrative expenses	7	<u>(34,456)</u>	<u>(13,828)</u>
Operating profit		24,829	40,619
Finance income		958	229
Finance costs		<u>(1,843)</u>	<u>(927)</u>
Finance costs, net	9	<u>(885)</u>	<u>(698)</u>
<b>Profit before income tax</b>		23,944	39,921
Income tax expenses	10	<u>(6,762)</u>	<u>(6,936)</u>
<b>Profit for the year</b>		<u>17,182</u>	<u>32,985</u>
<b>Profit and total comprehensive income attributable to equity holders of the Company</b>		<u>17,182</u>	<u>32,985</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic and diluted	12	<u>1.82</u>	<u>3.67</u>

**CONSOLIDATED BALANCE SHEET***For the year ended 31 March 2017*

		<b>As at 31 March</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	160,795	121,141
Deferred income tax assets	20	7,068	163
Deposits, prepayments and other receivables	15	1,054	1,640
Finance lease receivables	16	804	3,098
Restricted cash	18	–	10,000
		<u>169,721</u>	<u>136,042</u>
		-----	-----
<b>Current assets</b>			
Inventories	17	12,102	12,813
Trade and bills receivables	15	39,523	36,621
Deposits, prepayments and other receivables	15	3,924	2,540
Amounts due from related companies	26(c)	22	–
Amount due from a director	26(c)	–	591
Income tax recoverable		527	–
Finance lease receivables	16	2,437	3,309
Restricted cash	18	15,500	–
Cash and cash equivalents	18	133,807	37,420
		<u>207,842</u>	<u>93,294</u>
		-----	-----
<b>Total assets</b>		<u><u>377,563</u></u>	<u><u>229,336</u></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	19	12,390	–
Reserves	19	236,971	118,442
		<u>249,361</u>	<u>118,442</u>
<b>Total equity</b>		<u><u>249,361</u></u>	<u><u>118,442</u></u>



		As at 31 March	
		2017	2016
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	20	23,972	16,630
Obligations under finance leases	23	11,460	10,114
		<u>35,432</u>	<u>26,744</u>
		-----	-----
<b>Current liabilities</b>			
Trade and bills payables	21	28,036	28,520
Accruals and other payables	21	11,107	4,747
Amounts due to related companies	26(c)	–	216
Amounts due to directors	26(c)	–	18,583
Borrowings	22	42,699	23,300
Income tax payable		2,553	3,776
Obligations under finance leases	23	8,375	5,008
		<u>92,770</u>	<u>84,150</u>
		-----	-----
<b>Total liabilities</b>		<u>128,202</u>	<u>110,894</u>
		-----	-----
<b>Total equity and liabilities</b>		<u>377,563</u>	<u>229,336</u>
		=====	=====

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the year ended 31 March 2017*

	<b>Share capital</b> <i>(Note 19(a))</i> <i>HK\$'000</i>	<b>Share premium</b> <i>(Note 19(b))</i> <i>HK\$'000</i>	<b>Other reserve</b> <i>(Note 19(b))</i> <i>HK\$'000</i>	<b>Retained Earnings</b> <i>(Note 19(b))</i> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Balance at 1 April 2015	–	–	2,500	82,957	85,457
<b>Comprehensive income</b>					
Profit for the year	–	–	–	32,985	32,985
Balance at 31 March 2016	<u>–</u>	<u>–</u>	<u>2,500</u>	<u>115,942</u>	<u>118,442</u>
Balance at 1 April 2016	–	–	2,500	115,942	118,442
<b>Comprehensive income</b>					
Profit for the year	–	–	–	17,182	17,182
<b>Transactions with owners in their capacity as owners</b>					
Capitalisation issue of shares	9,000	(9,000)	–	–	–
Issuance of shares	3,390	132,210	–	–	135,600
Share issuance costs	–	(6,863)	–	–	(6,863)
Dividends paid ( <i>note 11</i> )	–	–	–	(15,000)	(15,000)
<b>Balance at 31 March 2017</b>	<u>12,390</u>	<u>116,347</u>	<u>2,500</u>	<u>118,124</u>	<u>249,361</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31 March 2017*

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>			
Net cash generated from operations	25(a)	45,721	35,715
Interest paid		(1,843)	(927)
Income tax paid		(8,075)	(3,452)
		<u>          </u>	<u>          </u>
<b>Net cash generated from operating activities</b>		<u>          </u> 35,803	<u>          </u> 31,336
<b>Cash flows from investing activities</b>			
Interest income on bank deposits received		734	21
Purchase of property, plant and equipment	14, 25(c)	(92,781)	(32,614)
Decrease/(increase) in finance lease receivables		3,390	(5,436)
Proceeds from disposal of property, plant and equipment	25(b)	40,268	20,549
		<u>          </u>	<u>          </u>
<b>Net cash used in investing activities</b>		<u>          </u> (48,389)	<u>          </u> (17,480)
<b>Cash flows from financing activities</b>			
Repayment of finance lease obligations		(5,558)	(1,295)
Proceeds from borrowings		56,318	23,754
Repayment of borrowings		(36,919)	(16,892)
Share issuance costs charged to equity		(6,863)	(646)
Proceed from issuance of ordinary shares		135,600	–
Dividends paid		(15,000)	–
Decrease in amounts due to directors		(18,583)	(956)
Increase in amounts due from/to related companies		(22)	(6,692)
		<u>          </u>	<u>          </u>
<b>Net cash generated from/(used in) financing activities</b>		<u>          </u> 108,973	<u>          </u> (2,727)
<b>Net increase in cash and cash equivalents</b>		96,387	11,129
Cash and cash equivalents at beginning of the year		<u>          </u> 37,420	<u>          </u> 26,291
<b>Cash and cash equivalents at end of the year</b>	18	<u>          </u> 133,807	<u>          </u> 37,420

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 March 2017*

**1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION****1.1 General information**

Sanroc International Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (the “Group”) are principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, and the provision of transportation services in Hong Kong.

Pursuant to the group reorganisation as set out in the section headed “History, Development and Reorganisation” in the Company’s prospectus dated 27 January 2017 (the “Prospectus”), which was completed on 10 November 2016 (the “Reorganisation”), the Company became the holding company of its subsidiaries now comprising the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 February 2017 (the “Listing Date”) (collectively the “Listing”).

The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The consolidated financial statements of Sanroc International Holdings Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

**2.1.1 Changes in accounting policy and disclosures**

- (a) New and amended standards adopted by the Group:

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to HKFRS 11

- Clarification of acceptable methods of depreciation and amortisation – Amendments to Hong Kong Accounting Standards (“HKAS”) 16 and HKAS 38
- Annual improvements to HKFRSs 2012–2014 cycle, and
- Disclosure initiative – Amendments to HKAS 1.

The adoption of these amendments did not have any impact on the financial statements for the current year or any prior period and is not likely to affect those for the future periods.

(b) New standards and interpretations not yet adopted:

The following are new standards and amendments to standards that have been published but are not yet effective for the annual periods beginning after 1 April 2016 and have not been early adopted by the Group.

HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 15*	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>

*Notes:*

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective date not yet been determined

\* Including clarifications to HKFRS 15 – Revenue from contracts with customers

HKFRS 9 “Financial instruments” replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method.

The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the year, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 16 Leases – The Group is a lessee of various machinery, offices and warehouses which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.10. The Group's operating lease commitments as at 31 March 2017 and 2016 amounting to HK\$1,376,000 and HK\$806,000, respectively, which are not reflected in the consolidated balance sheets, are set out in note 24(b).

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In profit or loss, rental expenses will be replaced with depreciation and interest expense. The impacts on the Group's financial results and position upon the adoption of HKFRS 16 as lessee of finance leases and operating leases are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ended 31 March 2020.

HKFRS 15 “Revenue from Contracts with Customers” – This new standard replaces the previous revenue standards: HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Group has three major revenue streams, namely (i) sales of machinery and spare parts and provision of related services and (ii) provision of transportation services, the performance obligations of which are substantially completed at the same point of time as the respective revenue is recognised in accordance with Note 2.21(a) and Note 2.21(c), and (iii) short-term leasing of machinery, the performance obligations of which are substantially completed over the lease period as the respective revenue is recognised in accordance with Note 2.21(b). Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impacts on the Group's financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Other than HKFRS 9, HKFRS 16 and HKFRS 15, the Group is in the process of assessing potential impact of the above new standards and amendments to standards upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standards.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Business combinations

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to confirm with the Group's accounting policies.

*(b) Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

*(c) Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

### **2.2.2 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

## **2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which is the Company's functional and the Group's presentation currency.



**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other income and gains/(losses), net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

**2.5 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' 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 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 charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over the estimated useful lives, as follows:

Leasehold improvements	3 years
Machinery	5–10 years
Equipment and tools	3 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within "other income and gains/(losses), net".

**2.6 Impairment of non-financial assets**

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.7 Financial assets

### 2.7.1 Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "finance lease receivables", "trade and bills receivables", "deposits and other receivables", "amounts due from related companies", "amount due from a director", "restricted cash" and "cash and cash equivalents" in the consolidated balance sheet.

### 2.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Finance lease receivables are recognised as loans and receivables for the purpose of derecognition and impairment.

## 2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

## 2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

## 2.10 Lease

### *The Group as lessor*

#### *(a) Finance lease*

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable. The difference between (a) the aggregate of the minimum lease amounts and (b) their present value (presented in the consolidated balance sheet as finance lease receivables) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

See notes 2.7 and 2.9 for accounting policies for derecognition and impairment of finance lease receivables.

#### *(b) Operating lease*

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives granted to the lessee) are recognised in profit or loss on a straight-line basis over the period of the lease.

### *The Group as lessee*

#### *(c) Finance lease*

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased machinery and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

*(d) Operating lease*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

**2.11 Trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies are expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**2.12 Inventories**

Inventories comprise machinery and equipment, construction work materials and consumables and are stated at the lower of cost and net realisable value. Cost is determined using first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.13 Cash and cash equivalents and restricted cash**

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturity of three months or less.

Bank deposits which are restricted to use are included in "restricted cash". Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statements.

**2.14 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

**2.15 Trade and bills payables, other payables, amounts due to directors and amounts due to related companies**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables, other payables, amounts due to directors and amounts due to related companies are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and bills payables, other payables, amounts due to directors and amounts due to related companies are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **2.16 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### **2.17 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### **2.18 Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **2.19 Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

*Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

*Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.20 Employee benefits

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

*(b) Retirement benefits*

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(c) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

## **2.21 Revenue recognition**

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

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, type of transactions and the specifics of each arrangement.

*(a) Sales of goods*

Sales of goods are recognised when products are delivered to customers and the customers accept the products. Collectability of the related receivables is reasonably assured.

*(b) Rental income*

Rental income from rental of machinery is recognised based on the straight-line basis over the lease terms.

*(c) Service income*

Service income of the provision of transportation, repairing and maintenance services for machinery and equipment is recognised when services are provided.

## **2.22 Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

## **2.23 Dividend distribution**

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

### 3. FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The Directors provide principles for an overall risk management, as well as policies covering specific areas.

##### (a) Market risk

##### (i) Foreign exchange risk

The Group operates mainly in Hong Kong, and is exposed to foreign currency risks arising from various currency exposures, mainly with respect to Japanese Yen ("JPY"), European dollar ("EUR") and US dollar ("USD"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. Since HK\$ is pegged with USD, management is of the opinion that the foreign exchange risk arising from USD is insignificant.

For settlement of the purchase to suppliers in JPY or EUR, once the purchase order is placed, provided that there is time difference (at least over one week) for the payments to suppliers, management may consider to enter into foreign exchange forward contract with its principal bank on a case-by-case basis. Several factors are considered by management before entering into any hedging contracts, such as (i) the extent of the exchange rate fluctuations in the market; (ii) the exposure period before settlement of the purchase; and (iii) the contract amount of the purchase agreement.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>		
JPY	55	55
USD	159	5,054
EUR	390	686
	<hr/>	<hr/>
Total	604	5,795
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities</b>		
JPY	17,352	16,834
USD	3,896	2,056
EUR	3,564	1,352
	<hr/>	<hr/>
Total	24,812	20,242
	<hr/> <hr/>	<hr/> <hr/>



If HK\$ had strengthened/weakened by 5% against the relevant foreign currencies, with all other variables held constant, the profit before income tax would increase/decrease as follows:

	Year ended 31 March			
	2017 Increase/(decrease) in profit before income tax if exchanges rates change by		2016 Increase/(decrease) in profit before income tax if exchanges rates change by	
	+5%	-5%	+5%	-5%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
JPY	865	(865)	839	(839)
EUR	159	(159)	33	(33)

(i) Interest rate risk

The Group has no significant interests-bearing assets except for cash at bank, details of which are disclosed in note 18. The Group is exposed to interest rate risk when borrowings are carried at floating rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2017, all the borrowings are carried at fixed interest rates. As at 31 March 2016, borrowings of HK\$3,313,000 and HK\$19,987,000 are carried at fixed and floating interest rates, respectively. For the year ended 31 March 2016, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, the profit before tax would be HK\$200,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, finance lease receivables, trade and bills receivables, deposits and other receivables, amount due from a director and amounts due from related companies. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The Group has concentration of credit risk as 48% (2016: 55%) of the total trade receivables were due from the Group's top five (2016: five) customers, which constituted 55% of the Group's revenue for the year ended 31 March 2017 (2016: 59%).

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment provision is made for the irrecoverable amounts.

The credit risk on deposits with bank and amounts due from related companies are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by related parties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of machinery and equipment, and payment for purchases and operating expenses. The Group mainly finances its working capital requirements through internal resources and bank borrowings.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors monitor the utilisation of bank borrowings to ensure adequate unutilised banking facilities and compliance with loan covenants.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table represent the contractual undiscounted cash flows.

	<b>On demand and less than 1 year</b> <i>HK\$'000</i>	<b>Between 1 and 2 years</b> <i>HK\$'000</i>	<b>Between 2 and 5 years</b> <i>HK\$'000</i>	<b>Over 5 years</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 31 March 2017					
Trade and bills payables	28,036	–	–	–	28,036
Accruals and other payables	11,107	–	–	–	11,107
Short-term bank borrowings	608	–	–	–	608
Long-term bank borrowings subject to a repayment on demand clause	42,091	–	–	–	42,091
Obligations under finance leases	8,562	6,777	6,000	–	21,339
	<u>90,404</u>	<u>6,777</u>	<u>6,000</u>	<u>–</u>	<u>103,181</u>
	<b>On demand and less than 1 year</b> <i>HK\$'000</i>	<b>Between 1 and 2 years</b> <i>HK\$'000</i>	<b>Between 2 and 5 years</b> <i>HK\$'000</i>	<b>Over 5 years</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
As at 31 March 2016					
Trade and bills payables	28,520	–	–	–	28,520
Accruals and other payables	4,747	–	–	–	4,747
Short-term bank borrowings	857	–	–	–	857
Long-term bank subject to a repayment on demand clause	22,443	–	–	–	22,443
Amounts due to directors	18,583	–	–	–	18,583
Amounts due to related companies	216	–	–	–	216
Obligations under finance leases	5,127	5,127	6,128	–	16,382
	<u>80,493</u>	<u>5,127</u>	<u>6,128</u>	<u>–</u>	<u>91,748</u>

Without taking into account the repayment on demand clause, long-term bank borrowings subject to a repayment on demand clause are analysed as follows:

	<b>Less than 1 year HK\$'000</b>	<b>Between 1 and 2 years HK\$'000</b>	<b>Between 2 and 5 years HK\$'000</b>	<b>Over 5 years HK\$'000</b>	<b>Total HK\$'000</b>
31 March 2017	24,021	17,313	3,140	–	44,474
31 March 2016	9,785	8,929	4,060	1,746	24,520

### 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the 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 the cost of capital.

The capital structure of the Group consists of equity, amounts due to directors and related companies and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings.

The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including amounts due to directors and related companies with non-trade in nature) less cash and cash equivalents and restricted cash. The gearing ratios were as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Borrowings	42,699	23,300
Obligations under finance leases	19,835	15,122
Amounts due to directors	–	18,583
Less: cash and cash equivalents and restricted cash	(149,307)	(47,420)
Net (asset)/debt	(86,773)	9,585
Total equity	249,361	118,442
Gearing ratio	N/A	8%

As at 31 March 2017, the gearing ratio was not applicable due to the change from net debt to net assets (2016: 8%).

### 3.3 Fair value estimation

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, restricted cash, finance lease receivables, trade and bills receivables, deposits and other receivables, amount due from a director and related companies, trade and bills payables, other payables, amounts due to directors and related companies, obligations under finance leases and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

The carrying amount of the non-current portion of bank borrowings was a reasonable approximation of its fair value after considering the discounting effect.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(a) Estimated useful lives and residual values of property, plant and equipment**

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation expense would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

The Group's major operating assets represent property, plant and equipment. Management performs review for impairment of the property, plant and equipment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable.

Management considered there was no impairment indicator of property, plant and equipment during the year ended 31 March 2017 as these assets were used for profitable projects, and there is a strong demand of these property, plant and equipment in the second hand market (2016: same).

##### **(b) Impairment of trade and bills receivables**

Management determines the provision for impairment of trade and bills receivables based on the credit history of customers and the current market condition by business segment. Significant judgment is exercised on the assessment of the collectability of receivables from each customer. In making the judgment, management considers a wide range of factors such as results of follow-up procedures, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The final outcome of the recoverability of these receivables will impact the amount of impairment required.

##### **(c) Income taxes and deferred taxation**

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and income tax expense in the period in which such estimate is changed.

**(d) Allowance for inventories**

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying amount of inventories to their respective net realisable value. A considerable amount of judgment is required in determining such allowances. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

**5. REVENUE AND SEGMENT INFORMATION**

Revenue represents gross receipts on sales of machinery and spare parts, leasing of machinery, the provision of transportation services and the provision of related services in the ordinary course of business. Revenue recognised during the year ended 31 March 2017 is as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of machinery and spare parts and provision of related services	92,192	137,128
Leasing of machinery and provision of related services	74,203	66,993
Transportation services	9,467	1,318
	<u>175,862</u>	<u>205,439</u>

The chief operating decision-maker has been identified as the executive directors of the Company. Information is reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments are as follows:

1. Trading – Sales of machinery and spare parts and provision of related services
2. Leasing – Leasing of machinery and provision of related services
3. Transportation – Provision of transportation services

**Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment.

*For the year ended 31 March 2017*

	<b>Trading</b> <i>HK\$'000</i>	<b>Leasing</b> <i>HK\$'000</i>	<b>Transportation</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue				
Segment revenue from external customers	92,192	74,203	9,467	175,862
Results				
Segment profit/(loss)	18,306	32,806	(74)	51,038
Unallocated corporate income				958
Unallocated corporate expenses				(28,052)
Profit before tax				23,944

*For the year ended 31 March 2016*

	<b>Trading</b> <i>HK\$'000</i>	<b>Leasing</b> <i>HK\$'000</i>	<b>Transportation</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue				
Segment revenue from external customers	137,128	66,993	1,318	205,439
Results				
Segment profit/(loss)	26,081	26,873	(1,517)	51,437
Unallocated corporate income				229
Unallocated corporate expenses				(11,745)
Profit before tax				39,921

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs, finance income and finance cost. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

**Other segment information***For the year ended 31 March 2017*

	Trading <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Transportation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results:					
Depreciation	–	(20,795)	(2,696)	(959)	(24,450)
Gain on disposal of property, plant and equipment	86	1,234	–	–	1,320
	<u>86</u>	<u>1,234</u>	<u>–</u>	<u>–</u>	<u>1,320</u>

*For the year ended 31 March 2016*

	Trading <i>HK\$'000</i>	Leasing <i>HK\$'000</i>	Transportation <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment results:					
Depreciation	–	(18,781)	(851)	(1,095)	(20,727)
Gain on disposal of property, plant and equipment	–	328	–	–	328
	<u>–</u>	<u>328</u>	<u>–</u>	<u>–</u>	<u>328</u>

**Geographical information**

No geographical information is presented as all revenue from external customers of the Group are derived and all non-current assets of the Group are located in Hong Kong.

**Major customers**

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

	Year ended 31 March	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	42,655	43,229
Customer B	N/A*	31,525
Customer C	21,162	N/A*
Customer D	18,560	N/A*

*Note:*

\* The corresponding revenue did not exceed 10% of the total revenue of the Group for the years ended 31 March 2017 and 2016, respectively.

**6. OTHER INCOME AND GAINS/(LOSSES), NET**

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on derivative financial instruments	–	(407)
Foreign exchange loss, net	(134)	(47)
Gain on disposal of property, plant and equipment (note 25(b))	1,320	328
Others	203	64
	<u>1,389</u>	<u>(62)</u>

**7. EXPENSES BY NATURE**

Expenses included in cost of sales and services, selling and administrative expenses are analysed as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Costs of machinery and equipment and spare parts	71,220	110,820
Staff costs, including directors' emoluments (note 8)	17,942	10,311
Leasing expense of machinery and equipment	5,461	7,875
Operating lease rental in respect of office and storage premises	859	923
Auditor's remuneration (Audit services for the annual audit)	1,300	1,000
Listing expenses	17,174	2,108
Depreciation		
– owned machinery and equipment	21,016	18,699
– machinery and equipment held under finance leases	3,434	2,028
Donation	1,000	–
Others	13,016	10,994
	<u>152,422</u>	<u>164,758</u>
Total cost of sales and services, selling and administrative expenses	<u>152,422</u>	<u>164,758</u>

**8. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)**

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	13,229	7,342
Performance related incentive payments	4,187	2,660
Employer's contributions to retirement benefits scheme (note a)	526	309
	<u>17,942</u>	<u>10,311</u>



**(a) Retirement benefits scheme**

The Group participates in a mandatory provident fund scheme (the “MPF Scheme”) in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees’ gross earnings to the MPF Scheme subject to a cap of HK\$1,500 per month.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

**(b) Five highest paid individuals**

The five individuals whose emoluments without taking into account sales commission were the highest in the Group for the year included three (2016: one) directors whose emoluments are reflected in the analysis shown in Note 28. The emoluments payable to the remaining two (2016: four) individuals during the year are as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Salaries, allowances and benefits in kind	1,435	1,428
Discretionary bonuses	1,323	453
Employer’s contributions to retirement benefits scheme	35	61
	2,793	1,942
	2,793	1,942

The emoluments fall within the following bands:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Nil–HK\$1,000,000	1	4
HK\$2,000,001–HK\$2,500,000	1	–
	1	4
	1	4

During the years ended 31 March 2017 and 2016, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for the loss of office.

## 9. FINANCE COST, NET

	Year ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Finance income		
– Finance income on finance lease receivables	224	208
– Interest income on bank deposits	734	21
	<u>958</u>	<u>229</u>
Finance costs		
– Interest expense on bank loans	(1,129)	(708)
– Interest expense on obligations under finance leases	(714)	(219)
	<u>(1,843)</u>	<u>(927)</u>
Finance costs, net	<u>(885)</u>	<u>(698)</u>

## 10. INCOME TAX EXPENSES

The amount of income tax charged to profit or loss represents:

	Year ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax		
Current income tax	6,325	5,329
Deferred income tax ( <i>note 20</i> )	437	1,607
	<u>6,762</u>	<u>6,936</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year ended 31 March 2017.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Profit before income tax	<u>23,944</u>	<u>39,921</u>
Calculated at the domestic tax rate of 16.5% (2016: 16.5%)	3,950	6,587
Tax effects of:		
Income not subject to tax	(218)	(4)
Expenses not deductible for tax purposes	2,980	353
Tax losses not recognised	113	–
Income tax expenses	<u>6,762</u>	<u>6,936</u>

**11. DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation.

On 15 July 2016, Sanroc Leasing (Plant & Machinery) Limited, now a wholly-owned subsidiary of the Company, declared a final dividend for the year ended 31 March 2016 of HK\$12 million and a special dividend of HK\$3 million, which had been approved on 15 August 2016 and fully paid to its then shareholders on 23 August 2016.

**12. EARNINGS PER SHARE****(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 10 November 2016 and the Capitalisation Issue (as defined in Note 19) of the ordinary shares which took place on 10 February 2017.

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company (HK\$'000)	17,182	32,985
Weighted average number of ordinary shares in issue (thousands)	943,265	900,000
Basic earnings per share (HK cents)	1.82	3.67

**(b) Diluted**

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary shares outstanding as at 31 March 2017 (2016: same).

## 13. SUBSIDIARIES

The following is a list of the subsidiaries as at 31 March 2017:

Name	Place of incorporation and type of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)
<i>Directly held by the Company:</i>				
Jubilee Land Holdings Limited	The British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	HK\$16	100% (2016: N/A)
Red Day Global Limited	BVI, limited liability company	Investment holding in Hong Kong	HK\$16	100% (2016: N/A)
Jovial Lead Global Limited	BVI, limited liability company	Investment holding in Hong Kong	HK\$16	100% (2016: N/A)
<i>Indirectly held by the Company:</i>				
Sanroc International (Hong Kong) Limited	Hong Kong, limited liability company	Sales of machinery and spare parts, rental of machinery and the provision of related services in Hong Kong	HK\$1,000,000	100% (2016: 100%)
Sanroc Leasing (Plant & Machinery) Limited	Hong Kong, limited liability company	Sales of machinery and spare parts, rental of machinery and the provision of related services in Hong Kong	HK\$500,000	100% (2016: 100%)
Santech Transportation Limited	Hong Kong, limited liability company	Provision of transportation services in Hong Kong	HK\$1,000,000	100% (2016: 100%)

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Equipment and tools <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
As 31 March 2015						
Cost	–	171,385	48	2,467	6,020	179,920
Accumulated depreciation	–	(62,453)	(48)	(1,544)	(2,817)	(66,862)
Net book amount	–	108,932	–	923	3,203	113,058
Year ended 31 March 2016						
Opening net book amount	–	108,932	–	923	3,203	113,058
Additions	–	39,093	–	9	9,929	49,031
Disposals	–	(20,121)	–	–	(100)	(20,221)
Depreciation	–	(18,781)	–	(169)	(1,777)	(20,727)
Closing net book amount	–	109,123	–	763	11,255	121,141
At 31 March 2016						
Cost	–	177,057	48	2,476	15,321	194,902
Accumulated depreciation	–	(67,934)	(48)	(1,713)	(4,066)	(73,761)
Net book amount	–	109,123	–	763	11,255	121,141
Year ended 31 March 2017						
Opening net book amount	–	109,123	–	763	11,255	121,141
Additions	228	89,428	–	137	13,259	103,052
Disposals	–	(38,948)	–	–	–	(38,948)
Depreciation	(44)	(20,795)	–	(173)	(3,438)	(24,450)
Closing net book amount	184	138,808	–	727	21,076	160,795
At 31 March 2017						
Cost	228	201,853	48	2,613	28,580	233,322
Accumulated depreciation	(44)	(63,045)	(48)	(1,886)	(7,504)	(72,527)
Net book amount	184	138,808	–	727	21,076	160,795

	Year ended 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation charged to profit or loss:		
– Cost of sales and services	23,491	19,632
– Administrative expenses	959	1,095
	<u>24,450</u>	<u>20,727</u>

The net book values of property, plant and equipment which held under finance lease obligations comprise:

	As at 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – Capitalised finance leases	25,186	18,574
Accumulated depreciation	(4,893)	(2,028)
Net book amount	<u>20,293</u>	<u>16,546</u>

As at 31 March 2017, property, plant and equipment amounting to HK\$54,652,000 (2016: HK\$3,408,000) was pledged for the Group's bank borrowings (note 22).

#### 15. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bills receivables	40,545	37,643
Provision for impairment	(1,022)	(1,022)
	<u>39,523</u>	<u>36,621</u>
Deposits, prepayments and other receivables	4,978	4,180
Less: non-current portion	(1,054)	(1,640)
Current portion	<u>3,924</u>	<u>2,540</u>

The credit period granted to trade customers was generally between 30 to 60 days. The Group does not hold any collateral as security.

As at 31 March 2017, the ageing analysis of the trade and bills receivables based on invoice date was as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	12,329	13,034
31 to 60 days	10,740	16,353
61 to 90 days	4,781	3,124
More than 90 days	11,673	4,110
	<u>39,523</u>	<u>36,621</u>

As at 31 March 2017, trade and bills receivables of HK\$26,582,000 (2016: HK\$21,649,000) were past due but not considered to be impaired because these mainly relate to customers from whom there is no recent history of default. Based on past experience, the directors of the Group are of the opinion that no provision for impairment 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 ageing analysis of these trade and bills receivables is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due by:		
1 to 30 days	11,351	12,242
31 to 60 days	4,790	6,193
61 to 90 days	3,740	1,242
More than 90 days	6,701	1,972
	<u>26,582</u>	<u>21,649</u>

Movements of provision for impairment of trade and bills receivables were as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning and end of the year	<u>1,022</u>	<u>1,022</u>

Trade and bills receivables are all denominated in HK\$.

## 16. FINANCIAL LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 March		As at 31 March	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	2,490	3,390	2,437	3,309
Later than one year and not later than five years	850	3,340	804	3,098
Less: Unearned finance income	(99)	(323)	–	–
	<u>3,241</u>	<u>6,407</u>	<u>3,241</u>	<u>6,407</u>
Present value of minimum lease payment receivable				
Less: amount due within one year shown under current assets			(2,437)	(3,309)
			<u>804</u>	<u>3,098</u>
Amount shown under non-current assets				

Effective interest rates of the above finance leases approximates to 4.5% (2016: 4.5%) per annum during the year ended 31 March 2017.

Finance lease receivables are all denominated in HK\$.

## 17. INVENTORIES

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Machinery and spare parts	<u>12,102</u>	<u>12,813</u>

For the year ended 31 March 2017, the cost of inventories recognised as expense and included in cost of sales and services in profit or loss amounted to HK\$71,220,000 (2016: HK\$110,820,000).

## 18. RESTRICTED CASH, CASH AND CASH EQUIVALENTS

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Restricted cash ( <i>note i</i> )	15,500	10,000
Less: non-current portion	–	(10,000)
	<u>15,500</u>	<u>–</u>
Current portion		
Cash on hand	21	21
Cash at bank ( <i>note ii</i> )	<u>133,786</u>	<u>37,399</u>
Cash and cash equivalents	<u>133,807</u>	<u>37,420</u>



*Notes:*

- (i) As at 31 March 2017, restricted cash of HK\$15,500,000 (2016: HK\$10,000,000) which earned interest from 0.01% to 0.75% (2016: 0.75%) per annum and had average maturity of 10 months (2016: 21 months), were used to settle the obligations with respect to the letters of credit issued for purchase of machinery and equipment.
- (ii) As at 31 March 2017, the weighted average effective interest rate on other bank balances was 0.35% (2016: 0.01%).

Cash and cash equivalents and restricted cash were denominated in the following currencies:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	148,703	41,625
USD	159	5,054
JPY	55	55
EUR	390	686
	149,307	47,420
	149,307	47,420

## 19. SHARE CAPITAL, SHARE PREMIUM AND RESERVES

### (a) Share capital

On 25 July 2016, the Company was incorporated under the laws of Cayman Islands, with an authorised share capital of HK\$380,000 divided into 380,000 shares with par value of HK\$1 each. On the same day, the Company allotted and issued one fully paid share to an initial subscriber who is an independent third party, which was transferred to Lion Spring Enterprises Limited (“Lion Spring”).

On 10 November 2016, Lion Spring transferred all its shares in Jubilee Land Holdings Limited, the holding company of Sanroc Leasing (Plant & Machinery) Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 10 November 2016, Lion Spring transferred all its shares in Red Day Global Limited, the holding company of Sanroc International (Hong Kong) Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 10 November 2016, Lion Spring transferred all its shares in Jovial Lead Global Limited, the holding company of Santech Transportation Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 23 January 2017, the authorised share capital of the Company was changed to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each, by: (i) the subdivision of each issued and unissued share of a par value of HK\$1.00 each into 100 shares of a par value of HK\$0.01 each, and (ii) the creation of an additional 1,962,000,000 shares of a par value of HK\$0.01 each.

By a shareholders’ resolution dated 23 January 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company’s shares, the Company would issue additional 899,999,600 shares, credited as fully paid, to the then existing shareholders of the Company (the “Capitalisation Issue”).

On 10 February 2017, pursuant to the share offer, the Company issued a total 300,000,000 shares at a price of HK\$0.40 per share (the “Share Offer”).

On 3 March 2017, over-allotment option was partially exercised by Ample Orient Capital Limited on behalf of the placing underwriters, in respect of an aggregate of 39,000,000 shares at a price of HK\$0.40 per share.

	No. of shares	HK\$'000
Authorised:		
At 25 July 2016 (date of incorporation), at HK\$1 each	380,000	380
Share sub-division	37,620,000	–
Increase in authorised shares	<u>1,962,000,000</u>	<u>19,620</u>
<b>At 31 March 2017, at HK\$0.01 each</b>	<b><u>2,000,000,000</u></b>	<b><u>20,000</u></b>
Issued and fully paid:		
At 25 July 2016 (date of incorporation)	1	–
Share issued pursuant to the Reorganisation	3	–
Share sub-division	396	–
Share issued pursuant to the Capitalisation Issue	899,999,600	9,000
Share issued pursuant to the Share Offer	300,000,000	3,000
Share issued pursuant to the exercise of over-allotment option	<u>39,000,000</u>	<u>390</u>
<b>At 31 March 2017</b>	<b><u>1,239,000,000</u></b>	<b><u>12,390</u></b>

(b) Share premium, other reserves and retained earnings

	Share premium	Other Reserves (Note)	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2015	–	2,500	82,957	85,457
Profit for the year	<u>–</u>	<u>–</u>	<u>32,985</u>	<u>32,985</u>
At 31 March 2016	<u>–</u>	<u>2,500</u>	<u>115,942</u>	<u>118,442</u>
At 1 April 2016	–	2,500	115,942	118,442
Profit for the year	–	–	17,182	17,182
Capitalisation issue of shares	(9,000)	–	–	(9,000)
Issuance of shares	132,210	–	–	132,210
Share issuance costs	(6,863)	–	–	(6,863)
Dividend paid	<u>–</u>	<u>–</u>	<u>(15,000)</u>	<u>(15,000)</u>
<b>At 31 March 2017</b>	<b><u>116,347</u></b>	<b><u>2,500</u></b>	<b><u>118,124</u></b>	<b><u>236,971</u></b>

*Note:* Other reserves of the Group represented the difference between the share capital of the subsidiaries acquired pursuant to the Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

**(c) Share option scheme**

The Company operates a share option scheme (the “Scheme”) for the purpose of retaining, incentivising, rewarding, remunerating, compensating and providing benefits to participants of the Scheme in order to encourage participants to work towards enhancing the value of the Company. Eligible participants of the Scheme include the Group’s directors and full-time employees, etc. The Scheme became effective on 23 January 2017 and unless otherwise cancelled or amended, will remain valid and effective for a period of 10 years from that date. For the year ended 31 March 2017, no options have been granted (2016: same).

**20. DEFERRED INCOME TAX**

The analysis of deferred tax assets and deferred tax liabilities were as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
Deferred income tax asset:		
Recoverable after more than 12 months	7,068	163
Deferred income tax liabilities:		
Payable or to be settled more than 12 months	(23,972)	(16,630)
	<u>(16,904)</u>	<u>(16,467)</u>

The movement on the deferred income tax liabilities was as follows:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
At beginning of the year	(16,467)	(14,860)
Recognised in profit or loss ( <i>note 10</i> )	(437)	(1,607)
At end of the year	<u>(16,904)</u>	<u>(16,467)</u>

The movements in deferred income tax liabilities and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

**Deferred income tax liabilities – Accelerated tax depreciation**

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
At beginning of the year	(17,014)	(15,610)
Recognised in profit or loss	(6,834)	(1,404)
At end of the year	<u>(23,848)</u>	<u>(17,014)</u>

## Deferred income tax assets – tax losses

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
At beginning of the year	547	750
Recognised in profit or loss	6,397	(203)
	<u>6,944</u>	<u>547</u>
At end of the year	<u><u>6,944</u></u>	<u><u>547</u></u>

## 21. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Trade and bills payables	28,036	28,520
Accruals and other payables ( <i>note i</i> )	11,107	4,747
	<u>39,143</u>	<u>33,267</u>
	<u><u>39,143</u></u>	<u><u>33,267</u></u>

*Note:*

- (i) The amounts mainly represent advance from customers, accruals and other payables for wages, legal and professional fees and transportation costs.

The ageing analysis of the trade and bills payables based on invoice date were as follows:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
0 to 30 days	5,921	5,353
31 to 60 days	2,724	10,100
61 to 90 days	325	10,205
More than 90 days	19,066	2,862
	<u>28,036</u>	<u>28,520</u>
	<u><u>28,036</u></u>	<u><u>28,520</u></u>

The carrying amounts of trade and bills payables approximated their fair value and were denominated in the following currencies:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
HK\$	3,224	8,278
JPY	17,352	16,834
EUR	3,564	1,352
USD	3,896	2,056
	<u>28,036</u>	<u>28,520</u>
	<u><u>28,036</u></u>	<u><u>28,520</u></u>

## 22. BORROWINGS

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Bank borrowings – secured	42,699	23,300
Analysed into:		
Short-term bank borrowings	608	857
Portion of long-term bank borrowings due for repayment within one year	22,903	8,787
Portion of long-term bank borrowings due for repayment after one year which contain a repayment on demand clause (note i)	19,188	13,656
	<u>42,699</u>	<u>23,300</u>

Note:

- (i) These amounts represent balances that are repayable at any time at the discretion of the lender in accordance with the respective banking facility agreements and are therefore classified as current liabilities.

The repayment dates of bank borrowings based on the repayment schedules set out in the relevant bank loan agreements and ignoring the effect of any repayment on demand clause are analysed as follows:

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
Within one year	23,511	9,644
Between one year and two years	16,315	8,540
Between two years and five years	2,873	3,694
Beyond five years	–	1,422
	<u>42,699</u>	<u>23,300</u>

Bank borrowings are denominated in HK\$ and their carrying amounts approximate their fair values as they bear market interest rates.

The borrowings consist of several banking facilities. The borrowings as at 31 March 2017 carried interest at rates ranging from 3.53% to 4.55% per annum (2016: 2.60% to 4.24% per annum).

The Group's banking facilities are subject to annual review and are secured or guaranteed by:

- (i) unlimited corporate guarantees granted by the Company and subsidiaries of the Group as at 31 March 2017 and granted by a subsidiary of the Group as at 31 March 2016;
- (ii) unlimited personal guarantees provided by two directors as at 31 March 2016, which had been released and replaced by guarantee of the Company during the year ended 31 March 2017;
- (iii) a property held by a related company as at 31 March 2016, which had been released during the year ended 31 March 2017;

(iv) certain property, plant and equipment of the Group as detailed in note 14.

As at 31 March 2017, the total banking facilities including those for issuance of letter of credits utilised by the Company and other relevant companies amounted to approximately HK\$58,305,000 (2016: HK\$53,302,000).

### 23. OBLIGATIONS UNDER FINANCE LEASES

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Analysed for reporting purposes as:		
Current liabilities	8,375	5,008
Non-current liabilities	11,460	10,114
	<u>19,835</u>	<u>15,122</u>

The Group leased certain machinery and equipment under finance leases as at 31 March 2017 and 31 March 2016. The average lease term was 46 months. Interest rates underlying the obligations under finance leases were fixed at respective contract dates which ranged from 3.45% to 4.73% per annum (2016: 4.24% to 4.73% per annum) for the year ended 31 March 2017.

	<b>Minimum lease payments</b>		<b>Present value of</b>	
	<b>As at 31 March</b>		<b>minimum lease payments</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	8,562	5,127	8,375	5,008
Later than one year and not later than five years	12,777	11,255	11,460	10,114
Less: future finance charges	(1,504)	(1,260)	–	–
Present value of minimum lease obligations	<u>19,835</u>	<u>15,122</u>	19,835	15,122
Less: amount due within one year shown under current liabilities			(8,375)	(5,008)
Amount shown under non-current liabilities			<u>11,460</u>	<u>10,114</u>

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets and personal guarantee provided by a director during the year ended 31 March 2016. The said guarantee given by the director had been released and replaced by guarantee of the Company during the year ended 31 March 2017.

Obligations under finance leases are all denominated in HK\$.

**24. COMMITMENTS****(a) Capital commitments**

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for- machinery and equipment	–	30,755
	<u>                    </u>	<u>                    </u>

**(b) Operating lease commitments – as lessee**

The Group leases machinery, offices and warehouse, and quarter for a director under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	1,142	806
Later than 1 year and no later than 5 years	234	–
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

**(c) Operating lease commitments – as lessor**

The Group had contracted with lessees for leasing machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>As at 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
No later than 1 year	182	165
	<u>                    </u>	<u>                    </u>

## 25. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

## (a) Reconciliations of profit before income tax to net cash generated from operations:

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Profit before income tax	23,944	39,921
Adjustments for:		
– Depreciation of property, plant and equipment	24,450	20,727
– Gain on disposal of property, plant and equipment	(1,320)	(328)
– Finance income	(958)	(229)
– Finance costs	1,843	927
	<u>47,959</u>	<u>61,018</u>
Changes in working capital:		
Decrease in inventories	711	553
Increase in trade and bills receivables	(2,902)	(10,119)
Increase in deposits, prepayments and other receivables	(798)	(985)
(Increase)/decrease in amounts due from/to related companies	(216)	444
Increase in restricted cash	(5,500)	(9,249)
Decrease in derivative financial instruments	–	(1,979)
Decrease in trade and bills payables	(484)	(1,814)
Increase/(decrease) in accruals and other payables	6,360	(2,154)
Decrease in amount due from a director	591	–
	<u>45,721</u>	<u>35,715</u>
Net cash generated from operations	<u>45,721</u>	<u>35,715</u>

## (b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Net book amount ( <i>note 14</i> )	38,948	20,221
Gain on disposal of property, plant and equipment ( <i>note 6</i> )	<u>1,320</u>	<u>328</u>
Proceeds from sales of property, plant and equipment	<u>40,268</u>	<u>20,549</u>

## (c) Non-cash transactions

During the year ended 31 March 2017 machinery and equipment amounting to HK\$10,271,000 (2016: HK\$16,417,000) were purchased under finance leases.



**26. RELATED PARTY TRANSACTIONS**

Management consider that Lion Spring Enterprises Limited (incorporated in the British Virgin Islands), which owns 67.8% of the Company's shares, is the ultimate holding company of the Group. Lion Spring Enterprises Limited is controlled by a discretionary trust set up for the benefit of Ms. Wong Fei Heung Terbe and the children born to Mr. Siu Chun Yiu Jonathan and Ms. Wong Fei Heung Terbe.

**(a) Name and relationship**

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the years ended 31 March 2017 and 2016:

<b>Name of the related party</b>	<b>Relationship with the Group</b>
Mansion Engineering Limited ("Mansion")	An entity controlled by the directors
Skyway International Investment Enterprise Limited ("Skyway")	An entity controlled by the directors
Lion Spring Enterprises Limited ("Lion Spring")	An entity controlled by the directors
Liloy Holdings Limited ("Liloy")	An entity controlled by the directors
Foundton Worldwide Ltd. ("Foundton")	An entity controlled by the directors
Mr. Siu Chun Yiu Jonathan	Director of the Company
Ms. Wong Fei Heung Terbe	Director of the Company

**(b) Transactions with related parties**

Save as disclosed elsewhere in the notes to the consolidated financial statements, during the year ended 31 March 2017, the following transactions were carried out with related parties at terms mutually agreed by both parties:

	<b>Year ended 31 March</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Purchase of machinery and equipment</b>		
– Mansion ( <i>note i</i> )	–	656
	<u>          </u>	<u>          </u>
<b>Rental expenses for a director's quarter paid or payable to</b>		
– Skyway ( <i>note ii</i> )	–	900
	<u>          </u>	<u>          </u>

*Notes:*

- (i) Purchase is made at prices mutually agreed by the relevant parties.
- (ii) Terms of services are mutually agreed between the relevant parties.

- (iii) An unlimited personal guarantees were provided by Mr. Siu Chun Yiu Jonathan and Ms. Wong Fei Heung Terbe as at 31 March 2016 for securing banking facilities of the Group. During the year ended 31 March 2017, the guarantee had been released and replaced by guarantee of the Company (note 22).
- (iv) A property held by a related company as at 31 March 2016 was pledged for securing banking facilities of the Group. During the year ended 31 March 2017, the pledged had been released (note 22).
- (c) **Balances with related parties**

**Due from related parties**

	As at 31 March		Maximum amount outstanding	
	2017	2016	Year ended 31 March	
	HK\$'000	HK\$'000	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Amounts due from related companies</b>				
<i>Non-trade in nature (note i)</i>				
Mansion	–	–	–	888
Lion Spring	12	–	12	–
Liloy	8	–	8	–
Foundton	2	–	2	–
	<u>22</u>	<u>–</u>		
<b>Amount due from a director</b>				
<i>Non-trade in nature (note i)</i>				
Mr. Siu Chun Yiu Jonathan	–	591	–	591
	<u>–</u>	<u>591</u>		

*Note:*

- (i) The amounts due from related parties and the amount due from a director of non-trade in nature are unsecured, interest free and repayable on demand.

**Due to related parties**

	As at 31 March	
	2017	2016
	HK\$'000	HK\$'000
<b>Amounts due to directors</b>		
<i>Non-trade in nature (note i)</i>		
– Mr. Siu Chun Yiu Jonathan	–	15,583
– Ms. Wong Fei Heung Terbe	–	3,000
	<u>–</u>	<u>18,583</u>
<b>Amount due to a related company</b>		
<i>Trade in nature (note ii)</i>		
– Mansion	–	216
	<u>–</u>	<u>216</u>

*Notes:*

- (i) The amounts due to related parties of non-trade in nature are unsecured, interest free and repayable on demand.
- (ii) The amount due to a related party of trade in nature is unsecured, interest-free and with cash on delivery term or credit term of 30 days.

**(d) Key management compensation**

Key management includes directors of the Group. The compensation paid or payable to key management for employee services is disclosed in note 28.

**27. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY**

		<b>As at 31 March</b>	
	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investments in subsidiaries		112,594	–
		-----	-----
<b>Current assets</b>			
Amount due from a subsidiary		20,000	–
Cash and cash equivalents		107,903	–
		-----	-----
		127,903	–
		-----	-----
<b>Total assets</b>		<b>240,497</b>	<b>–</b>
		=====	=====
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital		12,390	–
Reserves	a	210,523	–
		-----	-----
<b>Total equity</b>		<b>222,913</b>	<b>–</b>
		-----	-----
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals		1,425	–
Amounts due to subsidiaries		16,159	–
		-----	-----
<b>Total liabilities</b>		<b>17,584</b>	<b>–</b>
		-----	-----
<b>Total equity and liabilities</b>		<b>240,497</b>	<b>–</b>
		=====	=====

*Note:*

(a) Reserves movement of the Company

	<b>Share premium</b>	<b>Other reserves</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 25 July 2016 (date of incorporation)	–	–	–	–
Loss for the year	–	–	(18,418)	(18,418)
Surplus arising on issue of shares in exchange for shares in a subsidiary ( <i>Note</i> )	–	112,594	–	112,594
Capitalisation issue of shares	(9,000)	–	–	(9,000)
Issuance of shares	132,210	–	–	132,210
Share issuance costs	(6,863)	–	–	(6,863)
	<u>116,347</u>	<u>112,594</u>	<u>(18,418)</u>	<u>210,523</u>
At 31 March 2017	<u>116,347</u>	<u>112,594</u>	<u>(18,418)</u>	<u>210,523</u>

*Note:* Other reserve of the Company represents the difference between the net asset value of Jubilee Land Holdings Limited, Red Day Global Limited and Jovial Lead Global Limited acquired over the nominal value of the share capital of the Company issued in exchange thereof.

**28. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)**

**(a) Directors' and chief executive's emoluments**

The remuneration of each director and the chief executive is set out below:

For the year ended 31 March 2017:

	Fees	Salary	Performance related incentive payments (including discretionary bonuses)	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remuneration paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive Directors</b>									
Mr. Siu Chun Yiu Jonathan	-	69	-	-	-	-	-	-	69
Ms. Wong Fei Heung Terbe	-	1,192	120	-	-	18	-	-	1,330
Ms. Yip Kam Ling	-	614	190	-	-	17	-	-	821
Mr. Ho King Chiu	-	1,037	216	-	-	18	-	-	1,271
<b>Independent Non-executive Directors</b>									
Mr. Chui Kwong Fun (i)	17	-	-	-	-	-	-	-	17
Mr. Leung Siu Hong (i)	17	-	-	-	-	-	-	-	17
Mr. Li Ching Wing (i)	17	-	-	-	-	-	-	-	17
<b>Total</b>	<b>51</b>	<b>2,912</b>	<b>526</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>3,542</b>

*Note:*

- (i) Mr. Chui Kwong Fun, Mr. Leung Siu Hong and Professor Mr. Li Ching Wing were appointed as the Company's independent non-executive directors on 20 January 2017.

For the year ended 31 March 2016:

	Fees	Salary	Performance related incentive payments (including discretionary bonuses)	Housing allowance	Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remuneration paid or receivable in respect of office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Executive Directors</b>									
Mr. Siu Chun Yiu Jonathan	-	-	-	-	-	-	-	-	-
Ms. Wong Fei Heung Terbe	-	1,578	-	-	-	18	-	-	1,596
Ms. Yip Kam Ling	-	250	20	-	-	13	-	-	283
Mr. Ho King Chiu	-	223	952	-	-	18	-	-	1,193
Total	-	2,051	972	-	-	49	-	-	3,072

**(b) Directors' retirement benefits**

Other than those disclosed in Note 28(a), none of the directors received or will receive any other retirement benefits during the year (2016: Nil).

**(c) Directors' termination benefits**

None of the directors received or will receive any termination benefits during the year (2016: Nil).

**(d) Consideration provided to third parties for making available directors' services**

During the year ended 31 March 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: Nil).

**(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors**

During the year ended 31 March 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, or controlled bodies corporate by and connected entities with such directors (2016: Nil).

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly to indirectly, subsisted at the end of the year or at any time during the year (2016: Nil).

**(g) Appointment of an executive director**

Ms. Cheng Shing Yan was appointed as an executive director of the Company with effect from 1 April 2017.

**29. SUBSEQUENT EVENTS**

**(a) Investment in a fund**

On 18 May 2017, Jovial Lead Global Limited, a subsidiary of the Company, entered into a subscription agreement with a fund, Quasar Global Selection SPC Fund (an exempted company incorporated with limited liability and registered as a segregated portfolio company under the Companies Law of the Cayman Islands), pursuant to which Jovial Lead Global Limited agreed to subscribe for Class A shares of the fund. The subscription amount for the Class A shares was HK\$15,000,000, which was funded out of the internal resources of the Group generated prior to its listing. The investment in the fund will be accounted for as an available-for-sale financial asset of the Group for the year ending 31 March 2018.

### 3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 extracted from the interim report of the Company for the six months ended 30 September 2017 (the “Interim Report”). Capitalised terms used in this section have the same meanings as those defined in the Interim Report:

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2017*

		<b>Unaudited Six months ended 30 September</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	6	71,061	89,128
Cost of sales and services	7	<u>(42,045)</u>	<u>(57,967)</u>
Gross profit		29,016	31,161
Other income and gains/(losses), net		2,604	(520)
Selling expenses	7	(1,492)	(1,258)
Administrative expenses	7	<u>(10,271)</u>	<u>(11,811)</u>
Operating profit		19,857	17,572
Finance income		58	130
Finance costs		<u>(1,236)</u>	<u>(800)</u>
Finance costs, net		<u>(1,178)</u>	<u>(670)</u>
<b>Profit before income tax</b>		18,679	16,902
Income tax expenses	8	<u>(2,758)</u>	<u>(3,500)</u>
<b>Profit for the period</b>		<u>15,921</u>	<u>13,402</u>
<b>Profit attributable to equity holders of the Company</b>		<u><u>15,921</u></u>	<u><u>13,402</u></u>



		<b>Unaudited</b>	
		<b>Six months</b>	
		<b>ended 30 September</b>	
		<b>2017</b>	<b>2016</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other comprehensive loss, net of tax</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Fair value loss on revaluation of available-for-sale financial asset		(875)	–
<b>Total comprehensive income for the period, net of tax</b>		<u>15,046</u>	<u>13,402</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share for profit attributable to equity holders of the Company:</b>			
Basic and diluted	10	<u>1.28</u>	<u>1.49</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

For the six months ended 30 September 2017

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 September</b>	<b>31 March</b>
		<b>2017</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	174,583	160,795
Deferred income tax assets		675	7,068
Available-for-sale financial asset		14,202	–
Deposits, prepayments and other receivables	12	1,879	1,054
Finance lease receivables		–	804
		<u>191,339</u>	<u>169,721</u>
		-----	-----
<b>Current assets</b>			
Inventories		12,540	12,102
Trade receivables	12	38,631	39,523
Deposits, prepayments and other receivables	12	1,638	3,924
Amounts due from related companies	16(b)	42	22
Income tax recoverable		704	527
Finance lease receivables		1,829	2,437
Restricted cash		7,700	15,500
Cash and cash equivalents		120,784	133,807
		<u>183,868</u>	<u>207,842</u>
		-----	-----
<b>Total assets</b>		<u><u>375,207</u></u>	<u><u>377,563</u></u>

		<b>Unaudited</b>	<b>Audited</b>
		<b>30 September</b>	<b>31 March</b>
		<b>2017</b>	<b>2017</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the owners of the Company</b>			
Share capital	13	12,390	12,390
Reserves		<u>252,017</u>	<u>236,971</u>
<b>Total equity</b>		<u><u>264,407</u></u>	<u><u>249,361</u></u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		18,932	23,972
Obligations under finance leases		<u>7,733</u>	<u>11,460</u>
		----- 26,665	----- 35,432
<b>Current liabilities</b>			
Trade and bills payables	14	18,626	28,036
Accruals and other payables	14	4,384	11,107
Borrowings		50,273	42,699
Income tax payable		2,627	2,553
Obligations under finance leases		<u>8,225</u>	<u>8,375</u>
		<u>84,135</u>	<u>92,770</u>
<b>Total liabilities</b>		<u>110,800</u>	<u>128,202</u>
<b>Total equity and liabilities</b>		<u><u>375,207</u></u>	<u><u>377,563</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Unaudited				Total
	Attributable to the equity holders of the Company				
	Share capital (Note 13)	Share premium	Other reserve	Retained earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2016	–	–	2,500	115,942	118,442
<b>Comprehensive income</b>					
Profit for the period	–	–	–	13,402	13,402
<b>Transaction with owners in their capacity as owner</b>					
Dividends paid (Note 9)	–	–	–	(15,000)	(15,000)
Balance at 30 September 2016	–	–	2,500	114,344	116,844
Balance at 1 April 2017	12,390	116,347	2,500	118,124	249,361
<b>Comprehensive income</b>					
Profit for the period	–	–	–	15,921	15,921
<b>Other comprehensive loss</b>					
Fair value loss on revaluation of available-for-sale financial asset	–	–	(875)	–	(875)
<b>Total comprehensive (loss)/income</b>	–	–	(875)	15,921	15,046
<b>Balance at 30 September 2017</b>	12,390	116,347	1,625	134,045	264,407

## INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 September 2017*

	<b>Unaudited</b>	
	<b>Six months</b>	
	<b>ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash generated from operating activities</b>	23,892	31,982
<b>Net cash used in investing activities</b>	(40,592)	(19,404)
<b>Net cash generated from/(used in) financing activities</b>	3,677	(29,700)
	-----	-----
<b>Net decrease in cash and cash equivalents</b>	(13,023)	(17,122)
Cash and cash equivalents at beginning of the period	133,807	37,420
	-----	-----
<b>Cash and cash equivalents at end of the period</b>	<u>120,784</u>	<u>20,298</u>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT****1. GENERAL INFORMATION**

Sanroc International Holdings Limited (the “Company”) is an investment holding company and its subsidiaries are principally engaged in trading of machinery and spare parts, leasing of machinery and the provision of related services, and the provision of transportation services in Hong Kong.

The Company is a limited liability company incorporated in the Cayman Islands. The address of the its registered office is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited on 10 February 2017.

The interim condensed consolidated financial information are presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial information for the six months ended 30 September 2017 has been prepared in accordance with HKAS 34 ‘Interim financial reporting’. The interim condensed consolidated financial information should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017, which have been prepared in accordance with HKFRSs.

**3. ACCOUNTING POLICIES**

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 March 2017, as described in those consolidated financial statements.

**(a) Classification of available-for-sale financial asset:**

Available-for-sale financial asset are non- derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

**(b) Recognition and measurement of available-for-sale financial asset:**

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as ‘other income and gains/(losses)’.

Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

**(c) Estimation of income tax:**

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**Changes in accounting policy and disclosures:**

- (a) Amendments to HKFRSs effective for the financial year ending 31 March 2018 do not have a material impact on the Group.
- (b) Impact of standards issued but not yet applied by the Group

*(i) HKFRS 9 “Financial Instruments”*

HKFRS 9 “Financial Instruments” addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory for the financial year commencing on 1 April 2018.

During the Period, all of the Group’s financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group’s financial position and results of operations.

*(ii) HKFRS 16 “Leases”*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$2,582,000. The impacts on the Group’s financial results and position upon the adoption of HKFRS 16 as lessee of finance leases and operating leases are not expected to be material. The standard is mandatory for the financial year commencing on 1 April 2019. The Group does not intend to adopt the standard before its effective date.

*(iii) HKFRS 15 “Revenue from contracts with customers”*

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for the financial year commencing on 1 April 2018.

Management has performed a preliminary assessment and expects that the implementation of the HKFRS 15 would not result in any significant impacts on the Group’s financial position and results of operations. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption.

The Group has not applied any other new standard or interpretation that is not yet effective for the current amounting period.

#### 4. ESTIMATES

The preparation of interim financial information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, except as described below, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

##### (a) Fair value of the financial instrument

The fair value of the available-for-sale financial asset that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used asset value model for the financial instruments that are not traded in active market.

#### 5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

##### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 March 2017.

There have been no significant changes in the financial risk management of the Group since year end.

##### 5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

##### 5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's asset that was measured at fair value at 30 September 2017 (31 March 2017: Nil).



	Unaudited			Total <i>HK\$'000</i>
	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	
	<b>Assets</b>			
Available-for-sale financial asset				
– Unlisted investment fund	–	–	14,202	14,202

#### 5.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the change in level 3 instrument for the six months ended 30 September 2017 (six months ended 30 September 2016: Nil).

	Unaudited Available-for-sale financial asset Unlisted investment fund <i>HK\$'000</i>
<b>As at 1 April 2017</b>	–
Addition	15,000
Fair value loss on revaluation recognised in other comprehensive income	(875)
Exchange realignment	77
<b>As at 30 September 2017</b>	<u>14,202</u>

The carrying amount of the available-for-sales financial asset is denominated in US dollar.

	Unaudited Available-for-sale financial asset unlisted investment fund <i>HK\$'000</i>
Total loss for the period included in profit or loss for asset held at the end of the period	<u>–</u>
Change in unrealised loss for the period included in profit or loss at the end of the period	<u>–</u>

Specific valuation technique used to value level 3 financial instruments include techniques such as asset value model. There are no changes in valuation technique during the period.

During the six months ended 30 September 2017, there were no reclassifications of financial assets.

#### 5.5 Group's valuation processes

The Group's finance department includes a team that reviews the valuation of financial asset required for financial reporting purposes, including level 3 fair values. As part of the valuation process, this team reports directly to the chief financial officer and external valuers will be engaged, if necessary.

Quantitative information about fair value measurements using significant unobservable inputs (Level 3):

*Available-for-sale financial asset – unlisted investment fund*

Valuation techniques	Unobservable inputs	As at 30 September 2017
Asset value	Portfolio discount	5%

**5.6 Fair value of financial assets and liabilities measured at amortised cost**

The fair values of the following financial assets and liabilities approximate their carrying values:

- Trade receivables
- Deposits and other receivables
- Amounts due from related companies
- Restricted cash
- Cash and cash equivalents
- Trade and bills payables
- Accruals and other payables

**6. REVENUE AND SEGMENT INFORMATION**

Revenue represents gross receipts on sales of machinery and spare parts, leasing of machinery, the provision of transportation services and the provision of related services in the ordinary course of business. Revenue recognised for the periods are as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Sales of machinery and spare parts and provision of related services	22,131	49,764
Leasing of machinery and provision of related services	38,894	35,217
Transportation services	10,036	4,147
	<u>71,061</u>	<u>89,128</u>

The chief operating decision-maker has been identified as the executive directors of the Company. Information is reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments are as follows:

1. Trading – Sales of machinery and spare parts and provision of related services

2. Leasing – Leasing of machinery and provision of related services
3. Transportation – Provision of transportation services

**Segment revenue and results**

The following is an analysis of the Group's revenue and results by reportable and operating segment.

*For the six months ended 30 September 2017*

	<b>Unaudited</b>			<b>Total</b>
	<b>Trading</b>	<b>Leasing</b>	<b>Transportation</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Segment revenue from external customers	22,131	38,894	10,036	71,061
Results				
Segment profit	5,305	18,707	991	25,003
Unallocated corporate income				1,995
Unallocated corporate expenses				(8,319)
Profit before tax				18,679

*For the six months ended 30 September 2016*

	<b>Unaudited</b>			<b>Total</b>
	<b>Trading</b>	<b>Leasing</b>	<b>Transportation</b>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue				
Segment revenue from external customers	49,764	35,217	4,147	89,128
Results				
Segment profit/(loss)	11,914	15,586	(245)	27,255
Unallocated corporate income				130
Unallocated corporate expenses				(10,483)
Profit before tax				16,902

Segment profit represents the profit before tax earned by each segment without allocation of central administration costs, finance income and finance cost. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

**Other segment information***For the six months ended 30 September 2017*

	<b>Trading</b> <i>HK\$'000</i>	<b>Leasing</b> <i>HK\$'000</i>	<b>Unaudited Transportation</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment results:					
Depreciation	–	(11,635)	(1,793)	(513)	(13,941)
Gain on disposal of property, plant and equipment	–	667	–	–	667
	<u>–</u>	<u>667</u>	<u>–</u>	<u>–</u>	<u>667</u>

*For the six months ended 30 September 2016*

	<b>Trading</b> <i>HK\$'000</i>	<b>Leasing</b> <i>HK\$'000</i>	<b>Unaudited Transportation</b> <i>HK\$'000</i>	<b>Unallocated</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Amounts included in the measure of segment results:					
Depreciation	–	(10,281)	(1,108)	(461)	(11,850)
Gain/(loss) on disposal of property, plant and equipment	(464)	824	–	–	360
	<u>(464)</u>	<u>824</u>	<u>–</u>	<u>–</u>	<u>360</u>

**7. EXPENSES BY NATURE**

Expenses included in cost of sales and services, selling and administrative expenses are analysed as follows:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2017</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>
Costs of machinery and equipment and spare parts	15,853	36,832
Staff costs, including directors' emoluments	10,506	7,295
Leasing expense of machinery and equipment	1,974	2,510
Operating lease rental in respect of office and storage premises	797	580
Auditor's remuneration	900	650
Listing expenses	–	5,510
Depreciation		
– owned machinery and equipment	11,893	10,307
– machinery and equipment held under finance leases	2,048	1,543
Others	9,837	5,809
	<u>53,808</u>	<u>71,036</u>
Total cost of sales and services, selling and administrative expenses	<u>53,808</u>	<u>71,036</u>

**8. INCOME TAX EXPENSES**

The amount of income tax charged to profit or loss represents:

	<b>Unaudited Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	1,405	2,583
Deferred income tax	1,353	917
	<u>1,353</u>	<u>917</u>
Income tax expenses	<u>2,758</u>	<u>3,500</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the six months ended 30 September 2017 (six months ended 30 September 2016: 16.5%).

**9. DIVIDENDS**

The Board of Directors does not recommend the payment of any interim dividend for the six months ended 30 September 2017.

No dividend has been paid or declared by the Company since its incorporation.

On 15 July 2016, Sanroc Leasing (Plant & Machinery) Limited, now a wholly-owned subsidiary of the Company, declared a final dividend for the year ended 31 March 2016 of HK\$12 million and a special dividend of HK\$3 million, which had been approved on 15 August 2016 and fully paid to its then shareholders on 23 August 2016.

**10. EARNINGS PER SHARE****(a) Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 10 November 2016 and the capitalisation issue of the ordinary shares which took place on 10 February 2017.

	<b>Unaudited Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
Profit attributable to equity holders of the Company ( <i>HK\$'000</i> )	<u>15,921</u>	<u>13,402</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,239,000</u>	<u>900,000</u>
Basic earnings per share ( <i>HK cents</i> )	<u>1.28</u>	<u>1.49</u>

**(b) Diluted**

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potential dilutive ordinary share outstanding as at 30 September 2017 (30 September 2016: same).

**11. PROPERTY, PLANT AND EQUIPMENT**

	<b>Audited</b> <i>HK\$'000</i>
Net book value as at 1 April 2016	121,141
Additions	103,052
Disposals	(38,948)
Depreciation	<u>(24,450)</u>
Net book value as at 31 March 2017	<u>160,795</u>
	<b>Unaudited</b> <i>HK\$'000</i>
Net book value as at 1 April 2017	160,795
Additions	28,092
Disposals	(363)
Depreciation	<u>(13,941)</u>
Net book value as at 30 September 2017	<u>174,583</u>

**12. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>Unaudited</b> <b>30 September</b> <b>2017</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 March</b> <b>2017</b> <i>HK\$'000</i>
Trade receivables	39,653	40,545
Provision for impairment	<u>(1,022)</u>	<u>(1,022)</u>
	<u>38,631</u>	<u>39,523</u>
Deposits, prepayments and other receivables	3,517	4,978
Less: non-current portion	<u>(1,879)</u>	<u>(1,054)</u>
Current portion	<u>1,638</u>	<u>3,924</u>

The credit period granted to trade customers was generally between 30 to 60 days. The Group does not hold any collateral as security.

As at 30 September 2017, the ageing analysis of the trade receivables based on invoice date was as follows:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2017</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	14,197	12,329
31 to 60 days	6,241	10,740
61 to 90 days	6,158	4,781
More than 90 days	12,035	11,673
	<u>38,631</u>	<u>39,523</u>

### 13. SHARE CAPITAL

On 25 July 2016, the Company was incorporated under the laws of Cayman Islands, with an authorised share capital of HK\$380,000 divided into 380,000 shares with par value of HK\$1 each. On the same day, the Company allotted and issued one fully paid share to an initial subscriber who is an independent third party, which was transferred to Lion Spring Enterprises Limited (“Lion Spring”).

On 10 November 2016, Lion Spring transferred all its shares in Jubilee Land Holdings Limited, the holding company of Sanroc Leasing (Plant & Machinery) Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 10 November 2016, Lion Spring transferred all its shares in Red Day Global Limited, the holding company of Sanroc International (Hong Kong) Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 10 November 2016, Lion Spring transferred all its shares in Jovial Lead Global Limited, the holding company of Santech Transportation Limited, to the Company. In exchange, the Company allotted and issued 1 share, credited as fully paid, to Lion Spring.

On 23 January 2017, the authorised share capital of the Company was changed to HK\$20,000,000 divided into 2,000,000,000 shares of a par value of HK\$0.01 each, by: (i) the subdivision of each issued and unissued share of a par value of HK\$1.00 each into 100 shares of a par value of HK\$0.01 each, and (ii) the creation of an additional 1,962,000,000 shares of a par value of HK\$0.01 each.

By a shareholders’ resolution dated 23 January 2017 and conditional on the share premium account of the Company being credited as a result of issue of new shares pursuant to the proposed offering of the Company’s shares, the Company would issue additional 899,999,600 shares, credited as fully paid, to the existing shareholders of the Company.

On 10 February 2017, pursuant to the share offer, the Company issued a total 300,000,000 shares at a price of HK\$0.40 per share.

On 3 March 2017, over-allotment option was partially exercised by Ample Orient Capital Limited on behalf of the placing underwriters, in respect of an aggregate of 39,000,000 shares at a price of HK\$0.40 per share.

	<i>No. of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>		
At 1 April 2017 and 30 September 2017, at HK\$0.01 each	2,000,000,000	20,000
At 25 July 2016 (date of incorporation) and 30 September 2016, at HK\$1 each	380,000	380
<b>Issued and fully paid:</b>		
At 1 April 2017 and 30 September 2017	1,239,000,000	12,390
At 25 July 2016 (date of incorporation) and 30 September 2016	1	–

**14. TRADE AND BILLS PAYABLES, ACCRUALS AND OTHER PAYABLES**

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
Trade and bills payables	18,626	28,036
Accruals and other payables ( <i>Note</i> )	4,384	11,107
	<u>23,010</u>	<u>39,143</u>

*Note:* The amounts mainly represent advance from customers, accruals and other payables for wages, legal and professional fees and transportation costs.

The ageing analysis of the trade and bills payables based on invoice date was as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
0 to 30 days	5,542	5,921
31 to 60 days	952	2,724
61 to 90 days	350	325
More than 90 days	11,782	19,066
	<u>18,626</u>	<u>28,036</u>



## 15. COMMITMENTS

## (a) Capital commitments

Capital expenditure committed at the balance sheet date but not yet incurred is as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
Property, plant and equipment – contracted but not provided for	46,248	–

## (b) Operating lease commitments – as lessee

The Group leases machinery, offices and warehouse under non-cancellable operating lease agreements. The lease agreements are renewable at the end of the lease period at market rate. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
No later than 1 year	1,572	1,142
Later than 1 year and no later than 5 years	1,010	234
	<u>2,582</u>	<u>1,376</u>

## (c) Operating lease commitments – as lessor

The Group had contracted with lessees for leasing machinery under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
No later than 1 year	99	182

**16. RELATED PARTY TRANSACTIONS**

Management consider that Lion Spring Enterprises Limited (incorporated in the British Virgin Islands), which owns 67.8% of the Company's shares, is the ultimate holding company of the Group. Lion Spring Enterprises Limited is controlled by a discretionary trust set up for the benefit of Ms. Wong Fei Heung Terbe and the children of Mr. Siu Chun Yiu Jonathan and Ms. Wong Fei Heung Terbe.

**(a) Name and relationship**

The directors of the Company are of the view that the following companies were related parties that had balances with the Group as at 30 September 2017 and 31 March 2017:

<b>Name of the related party</b>	<b>Relationship with the Group</b>
Lion Spring Enterprises Limited ("Lion Spring")	An entity controlled by certain directors
Liloy Holdings Limited ("Liloy")	An entity controlled by certain directors
Foundton Worldwide Ltd. ("Foundton")	An entity controlled by certain directors
Seamless Investments Limited ("Seamless")	An entity controlled by certain directors
Skyway International Investment Enterprise Limited ("Skyway")	An entity controlled by the common directors
Mr. Siu Chun Yiu Jonathan	Director of the Company
Ms. Wong Fei Heung Terbe	Director of the Company

**(b) Balances with related parties*****Due from related parties***

	<b>Unaudited 30 September 2017 HK\$'000</b>	<b>Audited 31 March 2017 HK\$'000</b>
Amounts due from related companies		
<i>Non-trade in nature (Note)</i>		
Lion Spring	12	12
Liloy	8	8
Foundton	2	2
Seamless	10	–
Skyway	10	–
	42	22
	42	22

*Note:* The amounts due from related parties of non-trade in nature are unsecured, interest free and repayable on demand.

**(c) Key management compensation**

Key management compensation amounted to HK\$3,328,000 for six months ended 30 September 2017 (six months ended 30 September 2016: HK\$1,449,000).

#### 4. INDEBTEDNESS

As at 31 January 2018, being the latest practicable date for the purpose of indebtedness statement prior to the printing of this Composite Document, the Group had utilised banking facilities for bank borrowings of approximately HK\$40.5 million and trust receipt loans of approximately HK\$0.8 million. The bank borrowings were secured by (i) an unlimited corporate guarantee granted by the Company and subsidiaries of the Group; and (ii) certain machinery and equipment of the Group. The trust receipt loans were secured by (i) an unlimited corporate guarantee granted by the Company; and (ii) a fixed deposit of approximately HK\$2.5 million of a subsidiary of the Group.

As at 31 January 2018, our finance lease liabilities amounted to approximately HK\$13.3 million, which is secured by the lessor's charge over the lease assets. Finance lease liabilities of approximately HK\$11.1 million were guaranteed by the Company.

Save as disclosed above or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any other outstanding mortgages, charges, debentures, loan capital, bank overdrafts, debt securities or other similar indebtedness, finance lease or hire purchases and finance lease commitments, liabilities under acceptances or acceptance credits, or any other guarantees or other material contingent liabilities as at 31 January 2018.

#### 5. MATERIAL CHANGE

Save for the decrease in the Group's revenue and gross profit for the period as disclosed in the interim report of the Company for the six months ended 30 September 2017, the Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up and up to the Latest Practicable Date.

## 1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor and their respective associates and parties acting in concert with any one of them), and confirm, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

## 2. MARKET PRICES

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

<b>Date</b>	<b>Closing price per Share (HK\$)</b>
<b>2017</b>	
29 September	0.325
31 October	0.345
30 November	0.420
29 December	0.485
<b>2018</b>	
31 January	0.460
23 February ( <i>being the Last Trading Day and the last day on which trading of the Shares took place in February 2018</i> )	0.480
16 March ( <i>being the Latest Practicable Date</i> )	1.730

*Note:* Trading of Shares was suspended from the 24 February 2018 to 1 March 2018 pending the release of the Joint Announcement.

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.750 per Share on 15 March 2018, and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.241 per Share on 6 September 2017.

### 3. DISCLOSURE OF INTERESTS IN THE COMPANY AND DEALINGS IN SECURITIES

As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned a total of 700,528,000 Shares (comprising the Sale Shares and the 60,528,000 Shares held by Ms. Zhang, who is a party acting in concert with the Offeror according to the definition of “acting in concert” under the Takeovers Code), representing 56.54% of the entire issued share capital of the Company.

During the Relevant Period, save for the Sale Shares, the Offeror and parties acting in concert with it had dealt in the Shares as follows:

<b>Relevant party</b>	<b>Date 2017</b>	<b>Nature of dealing</b>	<b>Number of Shares involved</b>	<b>Price per Share HK\$</b>
Ms. Zhang	3 November	Purchase	2,992,000	0.4300
Ms. Zhang	3 November	Purchase	2,480,000	0.4200
Ms. Zhang	3 November	Purchase	3,544,000	0.4150
Ms. Zhang	1 December	Purchase	24,008,000	0.4150
Ms. Zhang	4 December	Purchase	27,504,000	0.4050

During the Relevant Period, save for Ms. Zhang’s dealings stated above and the Sale Shares, the Offeror and parties acting in concert with it had no other dealings in the Shares.

The Offeror confirms that, as at the Latest Practicable Date:

- (i) save for the Sale Shares and the 60,528,000 Shares held by Ms. Zhang, one of the shareholders and directors of the Offeror, none of the Offeror, directors of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares, options, derivatives, warranties or other securities convertible into Shares;
- (ii) save for the irrevocable undertaking provided by Ms. Zhang, none of the Offeror, its ultimate beneficial owners, and/or parties acting in concert with any of them had received any irrevocable commitment to accept or reject the Offer;
- (iii) there was no outstanding derivative in respect of the securities in the Company which had been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;

- (iv) save for the Agreement and the irrevocable undertaking provided by Ms. Zhang, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the shares of the Offeror or the Company and which may be material to the Offer (as referred to in Note 8 to Rule 22 of the Takeovers Code);
- (v) there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party, which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer;
- (vi) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (vii) there was no special deal (as defined under Rule 25 of the Takeovers Code) between the Offeror and parties acting in concert with it on one hand and the Vendor and parties acting in concert with it on the other hand;
- (viii) there were no conditions (including normal conditions relating to acceptance, listing and increase of capital) to which the Offer is subject;
- (ix) other than the consideration for the Sale Shares, there were no other considerations, compensations or benefits in whatever form provided by the Offeror and parties acting in concert with it to the Vendor and parties acting in concert with it;
- (x) none of the Offeror and parties acting in concert with it had entered into any agreement, arrangement or understanding to transfer, charge or pledge the securities to be acquired in pursuance of the Offer to any other persons;
- (xi) there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or being dependent upon the Offer; and
- (xii) no benefits will be given to the Directors as compensation for loss of office or otherwise in connection with the Offer.

#### 4. EXPERTS AND CONSENTS

The following is the names and the qualifications of the professional advisers to the Offeror whose letter, opinion or advice is contained or referred to in this Composite Document:

<b>Name</b>	<b>Qualifications</b>
Well Link Securities	a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO
Well Link International Capital	a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
ZTI Capital	a corporation licensed by the SFC to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Well Link Securities, Well Link International Capital and ZTI Capital have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion therein of their letters, opinions or advice and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Well Link Securities, Well Link International Capital and ZTI Capital had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### 5. MISCELLANEOUS

(a) The directors of the Offeror include the following:

<b>Name</b>	<b>Correspondence address</b>
Mr. Xu Chujia	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Mr. Hui Chor Tak	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Ms. Zhang Meijuan	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Ms. Xu Jiaoli	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Mr. Xu Weizhen	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

- (b) The shareholders of the Offeror include the following:

<b>Name</b>	<b>Correspondence address</b>
Mr. Xu Chujia	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Mr. Xu Chusheng	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Mr. Hui Chor Tak	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Ms. Zhang Meijuan	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Ms. Xu Jiaoli	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Mr. Xu Weizhen	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
Ms. Xu Weixia	Unit 16–18, 11/F China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong

- (c) The registered office of the Offeror is situated at Morgan & Morgan Building, P.O. Box 958, Pasea Estate, Road Town, Tortola, British Virgin Islands. The correspondence address of the Offeror is at Unit 16–18, 11/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (d) Well Link Securities is making the Offer for and on behalf of the Offeror. The registered office of Well Link Securities is situated at Unit 16–18, 11/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (e) The registered office of Well Link International Capital, one of the joint financial advisers to the Offeror in respect of the Offer, is situated at Unit 1 & 17, 19/F, China Merchants Tower, Shun Tak Centre 168–200 Connaught Road Central, Hong Kong.
- (f) The registered office of ZTI Capital, one of the joint financial advisers to the Offeror in respect of the Offer, is situated at 19th Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.
- (g) The registered office of Hui's (HK) Credit is situated at Unit 16–18, 11/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.



- (h) In the event of inconsistency, the English texts of this Composite Document and the accompanying Acceptance Form shall prevail over their respective Chinese texts.

#### **6. DOCUMENTS ON DISPLAY**

Copies of the following documents will be on display on the websites of the SFC at [www.sfc.hk](http://www.sfc.hk) and the Company at [www.sanrochk.com](http://www.sanrochk.com) from the date of this Composite Document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from Well Link Securities, the text of which is set out on pages 6 to 14 of this Composite Document;
- (c) the written consent referred to under the paragraph headed “Experts and consents” in this appendix; and
- (d) the irrevocable undertaking provided by Ms. Zhang to the Offeror in relation to the non-disposal of the 60,528,000 Shares held by her and the non-acceptance of the Offer in respect of these Shares.

**RESPONSIBILITY STATEMENT**

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Independent Shareholders with regard to the Offeror, the Group and the Offer.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, its associates and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

**SHARE CAPITAL**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each. The number of issued and paid-up share of the Company as at the Latest Practicable Date was 1,239,000,000 Shares.

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

The Company has not issued any Shares since 31 March 2017, being the end of the last financial year of the Company and up to the Latest Practicable Date.

The Company had no options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares as at the Latest Practicable Date.

**DISCLOSURE OF INTERESTS**

- (a) Directors and the chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations.

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company, including their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

- (b) Substantial shareholders, the Offeror and parties acting in concert with it and other persons' interests and short positions in shares, underlying shares and securities of the Company.

As at the Latest Practicable Date, so far as is known to the Directors, the persons or entities who had an interest or a short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group, or in any options in respect of such share capital were as follows:

<b>Names</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest in the Company's issued share capital</b>
The Offeror	Beneficial owner	640,000,000	51.65%
Mr. XU Chujia ( <i>Note</i> )	Interest in controlled corporation and spouse	700,528,000	56.54%
Ms. Zhang ( <i>Note</i> )	Beneficial owner and spouse interest	700,528,000	56.54%

*Note:* Out of these 700,528,000 Shares, (i) 60,528,000 Shares are legally and beneficially held by Ms. Zhang, spouse of Mr. Xu Chujia; and (ii) 640,000,000 Share are legally and beneficially held by the Offeror. The Offeror is legally and beneficially owned as to 76% by Mr. Xu Chujia. Accordingly, by virtue of SFO, (i) Mr. Xu Chujia is deemed to be interested in 640,000,000 Shares held by the Offeror and 60,528,000 Shares held by Ms. Zhang; and (ii) Ms. Zhang is deemed to be interested in 640,000,000 Shares in which Mr. Xu Chujia is interested.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in ten per cent. or more of the issued voting shares of any other member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, no other person had any interest or short position in the Shares or underlying shares of the Company recorded in the register required to be kept by the Company under section 336 of the SFO.

**SHAREHOLDINGS IN THE COMPANY AND THE OFFEROR**

As at the Latest Practicable Date:

- (i) none of the Company nor any of its Directors have any interest in the relevant securities (as defined in note 4 to Rule 22 of the Takeovers Code) of the Offeror;
- (ii) there were no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company, Directors, had borrowed or lent;
- (iii) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- (iv) no person has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code;
- (v) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;
- (vi) none of the Directors held any Shares in respect of which they would accept or reject the Offer; and
- (vii) none of the Company and the Directors has any beneficial interest in the shares, convertible securities, warrants, options or other derivatives of the Company and the Offeror.

**DEALING IN SECURITIES OF THE COMPANY AND THE OFFEROR**

During the Relevant Period:

- (i) none of the Company nor any of its Directors had dealt for value in any shares, warrants, options or other derivatives and securities carrying conversion or subscription rights into shares of the Offeror;
- (ii) save for the disposal of the Sale Shares under the Agreement and the disposal of an aggregate of 200,000,000 Shares on the Stock Exchange as detailed below by the Vendor (which at the relevant times was indirectly owned as to 23.23% by Mr. Siu Chun Yiu Jonathan acted the trustee of AMSC GRAT of 2017 and 76.77% by Diamond Vista Holdings Limited, which in turn is wholly-owned by BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust, with Ms. Wong Fei

Heung Terbe as its founder and one of the beneficiaries of The JANTS thereof) none of the Company and the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company:

<b>Date of disposal</b>	<b>Number of Shares</b>	<b>Price per Share</b>
29 September 2017	40,000,000	HK\$0.330
3 October 2017	50,000,000	HK\$0.320
28 November 2017	11,000,000	HK\$0.425
29 November 2017	12,000,000	HK\$0.420
	16,000,000	HK\$0.425
	5,000,000	HK\$0.430
30 November 2017	21,000,000	HK\$0.410
1 December 2017	23,352,000	HK\$0.415
4 December 2017	21,648,000	HK\$0.405

- (iii) none of the subsidiaries of the Company or any pension funds of the Group or any adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders) had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (iv) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (v) no fund managers (other than exempt fund managers) connected with the Company who managed funds on a discretionary basis had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

#### ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

As at the Latest Practicable Date,

- (i) no arrangement was in place for any benefit to be given to any Director as compensation for loss of office or otherwise in connection with the Offer;
- (ii) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and
- (iii) save for the Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest.

**DIRECTORS' SERVICE CONTRACTS**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

<b>Name of Director</b>	<b>Term of the contract</b>	<b>Amount of remuneration</b>
Mr. Siu Chun Yiu Jonathan	Fixed term of 3 years from 10 February 2017	HK\$500,000 per year
Ms. Wong Fei Heung Terbe	Fixed term of 3 years from 10 February 2017	HK\$500,000 per year
Ms. Yip Kam Ling	Fixed term of 3 years from 10 February 2017	HK\$500,000 per year
Mr. Ho King Chiu	Fixed term of 3 years from 10 February 2017	HK\$500,000 per year
Ms. Cheng Shing Yan	Fixed term of 3 years from 1 April 2017	HK\$500,000 per year
Ms. Chen Huiling	Fixed term of 2 years from 12 December 2017	HK\$120,000 per year

**EXPERTS AND CONSENTS**

The following is the qualification of the experts to the Company who have given opinion or advice contained in this Composite Document.

<b>Name</b>	<b>Qualification</b>
Beijing Securities	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ample Capital Limited	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, each of Ample Capital Limited and Beijing Securities did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Ample Capital Limited and Beijing Securities has given and has not withdrawn their written consent to the issue of this Composite Document with the inclusion of their letters and references to their names in the form and context in which they appear respectively.

## LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is pending or threatened by or against the Company or any member of the Group.

## MATERIAL CONTRACTS

Save for the below, no contract which was not being contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, was entered into by any member of the Group after the date falling two years before the commencement of the Offer Period up to and including the Latest Practicable Date and are or may be material:

- (i) the deed of indemnity dated 23 January 2017 executed by Mr. Siu Chun Yiu Jonathan, Ms. Wong Fei Heung Terbe, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited, BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust in favour of the Company (for itself and as trustee for its subsidiaries from time to time) regarding certain indemnities;
- (ii) the deed of non-competition dated 23 January 2017 Mr. Siu Chun Yiu Jonathan, Ms. Wong Fei Heung Terbe, Lion Spring Enterprises Limited, Diamond Vista Holdings Limited, BNP Paribas Singapore Trust Corporation Limited as the trustee of The JANTS Trust in favour of the Company in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain non-competition undertakings; and
- (iii) the conditional public offer underwriting agreement dated 26 January 2017 relating to the public offer of the Shares (the “**Public Offer**”) entered into by, among others, the Company, the joint lead managers for the Public Offer and the underwriters for the Public Offer.

## GENERAL

- (i) The registered office of the Company is at Ugland House, Grand Cayman, KY1-1104, Cayman Islands; and the principal place of business of the Company is at Rooms 6-7, 18/F, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong.

- (ii) The share registrar and transfer office of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The registered office of Beijing Securities, the Independent Financial Adviser is at 20/F OCTA Tower, 8 Lam Chak Street, Kowloon Bay, Hong Kong.
- (iv) The English texts of this Composite Document and the Acceptance Form shall prevail over the Chinese texts, in case of any inconsistency.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection on (i) the website of the SFC at [www.sfc.hk](http://www.sfc.hk); and (ii) the website of the Company at [www.sanrochk.com](http://www.sanrochk.com) during the period from the date of this Composite Document up to and including the Closing Date or later date as in compliance with the Takeovers Code:

- (i) the memorandum of association and articles of association of the Company;
- (ii) the annual report of the Company for the financial year ended 31 March 2017;
- (iii) the interim report of the Company for the six months ended 30 September 2017;
- (iv) the letter from the Board, the text of which is set out in this Composite Document;
- (v) the letter from the Independent Board Committee, the text of which is set out in this Composite Document;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out in this Composite Document;
- (vii) the service contracts referred to in the paragraph headed "Directors' Service Contracts" in this appendix;
- (viii) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and
- (ix) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.