
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Ngai Shun Holdings Limited (the "Company"), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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



Ngai Shun Holdings Limited 毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01246)

- (I) SHARE CONSOLIDATION;
(II) INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ELEVEN RIGHTS SHARES FOR EVERY
TWO CONSOLIDATED SHARES
HELD ON THE RECORD DATE;
(IV) RE-ELECTION OF RETIRING DIRECTOR;
AND
(V) NOTICE OF EGM

Financial Adviser to the Company

 KINGSTON CORPORATE FINANCE

Independent Financial Adviser to the Independent Board Committee
and Independent Shareholders



INCUB Corporate Finance Limited

Underwriter to the Rights Issue

 KINGSTON SECURITIES

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Independent Board Committee is set out on pages 42 to 43 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 69 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 16 June 2016. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 29 June 2016 to Thursday, 7 July 2016 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Wednesday, 29 June 2016 to Thursday, 7 July 2016 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 5 to 6 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at Units 4202-03, 42nd Floor, The Center, 99 Queen's Road Central, Hong Kong, at 11:00 a.m. on Tuesday, 14 June 2016 is set out on pages EGM-1 to EGM-4 of this circular. A proxy form for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

27 May 2016

CONTENTS

	<i>Page</i>
Expected timetable	1
Termination of the Underwriting Agreement	5
Definitions	7
Letter from the Board	12
Letter from the Independent Board Committee	42
Letter of advice from the Independent Financial Adviser	44
Appendix I — Financial information of the Group	I-1
Appendix II — Unaudited pro forma financial information of the Group	II-1
Appendix III — General information	III-1
Appendix IV — Details of the retiring Director subject to re-election	IV-1
Notice of EGM	EGM-1

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation and the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change, and any changes will be announced in separate announcement(s) by the Company as and when appropriate.

Event	2016
Latest time for lodging forms of proxy for the purpose of the EGM	10:00 a.m. on Sunday, 12 June
Expected date and time of the EGM	10:00 a.m. on Tuesday, 14 June
Announcement of poll results of EGM	Tuesday, 14 June
Effective date of the Share Consolidation	Wednesday, 15 June
Dealings in the Consolidated Shares commence	9:00 a.m. on Wednesday, 15 June
Original counter for trading in existing Shares in board lots of 20,000 existing Shares (in the form of existing share certificates in blue) temporarily closes	9:00 a.m. on Wednesday, 15 June
Temporary counter for trading in Consolidated Shares in board lots of 800 Consolidated Shares (in the form of existing share certificates in blue) opens	9:00 a.m. on Wednesday, 15 June
First day for free exchange of existing share certificates in blue for new share certificates in green for the Consolidated Shares commences	Wednesday, 15 June
Last day of dealings in Consolidated Shares on a cum-rights basis .	Wednesday, 15 June
First day of dealings in Consolidated Shares on an ex-rights basis . .	Thursday, 16 June
Latest time for the Shareholders to lodge transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 17 June
Closure of register of members of the Company (both dates inclusive)	Monday, 20 June to Friday, 24 June

EXPECTED TIMETABLE

Event	2016
Record Date and time for determining entitlements to the Rights Issue	4:30 p.m. on Friday, 24 June
Register of members of the Company re-opens	Monday, 27 June
Despatch of Prospectus Documents	Monday, 27 June
Designated broker starts to stand in the market to provide matching service for the sale and purchase of odd lots of Consolidated Shares	9:00 a.m. on Wednesday, 29 June
Original counter for trading in Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates in green) re-opens	9:00 a.m. on Wednesday, 29 June
Parallel trading in Consolidated Shares (in the form of both existing certificates in blue in board lots of 800 Consolidated Shares and new certificates in green in board lots of 20,000 Consolidated Shares) commences	9:00 a.m. on Wednesday, 29 June
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 29 June
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Monday, 4 July
Last day of dealings in nil-paid Rights Shares	close of business on Thursday, 7 July
Latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares	4:00 p.m. on Tuesday, 12 July
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Wednesday, 13 July
Announcement of results of the Rights Issue	Tuesday, 19 July
Temporary counter for trading in Consolidated Shares in board lots of 800 Consolidated Shares (in the form of existing share certificates in blue) closes	close of business on Wednesday, 20 July

EXPECTED TIMETABLE

Event	2016
Parallel trading in Consolidated Shares (represented by both existing certificates in blue in board lots of 800 Consolidated Shares and new certificates in green in board lots of 20,000 Consolidated Shares) ends	close of business on Wednesday, 20 July
Designated broker ceases to stand in the market to provide matching services for the sale and purchase of odd lots of Consolidated Shares	close of business on Wednesday, 20 July
Refund cheques to be despatched in relation to wholly or partially unsuccessful applications for excess Rights Shares on or before	Wednesday, 20 July
Certificates for fully paid Rights Shares to be despatched on or before	Wednesday, 20 July
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 21 July
Latest time for free exchange of existing share certificates in blue for the new share certificates in green for the Consolidated Shares	4:30 p.m. on Friday, 22 July

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

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR EXCESS RIGHTS SHARES

All times in this circular refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Tuesday, 12 July 2016:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same business day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this circular for events in the expected timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the expected timetable for the Rights Issue will be announced as and when appropriate.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

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

TERMINATION OF THE UNDERWRITING AGREEMENT

- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (h) the Prospectus when published contains information (either as to the business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

DEFINITIONS

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

“Acquisition Announcement”	the announcement of the Company dated 2 December 2015 in relation to the entering into of the Framework Agreement
“Announcement”	the announcement of the Company dated 24 March 2016, in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“business day(s)”	any day(s) (excluding Saturdays and Sundays) on which banks generally are open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Ngai Shun Holdings Limited, a company incorporated in the Cayman Islands, whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of HK\$0.025 each in the issued and unissued share capital of the Company upon the Share Consolidation becoming effective
“CWUMPO”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (as amended from time to time)
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued in connection with the Rights Issue
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among other things, the Share Consolidation, the increase in authorised share capital, the Rights Issue and the re-election of the retiring Director
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant place or the requirements of the relevant overseas regulatory bodies or stock exchange, consider it necessary or expedient to exclude he/she/it/them from the Rights Issue

DEFINITIONS

“Framework Agreement”	the framework agreement dated 2 December 2015 entered into between the Company and Mr. Du Changqing in relation to the Proposed Acquisition
“Group”	the Company and its subsidiaries
“Heads of Agreement”	the non-legally binding heads of agreement dated 20 May 2016 entered into between the Company and Mr. Du Changqing in relation to the Proposed Acquisition
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in authorised share capital”	upon the Share Consolidation having become effective, an increase in the authorised share capital of the Company from HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares to HK\$400,000,000 divided into 16,000,000,000 Consolidated Shares by creating an additional 8,000,000,000 unissued Consolidated Shares
“Independent Board Committee”	the independent board committee of the Company constituted by all the independent non-executive Directors for the purpose of giving recommendation to the Independent Shareholders on the Rights Issue after taking into account the advice of the Independent Financial Adviser
“INCU” or “Independent Financial Adviser”	INCU Corporate Finance Limited, a licensed corporation permitted to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting on the resolution approving the Rights Issue at the EGM
“Last Trading Day”	24 March 2016, being the last full trading day of the Shares on the Stock Exchange prior to the Announcement
“Latest Practicable Date”	26 May 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Latest Time for Acceptance”	4:00 p.m. on 12 July 2016 or such other date and/or time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares and the applications for excess Rights Shares

DEFINITIONS

“Latest Time for Termination”	4:00 p.m. on the first business day after the latest time for acceptance of the Rights Issue or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appear on the register of members of the Company at the close of business on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Possible Acquisitions”	other possible acquisition opportunities, which are not yet identified as at the Latest Practicable Date and shall be in line with the core businesses of the Group
“PRC”	the People’s Republic of China, for the purpose of this circular excludes Hong Kong, Macau Special Administration Region of the PRC and Taiwan
“Property Acquisition”	the acquisition of the entire issued share capital in Double Earn Holdings Limited and all indebtedness, obligations and liabilities due to, owing by its subsidiaries to the Property Vendor thereof pursuant to the sale and purchase agreement dated 29 September 2015 as supplemented by the supplemental agreement dated 4 November 2015 and entered into between the Company and the Property Vendor
“Property Loan”	the loan in the sum of US\$100,000,000 (equivalent to approximately HK\$780 million) drawn by the Company to satisfy part of the consideration under the Property Acquisition pursuant to the loan facility agreement dated 13 October 2015
“Property PN”	the promissory note dated 24 November 2015 in the sum of HK\$245,000,000 issued by the Company to the Property Vendor to satisfy part of the consideration under the Property Acquisition
“Property Project”	the property project located in a parcel of land situated on the western shores of 南湖 (Nanhu Lake [#]), Yueyang, Hunan province, the PRC, which was acquired by the Group under the Property Acquisition

DEFINITIONS

“Property Vendor”	Landing International Development Limited, a company incorporated in the Cayman Islands and continued in Bermuda, the shares of which are listed on the main board of the Stock Exchange with stock code of 582
“Proposed Acquisition”	the proposed indirect acquisition of certain equity interest in 桂林廣維文華旅遊文化產業有限公司 (Guilin Guangwei Wenhua Tourism and Culture Industry Company Limited [#]) pursuant to the Framework Agreement and/or the Heads of Agreement
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	together, the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	27 June 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of posting of the Prospectus Documents by the Company to the Qualifying Shareholders
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than those Excluded Shareholders, if any
“Record Date”	24 June 2016, the record date to determine entitlements to the Rights Issue
“Rights Issue”	the issue of 5,478,000,000 Rights Shares at the Subscription Price on the basis of eleven (11) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Consolidated Share(s) to be allotted and issued in respect of the Rights Issue
“SFO”	the Securities and Futures Ordinance
“Share(s)”	the ordinary share(s) of HK\$0.001 each in the issued and unissued share capital of the Company before the Share Consolidation becoming effective
“Share Consolidation”	the proposed consolidation of every twenty-five (25) issued and unissued Shares of HK\$0.001 each into one (1) Consolidated Share of HK\$0.025 each
“Shareholder(s)”	the holder(s) of the Share(s) or the Consolidated Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.165 per Rights Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 26 May 2016 entered into between the Company and the Underwriter in relation to the modification and variation of certain terms in the Underwriting Agreement
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry out business in Type 1 (dealing in securities) regulated activity under the SFO, being the underwriter of the Rights Issue
“Underwriting Agreement”	the underwriting agreement (as supplemented by the Supplemental Underwriting Agreement) entered into between the Company and the Underwriter dated 24 March 2016 in relation to the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.



Ngai Shun Holdings Limited
毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01246)

Executive Directors:

Mr. Mock Wai Yin
Mr. Wang Xin

Non-executive Director:

Mr. Chui Kwong Kau

Independent non-executive Directors:

Mr. Lam Chi Wai
Ms. Lau Mei Ying
Ms. Thadani Jyoti Ramesh

Registered office:

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

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

Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

27 May 2016

To the Shareholders

Dear Sir or Madam,

- (I) SHARE CONSOLIDATION;**
(II) INCREASE IN AUTHORISED SHARE CAPITAL;
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ELEVEN RIGHTS SHARES FOR EVERY
TWO CONSOLIDATED SHARES
HELD ON THE RECORD DATE;
(IV) RE-ELECTION OF RETIRING DIRECTOR;
AND
(V) NOTICE OF EGM

LETTER FROM THE BOARD

INTRODUCTION

References are made to the Announcement and the announcements dated 20 April 2016, 9 May 2016, 16 May 2016, 23 May 2016 and 26 May 2016, whereby the Board announced that the Company proposed to (i) consolidate every twenty-five (25) issued and unissued Shares into one (1) Consolidated Share; (ii) increase the authorised share capital of the Company from HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares to HK\$400,000,000 divided into 16,000,000,000 Consolidated Shares by creating an additional 8,000,000,000 unissued Consolidated Shares upon the Share Consolidation becoming effective; (iii) conduct the Rights Issue to raise approximately HK\$904 million before expenses by issuing 5,478,000,000 Rights Shares at the Subscription Price of HK\$0.165 per Rights Share on the basis of eleven (11) Rights Shares for every two (2) Consolidated Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders.

The purpose of this circular is to provide you with (i) further details of the Share Consolidation, Increase in authorised share capital and Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) financial information and other general information of the Group; (v) the re-election of the retiring Director; and (vi) the notice of EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty-five (25) issued and unissued Shares of HK\$0.001 each will be consolidated into one (1) Consolidated Share of HK\$0.025 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the necessary ordinary resolution(s) to approve the Share Consolidation by the Shareholders at the EGM;
- (ii) the Stock Exchange granting approval to the listing of, and the permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands law (where applicable) and the Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on the next business day immediately following the fulfillment of the above conditions.

As at the Latest Practicable Date, none of the above conditions precedent to the Share Consolidation has been fulfilled.

LETTER FROM THE BOARD

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$200,000,000 divided into 200,000,000,000 Shares, of which 24,900,000,000 Shares had been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and assuming that no further Shares will be allotted and issued or bought back prior thereto, the authorised share capital of the Company will become HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares of HK\$0.025 each, of which 996,000,000 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. Other than the expenses, including the professional fees and printing charges, to be incurred in relation to the Share Consolidation, the implementation thereof will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business operations, management or financial position of the Group or result in any change in the rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Reasons for the Share Consolidation

The Company also noted that the Shares have been trading at about HK\$0.01 to HK\$0.019 in the past three months, approaching the extremities of HK\$0.01 under Rule 13.64 of the Listing Rules, and accordingly the costs per board lot of 20,000 Shares were about HK\$200 to HK\$380.

At the Latest Practicable Date, the closing price of each Share is HK\$0.01 and the market value per board lot of the Shares amounted to HK\$200. Should the Share Consolidation become effective, the nominal value of the Shares and the market value per board lot of the Shares will be HK\$0.25 and HK\$5,000 respectively.

Having considered that Share Consolidation will increase (i) the nominal value of the Shares due to the corresponding upward adjustments in the trading price of the Consolidated Shares; and (ii) the market value per board lot of the Shares, which will reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, the Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Application for listing of the Consolidated Shares

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares to be issued upon the Share Consolidation becoming effective. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC. The Share Consolidation will be conducted in accordance with the provisions of the articles of association of the Company.

LETTER FROM THE BOARD

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

Fractional Consolidated Shares and odd lots arrangements

Fractional Consolidated Shares will not be issued by the Company to the Shareholders. Any fractional entitlements of the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if feasible and applicable. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, Kingston Securities Limited has been appointed as the designated broker to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from 9:00 a.m. on Wednesday, 29 June 2016 to close of business on Wednesday, 20 July 2016 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their broker, contact Ms. Rosita Kiu of Kingston Securities Limited at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong (telephone: (852) 2298 6215 and facsimile: (852) 2295 0682) during such period.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of Share certificates

Should the Share Consolidation become effective, which is currently expected to be Wednesday, 15 June 2016, Shareholders may, during the period from Wednesday, 15 June 2016 to Friday, 22 July 2016 (both days inclusive), submit the existing share certificates in blue for the Shares to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to exchange, at the expense of the Company, for new share certificates in green for the Consolidated Shares. Thereafter, the existing share certificates in blue will remain effective as documents of title and may be exchanged only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) per existing share certificate in blue cancelled or new share certificates in green issued (whichever is the higher) by Shareholders but are not acceptable for trading, settlement and registration upon the Share Consolidation becoming effective.

No change in board lot size

The Shares are currently traded in a board lot of 20,000 Shares. Upon the Share Consolidation becoming effective, the board lot size of the Consolidated Shares for trading on the Stock Exchange will remain at 20,000 Consolidated Shares.

LETTER FROM THE BOARD

As at Latest Practicable Date, the closing price of each Share is HK\$0.01 and the market value per board lot of the Shares amounted to HK\$200. Should the Share Consolidation become effective, the nominal value of the Shares and the market value per board lot of the Shares will be HK\$0.25 and HK\$5,000, respectively.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

Subject to the Share Consolidation having become effective, the Board proposes to seek the approval by way of ordinary resolution at the EGM by Shareholders of an increase in its authorised share capital from HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares to HK\$400,000,000 divided into 16,000,000,000 Consolidated Shares by creating an additional 8,000,000,000 unissued Consolidated Shares.

PROPOSED RIGHTS ISSUE

Subject to the Share Consolidation having become effective and the approval by the Independent Shareholders at the EGM, the Company proposes to raise approximately HK\$904 million (before expenses) on the basis of eleven (11) Rights Shares for every two (2) Consolidated Shares held on the Record Date, by issuing 5,478,000,000 Rights Shares at the Subscription Price of HK\$0.165 per Rights Share.

On 24 March 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue and further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Eleven (11) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.165 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	24,900,000,000 Shares
Number of Consolidated Shares expected to be in issue as at the Record Date	:	996,000,000 Consolidated Shares
Number of Rights Shares	:	5,478,000,000 Rights Shares
Underwriter	:	Kingston Securities Limited
Enlarged issued share capital upon completion of the Share Consolidation and the Rights Issue	:	6,474,000,000 Consolidated Shares

LETTER FROM THE BOARD

Prior to the entering into of the Underwriting Agreement, the Company has (i) approached two banks for debt financing; and (ii) explored the possibility of issuing convertible bonds, placing of new shares, open offer and rights issue with three financial institutions, including the Underwriter. However, save for the Underwriter, none of the other financial institutions and/or banks are willing to proceed further negotiation given that the size of fund raising is substantially large. Only the Underwriter agrees to be the underwriter to the Rights Issue. As such, having considered the Company's need to raise funds for its business plan and the Underwriter has an extensive network and is willing to procuring subscribers to subscribe for and/or sub-underwriters to underwrite for the Underwritten Shares at the proposed Subscription Price, the Company further negotiated the terms of the underwriting and entered into the Underwriting Agreement with the Underwriter.

Apart from the Rights Issue, the Company has considered other equity fundraising methods, such as issuance of convertible bonds and placing of new shares to independent third parties. However, the Company is of the view that the Rights Issue is the most appropriate fundraising method as issuance of convertible bonds will further increase the Company's gearing ratio and the Rights Issue has the least dilution effect on the existing Shareholders in comparison with placing of new shares, details of which are disclosed in the paragraphs under "Reasons for the Rights Issue". Based on the closing price of the Consolidated Shares on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation, being HK\$0.40, the theoretical ex-rights price of the Consolidated Shares is approximately HK\$0.201 per Consolidated Share. The Subscription Price of HK\$0.165 for the proposed Rights Issue represents a discount of approximately 18.0% to such theoretical ex-rights price. Should the existing Shareholders elect not to take up their entitlements under the Rights Issue, the aggregate dilution impact of the Rights Issue, taking into account its eleven (11) Rights Shares for two (2) Consolidated Shares and the discount of the Subscription Price to the closing price of the Last Trading Day, on the Shareholders is approximately 49.71%. In light of the relative low subscription price at HK\$0.165 per Rights Share, the Board considers that the Rights Issue is attractive to the Shareholders and is confident that they will subscribe for their respective entitlements to maintain their existing shareholding. Those Qualifying Shareholders who elect to subscribe for in full of their assured entitlements under the Rights Issue will retain their current shareholding percentage and investments in the Company. On this basis, the Board expects that the actual dilution effect will be lower than the theoretical maximum dilution effect as described above. The information of Rights Issue including dilution impact and opinion of the Board have been included in this circular for the Shareholders' consideration, taken into account the inherent dilutive nature of the Rights Issue and the fact that the Rights Issue will be subject to the approval by the existing Shareholders where their approval would represent their concurrent with the view of the Board that the Rights Issue would be reasonable and fair to the existing Shareholders.

Based on the existing issued share capital of the Company and assuming the Share Consolidation becomes effective and no further Shares will be issued or bought back by the Company on or before the Record Date, a total of 5,478,000,000 Rights Shares will be provisionally allotted under the Rights Issue, representing 550% of the existing issued share capital of the Company and 84.62% of the issued share capital of the Company as enlarged

LETTER FROM THE BOARD

by the issue of the Rights Shares. The Rights Issue is subject to the approval by the Independent Shareholders at the EGM and the Share Consolidation having become effective.

As at the Latest Practicable Date, the Company has no outstanding options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares or new Consolidated Shares (as the case may be).

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to 4:30 p.m. on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Company's branch share registrars in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Friday, 17 June 2016. It is expected that the last day of dealings in the Shares on a cum-rights basis is Wednesday, 15 June 2016 and the Shares will be dealt in on an ex-rights basis from Thursday, 16 June 2016.

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Company will comply with Rule 13.36 of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If based on legal opinions provided by the legal adviser to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in

LETTER FROM THE BOARD

any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders. For the avoidance of doubt, the Excluded Shareholders (if any) will be entitled to vote at the EGM.

Based on the register of members of the Company as at the Latest Practicable Date, the Company has no Overseas Shareholder and there were no Excluded Shareholders for the Rights Issue as at the Latest Practicable Date. Accordingly, all Shareholders on the Company's register of members as at the Latest Practicable Date have registered addresses in Hong Kong. The Company will ascertain whether there is any Overseas Shareholder on the Record Date and will, if necessary, make enquiries with its legal adviser in such overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such Overseas Shareholders on the Record Date.

Closure of register of members

For the purpose of determining the entitlement to the Rights Issue, the register of members of the Company will be closed from Monday, 20 June 2016 to Friday, 24 June 2016 (both dates inclusive) and no transfer of Shares will be registered during such period.

Subscription Price

The Subscription Price is HK\$0.165 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance under the PAL(s) or the EAF. The Subscription Price represents:

- (i) a discount of 34.0% to the theoretical closing price of HK\$0.25 per Consolidated Share, based on the Latest Practicable Date and adjusted taking into account the effect of the Share Consolidation;
- (ii) a discount of approximately 58.75% to the theoretical closing price of HK\$0.4 per Consolidated Share, based on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;
- (iii) a discount of approximately 58.75% to the average of the theoretical closing prices of approximately HK\$0.4 per Consolidated Share, based on the average closing price of HK\$0.016 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Share Consolidation; and
- (iv) a discount of approximately 17.91% to the theoretical ex-rights price of approximately HK\$0.201 per Consolidated Share, based on the closing price of HK\$0.4 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company.

During the period from the fourth quarter of 2015 to the first quarter of 2016, when the Company was aware of its funding needs and began to approach banks and financial institutions for fund raising, (i) the Hong Kong stock market experienced a downward trend, with Hang Seng Index closing gradually decreased from approximately 22,000 and fell below 20,000 since 8 January 2016 and remained inactive for over two months, (ii) the property market became sluggish, where the Centa-City Leading Index, which tracks secondary home prices, recorded a drop in home prices of 6.8% from September 2015 to December 2015, and (iii) Renminbi started to depreciate from mid-August 2015, further down to the lowest range in January 2016 and remained at such low levels. Under such unfavourable financial conditions, even though the Company had approached two banks and three financial institutions for fund raising by way of debt financing, placing of new shares, issue of convertible bonds, open offer and rights issue prior to the entering into of the Underwriting Agreement, the Company was unable to secure banking support from the banks, nor could it secure commitment to procure subscriber(s) and/or sub-underwriter to underwrite the Shares, save for the Underwriter. Finally, the Company could only manage to secure the Underwriter as the sole underwriter to the Rights Issue. Given that the maximum underwriting amount is about HK\$904 million which is a quite substantial amount taking into account of the Company's financial condition, the Underwriter requests for a relatively deep discount of the subscription price. Hence, the Subscription Price is finally determined at HK\$0.165 per Rights Share. As the Company is in need of about HK\$904 million to fund its acquisitions and repayment of certain debts (details of which is disclosed in the paragraphs under "Reasons for the Rights Issue" and "Intended use of proceeds"), and the Subscription Price is HK\$0.165 per Rights Shares, the basis for the Rights Issue is set at the subscription rate of eleven (11) Rights Shares for two (2) Consolidated Shares.

LETTER FROM THE BOARD

The Directors (including independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the relatively deep discount also help to encourage and attract Qualifying Shareholders to invest in the Company and participate in the Rights Issue. Besides, the historical trading prices of the Shares showed a downward trend during the three months and twelve months before 24 March 2016 (i.e. from 24 December 2015 to 23 March 2016 and from 24 March 2015 to 23 March 2016 respectively). The table below shows the highest and lowest closing prices of the Shares in the past (a) twelve months and (b) three months immediately preceding 24 March 2016 being the date of the Announcement:

12 months	Date	Closing price per Share (HK\$)	Equivalent to per Consolidated Share (HK\$)
Highest	20 July 2015	0.216	5.40
Lowest	21 December 2015, 21 January 2016, 27 January 2016, 28 January 2016, 11 February 2016 and 12 February 2016	0.014	0.35

3 months	Date	Closing price per Share (HK\$)	Equivalent to per Consolidated Share (HK\$)
Highest	24 December 2015, 29 December 2015, 30 December 2015, and 31 December 2015	0.019	0.475
Lowest	21 January 2016, 27 January 2016, 28 January 2016, 11 February 2016 and 12 February 2016	0.014	0.35

In this regard, the Directors consider that the Subscription Price is set at a discount with an objective to lower the further investment cost of the Shareholders, to encourage them to take up their entitlements and to participate in the potential growth of the Company. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors consider that the proposed discount of the Subscription Price to the market price is appropriate.

LETTER FROM THE BOARD

Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, the Directors (including independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the terms of the Rights Issue and the Subscription Price are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The net price per Rights Share will be approximately HK\$0.161.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of eleven (11) Rights Share for every two (2) Consolidated Shares held by the Qualifying Shareholders at 4:30 p.m. on the Record Date. Acceptances of all or any part of a Qualifying Shareholder's provisional allotment can be made only by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for by the Latest Time for Acceptance of the Rights Issue, i.e. by 4:00 p.m. on Tuesday, 12 July 2016.

Fractions of Rights Shares

Qualified Shareholders shall not be entitled to Rights Shares for any Consolidated Shares which are not in the multiples of two. As such, the entitlement of Qualifying Shareholders to the nil-paid Rights Shares will be calculated as eleven (11) Rights Shares multiplied by the integral number of the quotient of Consolidated Shares held by the Qualifying Shareholders on the Record Date divided by two.

The Company will not provisionally allot to and will not accept applications for any fractions of Rights Shares from Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Such fractional entitlements will be aggregated and the fractions of nil-paid Rights Shares shall be provisionally allotted to a nominee of the Company. The Company shall procure such nominee, if possible, to sell all the fractions of the nil-paid Rights Shares in the market and the net proceeds of such sales, after deduction of expenses, will be aggregated and an equivalent amount will accrue for the benefit of the Company.

Status of the Rights Shares

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

Application for the Rights Shares

The PAL and the EAF relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the branch share registrar and transfer office of the Company in Hong Kong by the Latest Time for Acceptance.

LETTER FROM THE BOARD

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for (i) the Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable on the following principles:

- (i) preference will be given to applications for less than a board lot of Rights Shares where it appears to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with intention to abuse the mechanism; and
- (ii) subject to availability of excess Rights Shares after allocation under principle (i) above, the excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of excess Rights Shares available for excess application and the number of the excess Rights Shares applied for by them (i.e. Qualifying Shareholders applying for smaller number of Rights Shares are allocated with a higher percentage of successful application but will receive less number of Rights Shares; whereas Qualifying Shareholders applying for larger number of Rights Shares are allocated with a smaller percentage of successful application but will receive larger number of Rights Shares) and with board lot allocations to be made on a best efforts basis. Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

In the event that the Board noted unusual patterns of excess applications and had reason to believe that any application may have been made with the intention to abuse the mechanism when applying the allocation principle (i) above, such application for excess Rights Shares may be rejected at the sole discretion of the Board.

Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on Friday, 17 June 2016.

LETTER FROM THE BOARD

Certificates for the Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below, certificates for all fully-paid Rights Shares are expected to be posted on or before Wednesday, 20 July 2016 by ordinary post to those entitled thereto at their own risk. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Wednesday, 20 July 2016 by ordinary post at the respective Shareholders’ own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or about Wednesday, 20 July 2016 by ordinary post at the risk of the Shareholders.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Consolidated Shares or the Rights Shares in both their nil-paid and fully-paid forms, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of the sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares in both their nil-paid and fully-paid forms.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. Dealing in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 20,000) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is proposed to be sought.

Subject to the grant of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS.

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

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing by the Independent Shareholders at the relevant EGM of ordinary resolutions to approve (a) the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue; and (b) the Increase in authorised share capital;
- (ii) the Share Consolidation having become effective;
- (iii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the CWUMPO no later than the Prospectus Posting Date;
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in all the Rights Shares by no later than the first day of their dealings;
- (vi) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten (10) trading days at any time prior to the Latest Time for Acceptance;
- (vii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement;
- (viii) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and

LETTER FROM THE BOARD

- (ix) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The conditions set out above are incapable of being waived. If all of the above conditions are not satisfied by 4:00 p.m. (Hong Kong time) on Wednesday, 13 July 2016, the Latest Time for Termination, or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed.

As at the Latest Practicable Date, none of the above conditions have been satisfied. Conditions (i) and (ii) above are expected to have been fulfilled on the date of the EGM and conditions (iii) and (iv) above are expected to have been fulfilled on the Prospectus Posting Date.

UNDERWRITING ARRANGEMENT

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement dated 26 May 2016) as described below.

Underwriting Agreement

Date	:	24 March 2016
Underwriter	:	Kingston Securities Limited
Number of Rights Shares	:	5,478,000,000 Rights Shares
Number of Underwritten Shares	:	up to 5,478,000,000 Rights Shares
Commission	:	the Underwriter will receive a commission in respect of its underwriting of the Rights Issue at 2.5% of the total subscription price of the maximum number of the Underwritten Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter, its ultimate beneficial owner(s) and its associates are third parties independent of the Company and its connected persons.

Underwriting Commission

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate subscription price in respect of the maximum number of the Underwritten Shares and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does

LETTER FROM THE BOARD

not become unconditional or if it is terminated by the Underwriter, but the Company shall pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors (including the independent non-executive Directors) consider the terms of the Underwriting Agreement including the commission rates to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that if the date of the Latest Time for Termination shall be a business day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next business day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

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

LETTER FROM THE BOARD

- (c) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (e) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (f) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (g) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (h) the Prospectus when published contains information (either as to the business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE

As at the Latest Practicable Date, the Company has 24,900,000,000 Shares in issue. The table below depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Share Consolidation having become effective but before completion of the Rights Issue; (iii) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming all Rights Shares are accepted by the Qualifying Shareholders; and (iv) immediately upon the Share Consolidation having become effective and completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders, and assuming there is no other change in the shareholding structure of the Company since the Latest Practicable Date up to the completion of the Rights Issue, for illustrative purposes only:

	(i)		(ii)		(iii)		(iv)	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Fabulous Business Limited (note 1)	2,650,000,000	10.64	106,000,000	10.64	689,000,000	10.64	106,000,000	1.64
The Underwriter (notes 2 and 3)	—	—	—	—	—	—	1,288,320,000	19.90
Public Shareholders								
The sub-underwriters								
Really Capital Investment Limited (note 4)	—	—	—	—	—	—	323,000,000	4.99
Chau Lai Him	—	—	—	—	—	—	323,000,000	4.99
Success Profile Inc.	—	—	—	—	—	—	323,000,000	4.99
So Chi Ming	—	—	—	—	—	—	323,000,000	4.99
Ruan Yuan	—	—	—	—	—	—	323,000,000	4.99
Lee Yu Leung	—	—	—	—	—	—	323,000,000	4.99
Tam Siu Leung	—	—	—	—	—	—	323,000,000	4.99
Cheung Siu Pik	—	—	—	—	—	—	323,000,000	4.99
Kung Man On Simon	—	—	—	—	—	—	323,000,000	4.99
Li Mau Ki	—	—	—	—	—	—	323,000,000	4.99
Superb Smart Limited	—	—	—	—	—	—	323,000,000	4.99
Siu Chi Chiu	—	—	—	—	—	—	323,000,000	4.99
Tam Yui Man	—	—	—	—	—	—	313,680,000	4.85
Other public shareholders	22,250,000,000	89.36	890,000,000	89.36	5,785,000,000	89.36	890,000,000	13.75
Total	24,900,000,000	100.00	996,000,000	100.00	6,474,000,000	100.00	6,474,000,000	100.00

Notes:

- As at the Latest Practicable Date, Fabulous Business Limited was the legal and beneficial owner of 2,650,000,000 Shares, representing approximately 10.64% of the existing issued share capital of the Company. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Fabulous Business Limited had not decided whether to take up the Rights Shares to which it was entitled under the Rights Issue, in part or in full.
- As at the Latest Practicable Date, none of the Underwriter and its respective close associates have any shareholding interest in the Company. In circumstances where the Rights Issue were to become unconditional and the Underwriter was obliged to take up Underwritten Shares in their entirety, the underwriting commitment would extend to a stake of approximately 19.90% in the share capital of the Company as enlarged by the issue of the Rights Shares. However, the taking up of 19.90% in the share capital of the Company is for illustration only.
- On 12 April 2016, the Underwriter entered into sub-underwriting agreements with thirteen sub-underwriters who are third parties independent of the Company and its connected persons and will be public shareholders, for an aggregate of 4,189,680,000 Underwritten Shares and none of them

LETTER FROM THE BOARD

will hold 10.00% or more of equity interest and voting rights in the Company upon completion of the Rights Issue. Of the thirteen sub-underwriters procured by the Underwriter, three are corporations and ten are individuals, of which (a) twelve have each agreed to take up a maximum of 323,000,000 Underwritten Shares; and (b) one has agreed to take up a maximum of 313,680,000 Underwritten Shares, respectively. All of the sub-underwriters are not persons whose ordinary course of business includes underwriting. As at the Latest Practicable Date, save for the sub-underwriting arrangement disclosed above, the Underwriter had not entered and had no intention to enter into any future sub-underwriting arrangements, the remaining Underwritten Shares would be taken up by the Underwriter. To the extent that the Underwriter subsequently enters into any further sub-underwriting arrangements, the Underwriter shall use its best endeavours to ensure that each subscriber and/or sub-underwriter is a third party independent of the Company and its connected persons and will not hold more than 10.00% of the equity interest and voting rights in the Company upon completion of the Rights Issue.

4. The ultimate beneficial owner of Really Capital Investment Limited, Success Profile Inc. and Superb Smart Limited is Zhu Yongjun, Wong Hin Shek and Zheng Juhua respectively.

REASONS FOR THE RIGHTS ISSUE

The Company, through its subsidiaries, is principally engaged in the foundation business, property development and securities investment.

Apart from the acquisition of Property Project as disclosed in the circular of the Company dated 6 November 2015 and completion of which took place on 24 November 2015, the Company keeps looking for potential acquisition opportunities to develop and strengthen its core businesses in order to enhance the prospect of the Group. As at the Latest Practicable Date, the Company is exploring the potential acquisition that is in line with the core business of the Group, but no acquisition target has been identified yet.

At the same time, with the view to generating diversified income and additional cashflow for the Group's continuous development, the Company has entered into the Heads of Agreement with Mr. Du Changqing, in relation to the Proposed Acquisition, so that the Company may tap into the tourism and cultural market in the PRC through 桂林廣維文華旅遊文化產業有限公司 (Guilin Guangwei Wenhua Tourism and Culture Industry Company Limited[#]), a company incorporated in the PRC, which operates the famous and award winning show “印象 • 劉三姐 Impression • Liu Sanjie[#]” in Yangshuo, Guangxi Province, the PRC.

In order to finance part of the consideration payable under the Property Acquisition, the Company entered into a loan facility agreement dated 13 October 2015 with an independent third party, pursuant to which the Company was granted the Property Loan in the amount of US\$100 million (equivalent to approximately HK\$780 million). The Property Loan will be repaid by the Company in three tranches in the sum of US\$33,000,000 (equivalent to approximately HK\$257.4 million), US\$33,000,000 (equivalent to approximately HK\$257.4 million) and US\$34,000,000 (equivalent to approximately HK\$265.2 million) on 12 October 2016, 12 April 2017 and 12 October 2017 respectively, all at an interest rate of 11.5% per annum calculated from the date of drawing the loan.

LETTER FROM THE BOARD

Upon the completion of the Property Acquisition in November 2015, the Company issued the Property PN dated 24 November 2015 in the aggregate principal amount of HK\$245 million to the Property Vendor to satisfy the remaining consideration payable under the Property Acquisition. The Property PN shall expire on the date falling on the 12 months from the date of issue and shall bear an interest rate of 15% per annum. The Company also borrowed the Property Loan in the sum of US\$100,000,000 (equivalent to approximately HK\$780 million) which bears the interest rate of 11.5% per annum to settle part of the consideration of the Property Acquisition. As at the Latest Practicable Date, other than the Property Loan and the Property PN, the Group has incurred other loans.

Notwithstanding the view of the Directors that the Group has the financial ability to meet the interest payments on the Property Loan and the Property PN as they fall due, the Directors are mindful of the significant deterioration in economic and credit conditions that have affected the world economies in recent months.

As at the Latest Practicable Date, the Company is conducting due diligence review on the target companies under the Proposed Acquisition and no definitive agreement has been entered into. As disclosed in the announcement dated 20 May 2016, the consideration is expected to be not less than HK\$460 million by way of cash and the remaining portion by way of issuance of shares and/or convertible notes of the Company. Furthermore, as disclosed in the Acquisition Announcement, the entering into of the formal agreement of the Proposed Acquisition is subject to the provision of a fund proof of HK\$1,800 million in cash by the Company. As at the Latest Practicable Date, the cash level of the Company is far below to the required fund proof.

Given that the amount HK\$1,800 million is a substantial amount which cannot be generated by the Company in a few months' time from its existing operating activities, and in order to satisfy the said fund proof, the Company will need to identify potential investor(s) who (i) is/are interested in the project under the Proposed Acquisition; and (ii) has/have sufficient financial resources to make such a huge investment, which may not be possible in short period of time. Even if the Company can identify potential investor(s), due to the need to satisfy the substantial amount of consideration, the Company may be requested to make more concessions such as offering a deep discount to the then market price of the Shares (in the case of issue of new Shares) and/or being imposed of a high interest rate (in the case of issue of convertible securities), which would result in the shareholding interests of existing Shareholders being diluted and/or the Company suffering from additional interest burdens. In such circumstances, the Directors consider the Rights Issue, which allows the Shareholder to participate in and causes less potential dilution impact to the existing Shareholders, is a suitable fundraising method for the purpose of financing the Proposed Acquisition even though the Proposed Acquisition is still in the course of performing due diligence review.

Should the Proposed Acquisition proceed, the Company shall liaise with the vendor in relation to the payment terms of the consideration and the finalised amount of the fund proof to be based on the final consideration subject to valuation and due diligence results, the settlement of which shall include cash, consideration shares and/or convertible notes of the Company so that the Company will be able to satisfy the entire consideration payable

LETTER FROM THE BOARD

under the Proposed Acquisition. The Board considers that even though (i) the Company already incurred significant amount of debt for the Property Acquisition; and (ii) the consideration for the Proposed Acquisition is expected to be not less than HK\$460 million by way of cash and the remaining portion by way of issuance of shares and/or convertible notes of the Company (subject to final negotiation between the Company and the vendor to the Proposed Acquisition), the Board is of the view that the Property Acquisition, the Proposed Acquisition (when materialises) and the Possible Acquisitions (if any and when materialises), will bring income stream to the Group which could be used to repay debts, and in the long term, represents a better use of the Group's resources. As such, it would be in the interests of the Company and its Shareholders to proceed with the Proposed Acquisition. Even though it is a new business to the Company in which the Company has no prior knowledge or experience in, the Board considers that it is appropriate to proceed with the Proposed Acquisition, as it (i) has appointed Mr. Wang Xin, who has extensive experience in the project underlying the Proposed Acquisition, as an executive Director; and (ii) will engage more senior management in the tourism industry, to facilitate the negotiation and the development of the Proposed Acquisition. If (i) the Proposed Acquisition does not proceed by October 2016, when HK\$257 million of the Property Loan falls due, and (ii) the Group cannot repay its due debts by its internal resources, the Company will apply all or part of the HK\$460 million proceeds for debt repayment and the remaining proceeds (if any) of the HK\$460 million will be used for the Proposed Acquisition and/or the Possible Acquisitions. In the event that none of the above business opportunities materialises, the Directors intend to apply the proceeds of approximately HK\$460 million from the Rights Issue for repayment of the debts of the Group based on the then situations, including their due date, their outstanding amount and the Group's internal resources.

Given the uncertain economic outlook in the near to medium term, the Group is well conscious of the risk that the Company may not be able to obtain the necessary funding, either through debt or equity financing or both, to re-finance the Property Loan and the Property PN as and when they fall due. The Directors also considered that it is not desirable to raise funds only when there is immediate need of funds as the cost of fund raising by then may be higher, and/or there are uncertainties as to whether the Group will be able to raise the amount of funding required for its business development by then, which may depend on the then prevailing market sentiments.

The Directors, having taken the prudent approach in evaluating the current financial position of the Group, consider the Rights Issue will allow the Group to (i) strengthen its capital base by increasing its issued Shares; (ii) improve its gearing ratio by issuing the Rights Shares and repaying part of the interest-bearing liabilities; (iii) reduce the uncertainty over the Company's financial position to repay part of the outstanding remaining balance under the Property Loan and the Property PN; (iv) save the future interest expense in connection with the Property Loan and the Property PN; (v) pursue for potential acquisition opportunities to strengthen its businesses; and (vi) provide an equitable means for the Shareholders to participate in the future development of the Company. In addition, the Directors consider that the Rights Issue will provide additional capital to finance the Possible Acquisition and to strengthen the Group's financial position.

LETTER FROM THE BOARD

The Directors and the senior management of the Company have also explored other financing methods through discussions with and enquiries to certain financial institutions and placing agents on the possibility of debt financing and equity issuances, including but not limited to share placement and rights issue.

However, in view of the high gearing level of the Company, debt financing would result in the Company being subject to additional interest burden and further increase its gearing ratio and jeopardize the financial structure of the Company. Share placement would only be available to certain places which may cause dilution effect to the existing Shareholders, and, as disclosed in the paragraph under “Issue statistics” above, save and except the Underwriter, the Directors and the senior management were unable to procure underwriting support from other independent underwriters to underwrite a rights issue of a similar size at a reasonable cost to the Company. The Directors considered that it would be more beneficial to the Company to raise long-term equity capital through the Rights Issue rather than the aforesaid alternate means of financing.

Given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it will not cause dilution effect if all the Shareholders would have participated in the Rights Issue. Indeed, the Rights Issue provides an exit mechanism to those Shareholders who do not want to participate in the Rights Issue by selling out their nil-paid rights. The availability of excess application for the Rights Shares allows those Shareholders, who want to share more the future development of the Company, to apply for more Rights Shares than their respective entitlements to the Rights Shares. The Directors consider that the Subscription Price is set at a relatively deep discount with an objective to lower the further investment cost of the Shareholders, to encourage them to take up their entitlements and to participate in the potential growth of the Company. In order to increase the attractiveness of the Rights Issue to the Qualifying Shareholders, the Directors (including independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the proposed discount of the Subscription Price to the market price is appropriate.

The Company is aware that any fund raising activities by way of issuing securities of the Company will cause potential dilution impact to the shareholding of the existing Shareholders. As compare to placing or subscription of new Shares, convertible securities or other underlying securities of the Company or open offer, rights issue will have the least potential dilution impact. Having taken into account that (i) the Rights Issue and the Underwriting Agreement is subject to the Independent Shareholders approval at the EGM; (ii) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid rights in the market for economic benefits, (iii) the Rights Issue allows the Qualifying Shareholders to maintain their shareholding interests in the Company upon completion of the Rights Issue and at the same time can enjoy the relatively deep discount from the subscription of the Rights Shares; and (iv) the Company can raise funds to reduce the gearing ratio and to develop the core and new businesses of the Company without further increasing its debt liability and further worsening its interest burdens, also as disclosed above. In addition, the Rights Issue is subject to the approval by the Independent Shareholders, the Directors (including independent non-executive

LETTER FROM THE BOARD

Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the terms of the Rights Issue and the Subscription Price (including the relative deep discount to the market value of the Shares) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Underwriting Agreement, in particular, the underwriting obligations of the Underwriter and the number of Underwritten Shares, was determined after arm's length discussion between the Company and the Underwriter. Therefore, the Directors (including independent non-executive Directors whose opinion on the matter has been set forth in this circular after taken into account the advice from the Independent Financial Adviser in this regard) consider that the Underwriting Agreement is in the interests of the Company and Shareholders as a whole.

INTENDED USE OF PROCEEDS

The gross proceeds from the Rights Issue are approximately HK\$904 million, and the estimated related expense in connection with the Rights Issue is approximately HK\$24 million. The estimated net proceeds from the Rights Issue after deducting all necessary expenses are estimated to be approximately HK\$880 million, which are intended to be used (i) as to approximately HK\$420 million for repayment of the debt of the Group and (ii) the remaining balance of approximately HK\$460 million for the Proposal Acquisition.

(i) Repayment of debt

In respect of the Property Acquisition, as disclosed in the circular of the Company dated 5 November 2015, the Property Project has (i) a planned site area of approximately 156,403 square meters; (ii) gross floor area of approximately 115,010 square meters; and (iii) two development phases and 113 residential units.

Based on the latest development and sales plan, the 113 residential units were split into 226 smaller saleable units (“**Saleable Unit**”). As at 31 March 2016, the first phase has 96 Saleable Units, among which 63 Saleable Units with total gross floor area of approximately 17,495 square meters had been sold; and the second phase has 130 Saleable Units, among which 4 Saleable Units with total gross floor area of approximately 1,012 square meters have been sold. In addition, certain commercial buildings, including retail shops and apartments, with total gross floor area of approximately 6,268 square meters have also been sold. The Board, therefore, is of the view that there is no further funding need for the development of the Property Project. The Company will continue to sell the remaining Saleable Units in the second half 2016 and thereafter.

LETTER FROM THE BOARD

As such, the Property Acquisition shall generate return to the Group by selling the properties constructed, and the proceeds from the sale of the properties shall be used to repay part of the Property Loan and the Property PN when they fall due. Therefore, the Board is of the view that there is no need to utilise the entire amount of Rights Issue proceeds for debt repayment and therefore the Company intended to use the proceeds of approximately HK\$420 million to settle the debts on the following due dates:

Debts	Amount due <i>(Approximately HK\$ million)</i>	Due date
Interests of the Property Loan	62	June 2016, September 2016, October 2016 and December 2016
Property PN (including interest)	282	November 2016
Other short-term loan	76	June 2016

The Directors has been monitoring the financial position of the Group and may consider restructure its debt structure by (i) liaising with the creditor(s) to extend the loan; (ii) seeking any other financing methods which incur lower interest payment; and (iii) repaying its debts. The Group has successfully negotiated with the creditor in March 2016 and April 2016 to extend the maturity date of two loans of HK\$25 million and HK\$50 million for further three months and two months respectively. As at the Latest Practicable Date, the Property Loan and the Property PN amount to approximately HK\$1,025 million. Therefore, based on the above information, it is intended that the amount of HK\$420 million will be used for the repayment of the debt of the Group. The Company will repay the other outstanding debts and interest accrued thereon by its internal resources, including the sales proceeds generated from the Property Acquisition.

(ii) The Proposed Acquisition

On 2 December 2015 and 20 May 2016, the Company entered into the Framework Agreement and Heads of Agreements in respect of the Proposed Acquisition respectively. The project company underlying the Proposed Acquisition is Guilin Guangwei Wenhua Tourism Culture Industry Limited[#] (桂林廣維文華旅遊文化產業有限公司, the “**Project Company**”) which operates the show “印象•劉三姐Impression•Liu Sanjie” in Yangshuo, Guangxi Province, the PRC. The performance was premiered on 20 March 2004 at the Sanjie Liu Sing Fair, a tourism site near Yangshuo, Guilin, Guangxi, the PRC.

Based on the information provided by the potential vendor and the publicly available, Impression•Liu Sanjie is based on a legendary and love story of Liu Sanjie in Zhuang minority. The show is an outdoor night show beside the Li River in Yangshuo. Different from other shows in an enclosed space, the show stages in the actual Li River. The mist, moonlight, together with peaks and their inverted reflections in the river all creates a spectacular natural backdrop. Its auditorium is housed on the natural islands of the Li River with the audience standing on the designed terraces, surrounded by green plants. The

LETTER FROM THE BOARD

large-scaled lights system, special smoke-effect system and the overwhelming sound system in harmony with the natural landscape presents a visual feast to audients. The show lasts approximately 70 minutes and consists of 7 episodes. Each episode displays different images and sceneries with the ever-changing natural background and lighting.

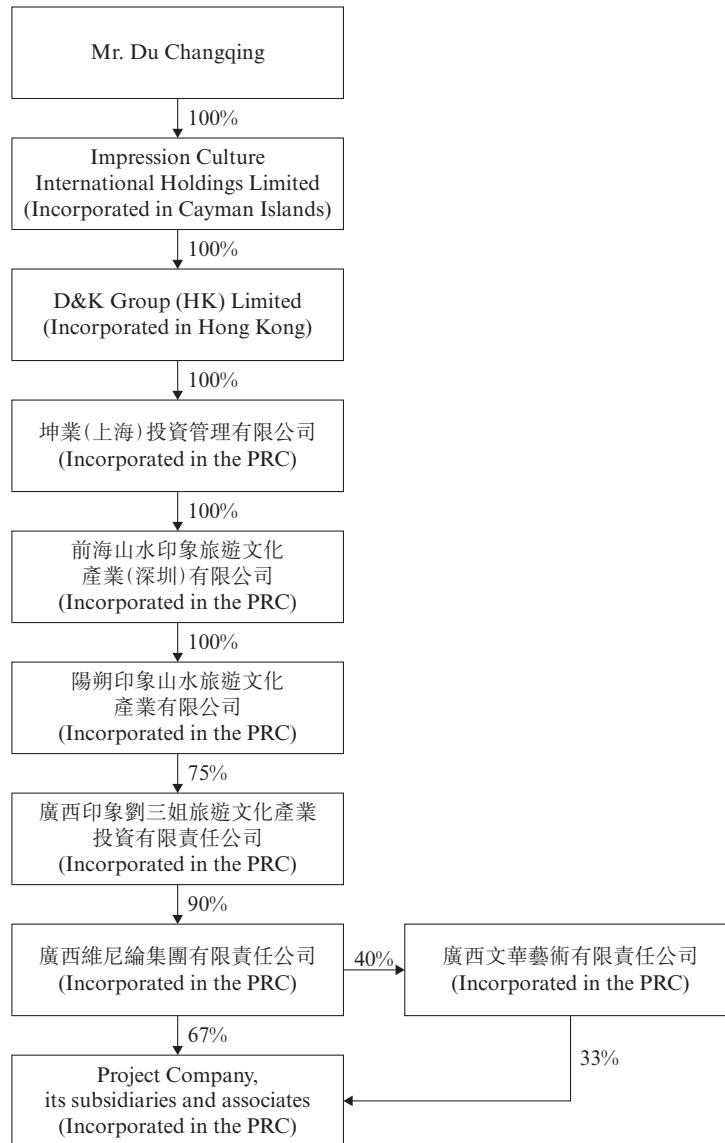
There are 600 actors and actresses involved and most of them are local people from the villages along the river. Zhang Yimou (張藝謀), a prestigious director in the PRC and the chief director of the performance, creatively combines the classical Liu Sanjie's folk songs and ethnic group culture together and presents a large-scale realistic performance in harmony with landscape. As indicated by the management of the Project Company, there are over 500 shows performed every year.

The show is awarded as Top Ten Most Influential National Cultural Industry Demonstration Base in 2013 issued by of the Ministry of Culture of the PRC and China's Well-Known Trademark by the State Administration for Industry & Commerce of the PRC.

Income of the Project Company mainly comes from the ticket sales and souvenir sales of the show. Costs of the Project Company mainly includes the salaries payable to the actors and administrators and the maintenance expenses. The Project Company also proposes to promote this kind of performance business in the Asia area by cooperating with natural tourism companies.

LETTER FROM THE BOARD

Based on the information provided by Mr. Du Changqing, the vendor to the Proposed Acquisition, the proposed structure of the target group underlying the Proposed Acquisition is as follows:



LETTER FROM THE BOARD

A summary of (i) the audited financial information of the Project Company for two years ended 31 December 2014, which is audited by PRC auditors; and (ii) the unaudited financial information of the Project Company for the year ended 31 December 2015 is set out below:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015
	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>	<i>(approximately)</i>
Revenue	169,723	182,375	170,374
Profits before taxation	90,252	81,912	82,749
Profits after taxation	76,676	69,497	67,758

Information of the target group of the Proposed Acquisition is subject to modification based on the due diligence results by the Company and the final review of the auditors to be appointed by the Company. More updated information is to be disclosed in the announcement or the circular of the Proposed Transaction if materialised.

Based on the financial information of the Project Company, the Board believes that the Project Company is profit making and the Proposed Acquisition will provide stable income stream to the Group, if materialised. The stable income from the Proposed Acquisition is expected to generate diversified income and additional cash flow for the Group's continuous development and will alleviate the debt burden of the Company to a large extent. The Directors consider that the Proposed Acquisition is in the interest of the Company and its Shareholders as a whole.

The Company wishes to emphasize that only the Framework Agreement and the Heads of Agreement has been entered into as at the Latest Practicable Date. Each of the Framework Agreement and the Heads of Agreement does not constitute a binding commitment on the Company in respect of the Proposed Acquisition and as the Proposed Acquisition may or may not proceed, Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Subject to compliance of the Listing Rules, the Proposed Acquisition may or may not proceed. If the Proposed Acquisition is materialised, it may constitute a notifiable transaction of the Company under the Listing Rules and the Company will make further announcement in respect of the Proposed Acquisition as and when appropriate.

If (i) the Proposed Acquisition does not proceed by October 2016, when HK\$257 million of the Property Loan falls due, and (ii) the Group cannot repay its due debts by its internal resources, the Company will apply all or part of the HK\$460 million proceeds for debt repayment and the remaining proceeds (if any) of the HK\$460 million will be used for the Proposed Acquisition and/or the Possible Acquisitions. In the event that none of the above business opportunities materialises, the Directors intend to apply the proceeds of

LETTER FROM THE BOARD

approximately HK\$460 million from the Rights Issue for the repayment of the debt of the Group based on the then situations, including their due date, their outstanding amount and the Group's internal resources.

As at the Latest Practicable Date, the Company had not entered into any binding agreement in respect of the Proposed Acquisition and the Company did not have any specific plan to identify potential acquisition target for the Possible Acquisition.

FUND RAISING EXERCISES OF THE COMPANY DURING THE PAST 12 MONTHS

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
13 April 2015	Placing of 83,000,000 new Shares under general mandate	HK\$59 million	For general working capital and/or future investment of the Group	For general working capital

Save as disclosed above, the Company had not conducted any other fund raising activities during the past 12 months immediately preceding the date of the Announcement.

Taking into account the current debt position of the Company and the capital requirement of the Proposed Acquisition (when it materialises), the Company may conduct other fund raising activities in the next 12 months. However, as at the Latest Practicable Date, since the amount of sales proceeds to be generated from the Property Project is uncertain, the Company has not formed any plan for such fund raising activities nor has it confirmed the amount to be raised in the next 12 months.

RE-ELECTION OF THE RETIRING DIRECTOR

In accordance with Article 112 of the articles of association of the Company, any Director appointed by the Board to fill a casual vacancy shall retire at the next following general meeting and shall be eligible for re-election. Accordingly, Mr. Wang Xin will retire from office as a Director and, being eligible, offer himself for re-election at the EGM.

Details of Mr. Wang Xin was set out in Appendix IV to this circular.

EGM

A notice of the EGM to be held at 11:00 a.m. on 14 June 2016 at Units 4202-03, 42nd Floor, The Center, 99 Queen's Road Central, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular for the purpose of considering and, if thought fit, approving the Share Consolidation, the Increase in authorised share capital, the Rights Issue and the re-election of Mr. Wang Xin.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rule 7.19(6) of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM, on which any controlling Shareholders and their

LETTER FROM THE BOARD

associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, (i) there were no controlling Shareholders, and (ii) none of the Directors and the chief executive of the Company have interest in the Shares or underlying securities of the Company, and therefore no persons would be required to abstain from voting on the resolution relating to the Rights Issue at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of it, if you so wish.

Subject to the Rights Issue being approved at the EGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Lam Chi Wai, Ms. Lau Mei Ying and Ms. Thadani Jyoti Ramesh, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. INCU Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 42 to 43 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 44 to 69 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The Directors believe that the terms of the Share Consolidation, the Increase in authorised share capital and the Rights Issue are on normal commercial terms, fair and reasonable so far as the Shareholders or Independent Shareholders (as the case may be) are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Directors consider the proposed re-election of Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon the fulfillment of the conditions set out under the sub-section headed “Conditions of the Rights Issue” in the section headed “Proposed Rights Issue” above. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described above. The Rights Issue is also subject to the Underwriter not terminating the Underwriting Agreement. Accordingly, the Rights Issue may or may not proceed.

Any dealing in the Shares from the date of the Announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form between Wednesday, 29 June 2016 to Thursday, 7 July 2016, both dates inclusive, will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

ADDITIONAL INFORMATION

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

By order of the Board
Ngai Shun Holdings Limited
Mock Wai Yin
Executive Director and Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



Ngai Shun Holdings Limited
毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01246)

27 May 2016

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ELEVEN RIGHTS SHARES FOR EVERY
TWO CONSOLIDATED SHARES
HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 27 May 2016 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned.

INCUB has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the terms of the Rights Issue and the advice from the Independent Financial Adviser, we are of the opinion that the Rights Issue is on normal commercial terms, in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Lam Chi Wai

Ms. Lau Mei Ying

Ms. Thadani Jyoti Ramesh

Independent non-executive Directors

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from INCU, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for the purpose of inclusion in this circular.



INCUB Corporate Finance Limited
Unit 1602, 16/F., Tower 1, Silvercord
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

27 May 2016

*To: The Independent Board Committee and
the Independent Shareholders of
Ngai Shun Holdings Limited*

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ELEVEN RIGHTS SHARES FOR EVERY TWO CONSOLIDATED SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give opinion in relation to the Rights Issue, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 27 May 2016 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the Announcement, subject to the Share Consolidation becoming effective and the approval by the Independent Shareholders at the EGM, the Company proposes to raise approximately HK\$903.87 million, before expenses, by issuing 5,478,000,000 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at an Subscription Price of HK\$0.165 per Rights Share on the basis of eleven (11) Rights Shares for every two (2) Consolidated Shares held on the Record Date and payable in full upon application. Qualifying Shareholders are entitled to apply for Rights Shares in excess of their respective provisional allotment under the Rights Issue. The Rights Issue is only available to the Qualifying Shareholders, and will not be extended to the Excluded Shareholders.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

On 24 March 2016, the Company entered into the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement dated 26 May 2016) with the Underwriter regarding the Rights Issue. The estimated net proceeds of the Rights Issue after deducting all necessary expenses will be approximately HK\$880 million, which are intended to be used (i) as to approximately HK\$420 million for repayment of the debt of the Group and (ii) the remaining balance of approximately HK\$460 million for the Proposed Acquisition as announced by the Company on 2 December 2015. In the event the Proposed Acquisition does not proceed, the Directors will re-allocate the proceeds for the Possible Acquisitions or further repayment of the debt of the Group.

Pursuant to the requirements of the Listing Rules, the Rights Issue is conditional upon the approval by the Independent Shareholders by way of a poll at the EGM, where the controlling shareholder of the Company, or in case where the Company has no controlling shareholder, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company have interest in the Shares or underlying securities of the Company as at the Latest Practicable Date.

The Company has established an Independent Board Committee which comprises all independent non-executive Directors, namely Mr. Lam Chi Wai, Ms. Lau Mei Ying and Ms. Thadani Jyoti Ramesh, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Independent Shareholders, and to advise the Independent Shareholders on how to vote, taking into account our recommendations.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, INCU has no relationship with and is not connected with the Directors, chief executives and substantial shareholders of the Company or any of their respective associates. INCU has no shareholding interest in and has not acted as an independent financial adviser and has not provided any other services to the Company or any of its respective subsidiaries or their respective associates during the past two years. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information.

However, we have not conducted any in-depth independent investigation into the business, affairs and financial positions of the Group, nor have we carried out any independent verification of the information supplied to us. In addition, we have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if in any doubt, should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the Rights Issue, we have taken into consideration of the following principal factors and reasons:

I. Background of the Group

(a) Businesses of the Group

The Group is principally engaged in foundation business, property development and securities investment.

(b) Financial information of the Group

Set out below is the audited consolidated financial information of the Company for the financial year ended 31 March 2014 (“FY2014”) and the financial year ended 31 March 2015 (“FY2015”) as extracted from the annual report of the Company for the period ended 31 March 2015 (the “2015 Annual Report”) and the unaudited consolidated financial information for the six months ended 30 September 2014 (“1H2014/15”) and 30 September 2015 (“1H2015/16”) as extracted from the interim report of the Company for the six months ended 30 September 2015 (the “2015/16 Interim Report”):

	FY2014	FY2015	1H2014/15	1H2015/16
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	486,906	558,150	293,697	227,432
Gross profit	133,397	149,779	70,891	39,151
Profit/(loss) before income tax	90,023	106,696	50,664	(80,089)
Profit/(loss) attributable to owners of the Company	73,379	90,562	41,866	(81,915)

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 March 2014	As at 31 March 2015	As at 30 September 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	82,030	104,722	95,065
Current assets	242,134	440,049	446,111
Non-current liabilities	9,253	11,011	12,080
Current liabilities	85,609	212,336	228,942
Total equity and net assets attributable to owners of the Company	229,302	321,424	300,154
Cash and cash equivalents	118,642	254,815	39,259
Interest-bearing liabilities	26,568	132,333	146,135

(i) Financial performance of the Group

Since FY2014 to 1H2015/16, the revenue of the Group has been solely generated from foundation business as a foundation subcontractor in Hong Kong. The Group undertakes foundation projects in both public and private sectors in Hong Kong. As disclosed in the 2015/16 Interim Report, the Group had 20 projects in progress, which included 13 public projects and 7 private projects. The Group's major public contracts in hand include West Kowloon Cultural District M+ Museum and carpark and Shatin Central Link contract 1121 NSL cross harbour tunnels, while major private contracts in hand include commercial development at North Point Estate and residential development at Stubbs Road. During 1H2015/16, the Group secured 11 new contracts that worth approximately HK\$239.5 million and total contract sum in hand was approximately HK\$911.3 million as at 30 September 2015.

As disclosed in the 2015 Annual Report, revenue of FY2015 amounted to approximately HK\$558.15 million, representing a 14.63% growth as compared with approximately HK\$486.91 million in FY2014. Along with the growth in revenue, gross profit increased to approximately HK\$149.78 million as compared with approximately HK\$133.40 million in FY2014 while gross profit margin was slightly decreased from 27.40% in FY2014 to 26.83% in FY2015 which was mainly attributable to rise in staff cost and subcontracting charges. For FY2015, profit attributable to owners of the Company amounted to approximately HK\$90.56 million. As compared to approximately HK\$73.38 million in FY2014, such increase was mainly due to improvement in revenue, gain on disposal of investment properties of approximately HK\$9.88 million and net gains on fair value adjustment on investment properties of approximately HK\$4.10 million.

As disclosed in the 2015/16 Interim Report, revenue of the Group amounted to approximately HK\$227.43 million, declined by 22.56% as compared with approximately HK\$293.70 million in 1H2014/15. The decrease was mainly due to the drop of the foundation industry in Hong Kong during 1H2015/16 as the major infrastructure projects had completed their foundations and proceeded to building superstructure stage while new infrastructure projects had been postponed due to the slow approval progress of infrastructure projects by the Legislative Council and Legco Finance Committee. For 1H2015/16, the gross profit and gross profit margin of the Group decrease to approximately HK\$39.15 million and 17.21% respectively, as compared with approximately HK\$70.89 million and 24.14% in 1H2014/15. Such decline in gross profit margin was mainly attributable to increase in depreciation cost in cost of sales as a result of purchase of plant and machinery to equip the Group with more advanced machineries so as to improve the operating efficiency. Besides, as a result of fair value loss on financial assets at fair value through profit or loss (which represented securities listed in Hong Kong held for trading) of approximately HK\$84.31 million, loss attributable to owners of the Company of approximately HK\$81.92 million was recorded.

(ii) Financial position of the Group

According to the 2015/16 Interim Report, as at 30 September 2015, the Group recorded net current assets of approximately HK\$217.17 million and net assets attributable to the owners of the Company of approximately HK\$300.15 million. Notwithstanding the net current asset and net assets position, the gearing ratio (defined by total interest-bearing liabilities divided by the Group's total equity) has substantially increased from approximately 11.59% as at 31 March 2014 to approximately 41.17% as at 31 March 2015, further up to approximately 48.69% as at 30 September 2015. Such increase in gearing was mainly due to a loan of HK\$120.00 million borrowed from a related company in FY 2015 and increase in bank borrowings of approximately HK\$14.07 million in 1H2015/16.

As at 30 September 2015, the unaudited current assets of the Group mainly comprised financial assets at fair value through profit or loss (which represented securities listed in Hong Kong held for trading) of approximately HK\$274.43 million, trade and other receivables of approximately HK\$132.42 million and cash and cash equivalents of approximately HK\$39.26 million, while the unaudited non-current assets of the Group mainly represented property, plant and equipment of approximately HK\$89.07 million.

As at 30 September 2015, the Group's unaudited current liabilities mainly comprised trade and other payables of approximately HK\$80.63 million, and interest-bearing borrowings (including a loan from a related company of HK\$120 million and bank borrowings of approximately HK\$26.14 million) of approximately HK\$146.14 million.

As referred to in the “Statement of Indebtedness” set out in Appendix I of the Circular, as at 31 March 2016, the Group had aggregate outstanding borrowings (including accrued interests payable) of approximately HK\$1,281 million, which represented 8.77 times of the balance as at 30 September 2015. As discussed with the Directors, such increase was mainly due to the Property Loan of US\$100 million (equivalent to approximately HK\$780 million) obtained on 13 October 2015 and the Property PN of HK\$245 million issued on 24 November 2015 for the Property Acquisition.

(c) Recent business development of the Group

On 29 September 2015, the Company entered into the sale and purchase agreement with the Property Vendor to acquire a group of companies (which is principally engaged in the development and operation of a property project, which is located on the western shores of 南湖 (Nanhu Lake#), Yueyang, Hunan province, the PRC) at the consideration of HK\$1,000 million. The consideration has been satisfied by the Company (i) as to HK\$755 million in cash and as to HK\$245 million through issue of the Property PN. The Property Acquisition has been completed on 24 November 2015. For further details, please refer to the announcements of the Company dated 29 September 2015 and 4 November 2015, and the circular of the Company dated 6 November 2015, in relation to the Property Acquisition.

On 2 December 2015 and 20 May 2016, the Company has entered into the Framework Agreement and the Heads of Agreement respectively with an independent third party, in relation to the Proposed Acquisition, so that the Company may tap into the tourism and cultural market in the PRC through 桂林廣維文華旅遊文化產業有限公司 (Guilin Guangwei Wenhua Tourism and Culture Industry Company Limited#), a company incorporated in the PRC, which operates the famous and award winning show “印象•劉三姐” (Impression • Liu Sanjie#) in Yangshuo, Guangxi Province, the PRC. Pursuant to the Heads of Agreement, the Company has been granted an exclusive right during a period of three months starting from 20 May 2016, being the date of the Heads of Agreement, subject to an extension of a further three months by mutual agreement of both parties, to finalise the formal agreement for the Proposed Acquisition. As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Company is conducting due diligence on the target companies under the Proposed Acquisition and no definitive agreement has been entered into. For further details in relation to the Framework Agreement and the Heads of Agreement, please refer to the announcement of the Company dated 2 December 2015, 2 March 2016 and 20 May 2016.

On 2 February 2016, the Company has entered into a sale and purchase agreement with a connected person (a company held by Dr. Wong Sai Chung and Mr. Lam Wing Sum, being the former Directors of the Company), pursuant to which the Company conditionally agreed to dispose of 49% of the issued share capital of a direct wholly-owned subsidiary, which through its subsidiaries, is

principally engaged in the foundation business in Hong Kong. The total consideration of HK\$73,883,694.94 will be offset by part of the loan owing to the potential purchaser by the Company, which is recorded in the Group's financial statements as "loan from a related company" under current liabilities with an amount of approximately HK\$126.46 million as at 31 March 2016. According to the supplemental deed dated 28 April 2016, the long stop date was extended to 30 May 2016. The disposal has not been completed as at the Latest Practicable Date. For further details, please refer to the announcements of the Company dated 5 February 2016, 2 March 2016, 9 March 2016, 24 March 2016, 30 March 2016, 7 April 2016, 14 April 2016, 28 April 2016 and 12 May 2016.

II. Reasons for the Rights Issue and use of proceeds

The Group intends to diversify the business portfolio to generate diversified income and additional cash flow for the Group's continuous development, also to develop and strengthen its core business through potential acquisition in order to enhance the prospect of the Group.

The gross proceeds from the Rights Issue will be approximately HK\$904 million. After deducting all relevant expenses of approximately HK\$24 million, the net proceeds from the Rights Issue are estimated to be approximately HK\$880 million.

As disclosed in the Letter from the Board, the Company intends to apply the net proceeds from the Rights Issue (i) as to approximately HK\$420 million for repayment of the debt of the Group and (ii) as to approximately HK\$460 million for the Proposed Acquisition.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

Funding needs for the repayment of debt of the Group

Based on the breakdown provided by the Company, the details of the outstanding borrowings of the Group as at 31 March 2016 are as follows:

Debts	Outstanding balances including interest payable (Approximately)	Annual Interest Rate	Notes
Property Loan	US\$100.00 million (equivalent to approximately HK\$780 million)	11.50%	1
Property PN	HK\$257.96 million	15.00%	2
Loan from a related company	HK\$126.46 million	5.00%	3
Bank borrowings	HK\$38.68 million	2.20%–3.75%	
Other borrowings	<u>HK\$77.69 million</u>	15.00%	
Total	<u><u>HK\$1,280.79 million</u></u>		

Notes

1. As discussed in the section headed “Recent business development of the Group” in this letter, the consideration of Property Acquisition of HK\$1,000 million was satisfied by HK\$755 million in cash and HK\$245 million through issuance of the Property PN dated 24 November 2015. In order to finance the cash portion of the consideration payable under the Property Acquisition, the Company entered into a loan facility agreement dated 13 October 2015 with an independent third party, pursuant to which the Company was granted the Property Loan in the amount of US\$100 million (equivalent to approximately HK\$780 million). The Property Loan will be repaid by the Company in three tranches in the sum of US\$33,000,000 (equivalent to approximately HK\$257.4 million), US\$33,000,000 (equivalent to approximately HK\$257.4 million) and US\$34,000,000 (equivalent to approximately HK\$265.2 million) on 12 October 2016, 12 April 2017 and 12 October 2017 respectively, all at an interest rate of 11.5% per annum calculated from the date of draw down the loan.
2. The Property PN shall expire on the date falling on the 12 months from the date of issue (i.e. 23 November 2016) and shall bear an interest rate of 15% per annum.
3. As discussed in the section headed “Recent business development of the Group” in this letter, upon completion of the connected transaction in relation to the disposal of 49% equity of the foundation business, the consideration of approximately HK\$73.88 million will be offset by the same amount of such loan. The loan including the interests accrued thereon will mature in March 2017.

As advised by the Directors, the estimated cash outflow to satisfy the debts and interest payment, which will fall due on the 12 months from 31 March 2016, amounts to approximately HK\$719 million and approximately HK\$130 million respectively. In respect of the Property Acquisition, as disclosed in the circular of the Company dated 5 November 2015, the Property Project has (i) a planned site area of approximately 156,403 square meters; (ii) gross floor area of

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

approximately 115,010 square meters; and (iii) two development phases and 113 residential units. Based on the latest development and sales plan, the 113 residential units were split into 226 smaller saleable units (“**Saleable Unit**”). As at 31 March 2016, the first phase has 96 Saleable Units, among which 63 Saleable Units with total gross floor area of approximately 17,495 square meters had been sold; and the second phase has 130 Saleable Units, among which 4 Saleable Units with total gross floor area of approximately 1,012 square meters have been sold. In addition, certain commercial buildings, including retail shops and apartments, with total gross floor area of approximately 6,268 square meters have also been sold. The Board, therefore, is of the view that there is no further funding need for the development of the Property Project. The Company will continue to sell the remaining Saleable Units in the second half 2016 and thereafter.

As such, the Property Acquisition shall generate returns to the Group by selling the properties constructed. Therefore, the Board plans to settle part of the Property Loan and the Property PN by the proceeds from the sale of the properties and they are of the view that there is no need to utilise the entire amount of the Rights Issue proceeds for debt repayment.

The Company intended to utilise the Rights Issue proceeds of approximately HK\$420 million to settle the following debts on the following due dates:

Debts	Amount due	Due Date
	<i>(Approximately HK\$ million)</i>	
Interest of the Property Loan	62	June 2016, September 2016, October 2016 and December 2016
Property PN (including interest)	282	November 2016
Other short-term loans	76	June 2016

In addition, we note from the Letter from the Board that the Directors have been monitoring the financial position of the Group and may consider to restructure its debt structure by (i) liaising with the creditor(s) to extend the loan(s); (ii) seeking any other financing methods which incur lower interest payment; and (iii) repaying its debts. The Company will repay the other outstanding debts and interest accrued thereon by its internal resources. Nevertheless, in view of the uncertain economic outlook in the near to medium term, there is risk that the Group may not be able to re-finance its debts as and when they fall due. The Directors also considered that it is not desirable to raise funds only when there is immediate need of funds as the cost of fund raising by then may be higher, and/or there are uncertainties as to whether the Group will be able to raise the amount of funding required based on its then business development, which may depend on the then prevailing market sentiments. The Rights Issue would allow the Group to: i) reduce the uncertainty over the

Company's financial position to repay part of the outstanding balance of such borrowings which incur higher interest rate including the Property Loan and Property PN; ii) strengthen the Group's capital base; and iii) improve the gearing ratio by issuing the Rights Shares and repaying part of the interest-bearing liabilities.

Funding needs for the Proposed Acquisition

As discussed in the section headed "Recent business development of the Group" in this letter, the Company is currently conducting due diligence review in respect of the Proposed Acquisition. As disclosed in the Acquisition Announcement, the consideration based on the preliminary valuation report provided by the vendor was approximately HK\$1,800 million and the final consideration will be determined after further negotiation between the Company and the vendor. As further disclosed in the announcement by the Company dated 20 May 2016, the consideration is expected to be not less than HK\$460 million by way of cash and the remaining portion by way of issuance of shares and/or convertible notes of the Company. Furthermore, the entering into of the formal agreement of the Proposed Acquisition is subject to the provision of a fund proof of HK\$1,800 million by the Company. Based on the unaudited management accounts of the Company, as at 31 March 2016, the cash and cash equivalents of the Group amounted to approximately HK\$115.72 million which is insufficient to meet the required fund proof under the Proposed Acquisition.

As disclosed in the Letter from the Board, should the Proposed Acquisition proceed, the Company shall liaise with the vendor in relation to i) the finalised amount of fund proof which to be based on the final consideration subject to valuation and due diligence result and ii) the payment terms of the consideration, the settlement of which may include but not limited to issuing consideration shares, convertible bonds and/or promissory note so that the Company will be able to satisfy the entire consideration payable under the Proposed Acquisition. The Board considers that even though (i) the Company already incurred significant amount of debt for the Property Acquisition; and (ii) the consideration for the Proposed Acquisition is expected to be not less than HK\$460 million by way of cash and the remaining portion by way of issuance of shares and/or convertible notes of the Company (subject to final negotiation between the Company and the vendor to the Proposed Acquisition), the Board is of the view that the Property Acquisition, the Proposed Acquisition (when materialises) and the Possible Acquisitions (if any and when materialises), will bring income stream to the Group which could be used to repay debts, and in the long term, represents a better use of the Group's resources. As further disclosed in the Letter from the Board, based on the financial information of Guilin Guangwei Wenhua Tourism Culture Industry Limited# (桂林廣維文華旅遊文化產業有限公司), the project company underlying the Proposed Acquisition (the "**Project Company**"), the Board believes that the Project Company is profit making and the Proposed Acquisition will provide stable income stream to the Group, if materialised. The stable income from the Proposed Acquisition is expected to

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

generate diversified income and additional cash flow for the Group's continuous development and will alleviate the debt burden of the Company to a large extent. The Directors consider that the Proposed Acquisition is in the interest of the Company and its Shareholders as a whole. Even though it is a new business to the Company in which the Company has no prior knowledge or experience in, the Board considers that it is appropriate to proceed with the Proposed Acquisition, as it (i) has appointed Mr. Wang Xin, who has extensive experience in the project underlying the Proposed Acquisition, as an executive Director; and (ii) will engage more senior management in the tourism industry, to facilitate the negotiation and the development of the Proposed Acquisition. As confirmed by the Directors, apart from the payment terms, they will also take into consideration the future funding needs of the Proposed Acquisition so as not to impose a material adverse impact to the gearing ratio of the Company and when the Proposed Acquisition can bring income to the Company, as such, if the Proposed Acquisition materialised, the business acquired therein should not require further capital injection by the Company and the Directors are of the opinion that the Group has sufficient working capital for its existing business and for a 12-month period from the date of the publication of the Circular. For further details of the Proposed Acquisition, please refer to the section headed "Intended Use of Proceeds" in the Letter from the Board.

As referred to in the Letter from the Board, if (i) the Proposed Acquisition does not proceed by October 2016 when HK\$257 million of the Property Loan falls due, and (ii) the Group cannot repay its due debts by its internal resources, the Company will apply all or part of the HK\$460 million proceeds for debt repayment and the remaining proceeds (if any) of the HK\$460 million will be used for the Proposed Acquisition and/or the Possible Acquisitions. In the event that none of the above business opportunities materialises, the Directors intend to apply the proceeds of approximately HK\$460 million from the Rights Issue for further repayment of the debts of the Group based on the then situations, including their due date, their outstanding amount and the Group's internal resources, and may consider to repay the borrowings before their respective maturity date in order to save interest expenses. We have reviewed the terms of the loan agreements of the Group and no clauses in relation to restriction of early repayment are noted.

As further disclosed in the Letter from the Board, as at the Latest Practicable Date, the Company had not entered into any binding agreement in respect of the Proposed Acquisition and the Company did not have any specific plan to identify potential acquisition target for the Possible Acquisition.

Conclusion

We note that the Company merely allocates part of the Rights Issue proceeds for debt repayment purpose even though the estimated cash outflow for debt repayment for 12-month period from 31 March 2016 of approximately HK\$849 million which exceeds the assigned proceeds of HK\$420 million. Nevertheless,

having considered that (i) the Property Project of the Group is expected to generate sales proceeds in the next 12 months; (ii) based on the Directors' forecasts, HK\$420 million is sufficient to cover the potential temporary shortfall between income and debt repayment of the Group; (iii) in the event the Proposed Acquisition does not proceed and the Group does not have sufficient internal resources to repay debts when they fall due, the Company will apply all or part of the HK\$460 million proceeds for debt repayment and the balance for the Proposed Acquisition and Possible Acquisition, therefore we are of the view that the proposed use of proceeds from the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In addition, having considered that (i) the existing cash level of the Company (HK\$115.72 million as at 31 March 2016) is insufficient to repay the short-term debts of the Group; (ii) repayment of debts would improve the liquidity of the Group; (iii) the Rights Issue will lower the risk of default payment of the short-term debts; (iv) additional interest burden will be avoided as the short-term debts of the Group will be repaid by the assigned proceeds from the Rights Issue and the Group's internal resources, instead of being re-financed by new borrowings; (v) Proposed Acquisition and Possible Acquisition, if materialises will bring income stream to the Group; and (vi) fund proof is required for the entering into a formal agreement relating to the Proposed Acquisition, we are of the opinion that the reasons for the Rights Issue are justifiable.

However, the Shareholders should note that, as disclosed in the Letter from the Board, the Company may conduct other fund raising activities in the next 12 months, as at the Latest Practicable Date, since the amount of sales proceeds to be generated from the property project is uncertain, the Company has not formed any plan for such fund raising activities nor has it confirmed the amount to be raised in the next 12 months.

III. Financing alternatives available to the Group

As disclosed in the Letter from the Board, prior to the entering into of the Underwriting Agreement, the Company has (i) approached two banks for debt financing; and (ii) explored the possibility of issuing convertible bonds, placing of new shares, open offer and rights issue with three financial institutions, including the Underwriter. However, save for the Underwriter, none of the other financial institutions and/or banks are willing to proceed further negotiation given that the size of fund raising is substantially large. Only the Underwriter agrees to be the underwriter to the Rights Issue. As such, having considered that the fund raising needs for its business plan and the Underwriter has an extensive network and is willing to procuring subscribers to subscribe for and/or sub-underwriters to underwrite for the Underwritten Shares at the proposed Subscription Price, the Company further negotiated the terms of the underwriting and entered into the Underwriting Agreement with the Underwriter. In addition, in view of the high gearing level of the Company, debt financing would result in the Company being subject to additional interest burden, further increase its gearing ratio and jeopardize the financial structure

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

of the Company. Share placement would only be available to certain places which may cause dilution effect to the existing Shareholders. The Directors considered that it would be more beneficial to the Company to raise long-term equity capital through the Rights Issue rather than the aforesaid alternate means of financing.

As referred to in the Letter from the Board, the fund proof amount under the Proposed Acquisition is substantial and cannot be generated by the Company in a few months' time from its existing operating activities. There are difficulties in identifying potential investor in short period of time given the substantial investment amount. The Directors are of the view that even potential investor(s) is being identified, the Company may be required to make more concessions such as offering deep discount to the then market prices of the Shares (in the case of issue of new Shares) and/or being imposed of a high interest rate (in the case of issue of convertible securities), which would result in the shareholding interests of existing Shareholders being diluted and/or the Company suffering from additional interest burdens. In such circumstances, the Directors consider the Rights Issue, which allows the Shareholder to participate in and causes less potential dilution impact to the existing Shareholders, is a suitable fundraising method for the purpose of financing the Proposed Acquisition.

As further disclosed in the Letter from the Board, given that each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it will not cause dilution effect if all the Shareholders would have participated in the Rights Issue. Indeed, the Rights Issue provides an exit mechanism to those Shareholders who do not want to participate in the Rights Issue by selling out their nil-paid rights. The availability of excess application for the Rights Shares allows those Shareholders, who want to share more the future development of the Company, to apply for more Rights Shares than their respective entitlements to the Rights Shares. The Company is aware that any fund raising activities by way of issuing securities of the Company will cause potential dilution impact to the shareholding of the existing Shareholders.

Taking into account that (i) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid rights in the market for economic benefits; (ii) as compared to the placing of new Shares, the Rights Issue allows the Qualifying Shareholders to maintain their shareholding interests in the Company upon completion of the Rights Issue; (iii) as compared to debt financing, the Company can raise funds to reduce the gearing ratio and to develop the core and new businesses of the Company without further increasing its debt liability and further worsening its interest burdens, we consider the Rights Issue to be a feasible fund raising alternative currently available to the Company and is a better financing alternative over other forms of financing as discussed above. Therefore, we concur with the Directors' view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

IV. Details and evaluation on the principal terms of the Rights Issue***(a) Principal terms of the Rights Issue***

The principal terms of the Rights Issue are summarised as follows:

Basis of the Rights Issue	:	Eleven (11) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.165 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	24,900,000,000 Shares
Number of Consolidated Shares expected to be in issue as at the Record Date	:	996,000,000 Consolidated Shares
Number of Rights Shares	:	5,478,000,000 Rights Shares. The Rights Issue is fully underwritten.
Underwriter	:	Kingston Securities Limited
Enlarged issued share capital upon completion of the Share Consolidation and the Rights Issue	:	6,474,000,000 Consolidated Shares

As at the Latest Practicable Date, the Company has no other outstanding options, warrants, derivatives or convertible securities which may confer any right to the holder thereof to subscribe for, convert or exchange into Shares.

(b) Evaluation of the Subscription Price

The Subscription Price of HK\$0.165 per Rights Share, representing:

- (1) a discount of approximately 58.75% to the theoretical closing price of HK\$0.4 per Consolidated Share, based on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;
- (2) a discount of approximately 58.75% to the average of the theoretical closing prices of approximately HK\$0.4 per Consolidated Share, based on the closing price of HK\$0.016 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day and adjusted taking into account the effect of the Share Consolidation;
- (3) a discount of approximately 17.91% to the theoretical ex-rights price of approximately HK\$0.201 per Consolidated Share, based on the closing price of HK\$0.4 per Consolidated Share as quoted on the Stock Exchange on the Last Trading Day and adjusted taking into account the effect of the Share Consolidation; and
- (4) a discount of 34.0% to the theoretical closing price of approximately HK\$0.25 per Consolidated Share based on the closing price of HK\$0.01 per Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation.

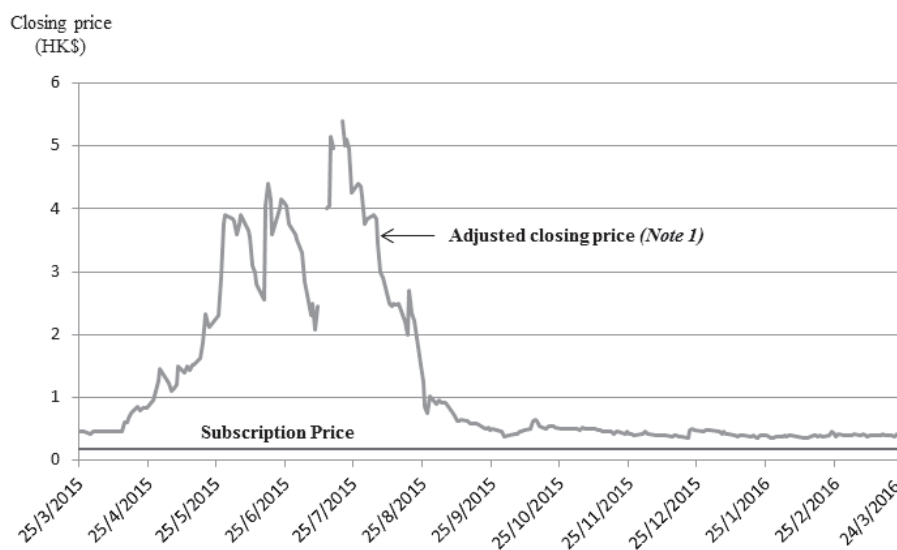
As disclosed in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions, the financial position of the Company and the business prospect of the Company. During the period from the fourth quarter of 2015 to the first quarter of 2016, when the Company was aware of its funding needs and began to approach banks and financial institutions for fund raising, (i) the Hong Kong stock market experienced a downward trend, with Hang Seng Index closing gradually decreased from approximately 22,000 and fell below 20,000 since 8 January 2016 and remained inactive for over two months, (ii) the property market became sluggish, where the Centa-City Leading Index, which tracks secondary home prices, recorded a drop in home prices of 6.8% from September 2015 to December 2015, and (iii) Renminbi started to depreciate from mid-August 2015, further down to the lowest range in January 2016 and remained at such low levels. Under such unfavourable financial conditions, although the Company had approached two banks and three financial institutions for fund raising by way of debt financing, placing of new shares, issue of convertible bonds, open offer and rights issue prior to the entering into of the Underwriting Agreement, the Company was unable to secure support from the banks, nor could it secure commitment to procure subscriber(s) and/or sub-underwriter to underwrite the Shares, save for the Underwriter. The Company could only manage to secure the Underwriter as the sole underwriter to the Rights Issue. Given that the maximum

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

underwriting amount of around HK\$1,000 million is a substantial amount taking into account of the Company's financial condition, the Underwriter requests for a relatively deep discount of the subscription price. Hence, the Subscription Price is finally determined at HK\$0.165 per Rights Share. The Directors also consider that the relative deep discount may help to encourage and attract Qualifying Shareholders to invest in the Company and participate in the Rights Issue.

(i) *Comparison of the Subscription Price with historical trading prices*

In order to further assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in closing price of the Shares for the 12-month period commencing from 25 March 2015 to the Last Trading Day (the "**Review Period**"), which is set out in the chart below.



Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- 1) The adjusted closing price represents the theoretical closing price per Consolidated Share, based on the closing price per Share as quoted on the Stock Exchange and adjusted for the effects of the Company's share subdivision, bonus issue and the Share Consolidation.
- 2) Trading of the Shares was suspended on 10 July 2015 and 17 July 2015.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the chart above, the historical adjusted trading prices of the Consolidated Shares exhibit a downward trend since July 2015 and were traded above the Subscription Price for the entire Review Period.

The adjusted closing prices of the Consolidated Shares for the Review Period ranged from HK\$0.350 per Consolidated Share (on 21 December 2015, 21 January 2016, 27 January 2016, 28 January 2016, 11 February 2016 and 12 February 2016) to HK\$5.400 per Consolidated Share (on 20 July 2015) with an average of HK\$1.322 per Consolidated Share. As illustrated in the above diagram, the Subscription Price of HK\$0.165 is below all adjusted closing prices per Consolidated Shares during the Review Period, and represents (i) a discount of approximately 87.52% to the average adjusted closing price; (ii) a discount of approximately 52.86% to the lowest adjusted closing price; and (iii) a discount of approximately 96.94% to the highest adjusted closing price recorded during the Review Period.

Taking into consideration that (i) the Subscription Price was set at a significant discount to the recent closing price of the Shares with the aim to encourage the existing Shareholders to participate in the Rights Issue on a pro rata basis; (ii) the Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter; (iii) both the adjusted trading price of the Consolidated Shares and the general Hong Kong stock market has experienced a downward trend since mid-2015; (iv) except for the Underwriter, none of the banks and financial institutions approached by the Group are willing to proceed with further negotiation given the substantial size of the underwriting amount, we are of the opinion that the Subscription Price being set below the prevailing market prices of the Shares is in line with the market practice.

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Review on trading volume of the Shares

We have also reviewed the historical trading volume of the Shares during the Review Period. The average daily trading volume of the Shares, total number of issued Shares at month end and average daily trading volume to total number of issued Shares at month end during the Review Period are shown in the table below.

Month	Total monthly trading volume (in number of shares)	Number of trading days	Approximate average daily trading volume (in number of shares)	Total number of issued Shares at month end (in number of shares)	Average daily trading volume to total number of issued Shares at month end (Approximate %)
2015					
March <i>(Note 1)</i>	2,978,000	5	595,600	415,000,000	0.14
April <i>(Note 2)</i>	318,332,000	19	16,754,316	498,000,000	3.36
May	203,788,000	19	10,725,684	498,000,000	2.15
June	565,315,000	22	25,696,136	4,980,000,000	0.52
July	1,300,334,000	22	59,106,091	4,980,000,000	1.19
August <i>(Note 3)</i>	9,472,181,741	21	451,056,273	4,980,000,000	9.06
September <i>(Note 4)</i>	21,248,095,000	20	1,062,404,750	24,900,000,000	4.27
October <i>(Note 4)</i>	36,985,280,010	20	1,849,264,001	24,900,000,000	7.43
November	7,769,345,000	21	369,968,810	24,900,000,000	1.49
December	11,122,740,000	22	505,579,091	24,900,000,000	2.03
2016					
January	4,430,615,000	20	221,530,750	24,900,000,000	0.89
February	4,401,205,750	18	244,511,431	24,900,000,000	0.98
March <i>(Note 5)</i>	4,096,560,532	18	227,586,696	24,900,000,000	0.91

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- 1) The trading volume of the month represented trading volume for the period from 25 March 2015 to 31 March 2015.
- 2) In April 2015, the Company issued 83,000,000 Shares to not less than six places at a price of HK\$0.73 each, details of placing were set out in the announcement of the Company dated 13 April 2015 and 23 April 2015.
- 3) Trading volume in August 2015 was abnormally high as compared to the rest of the Review Period. Pursuant to the announcement by the Company dated 19 August 2015 and 27 August 2015 in relation to unusual price and volume movements, the Board is not aware of any reasons for these price and volume movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

- 4) Trading volume in September and October 2015 was relatively high as compared to the rest of this Review Period, we noted that the Company has taken corporate actions as follows:

In September 2015, 19,920,000,000 bonus shares of HK\$0.01 each were allotted and issued to qualifying shareholders, details of the bonus issue were set out in the circular of the Company dated 3 August 2015.

In the same month, the Company entered into the sale and purchase agreement with the Property Vendor to acquire a group of companies (which is principally engaged in the development and operation of a property project, which is located on the western shores of 南湖 (Nanhu Lake#), Yueyang, Hunan province, the PRC) at the consideration of HK\$1,000 million. The Property Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules, details of which are set out in the announcements of the Company dated 29 September 2015 and 4 November 2015, and the circular of the Company dated 6 November 2015.

- 5) The trading volume of the month represented trading volume for the period from 1 March 2016 to 24 March 2016.

During the Review Period, the average daily trading volume of the Shares were in the range of approximately 0.14% to approximately 9.06% as to the total number of issued Shares at the end of each respective month throughout the Review Period. Apart from April, August, September and October 2015, an average of less than 2.5% of the total number of issued Shares was traded. The above statistics revealed the liquidity of the Shares was relatively low.

(iii) Comparable analysis

In order to assess the fairness and reasonableness of the Subscription Price of the Rights Issue, we have identified and reviewed recent Rights Issue transactions which were announced by companies listed on the Main Board of the Stock Exchange during the period of six (6) months immediately prior to the date of the Underwriting Agreement (the “**Reference Period**”) (i.e. 25 September 2015 to 24 March 2016) and did not involve issue of bonus shares or other shares for debt restructuring purpose in the rights issue transactions. To the best of our knowledge and as far as we are aware of, we identified 17 comparables (the “**Comparables**”) which meet the said criteria and we considered the sample size to be fair and representative as the Comparables can reflect the latest market practice prior to the date of the Underwriting Agreement. We consider that the Reference Period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Underwriting Agreement; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the size, business nature, scale of operations and prospects of the Company are not exactly the same as the Comparables and we have not conducted any in-

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

depth investigation into the size, business nature, scale of operations and prospects of the Comparables. Nevertheless, given that this analysis is aiming at taking a general reference to the recent market practice in relation to the Subscription Price of the Rights Issue, we consider that our comparable analysis on the Subscription Price without limiting to companies that are with similar size, business nature and scale of operations as that of the Group is fair and reasonable and useful for the Independent Shareholders' reference. The table below summarises the details of the Comparables:

Company name	Stock code	Announcement date	Basis of entitlement	Discount of subscription price to the theoretical entitlement price based on the share price on the last trading day prior to/on announcement date	Discount of subscription price to the theoretical entitlement price based on the share price on the last trading day prior to/on announcement date	Underwriting commission %	Maximum dilution (Note 1)
				Approximately %	Approximately %		Approximately %
China Resources and Transportation Group Limited	269	29 Sep 2015	4 for 1	82.80 (Note 2)	49.00 (Note 2)	2.00	80.00
Greater China Holdings Limited	431	1 Oct 2015	1 for 2	45.00	35.29	2.00	33.33
GR Properties Limited	108	26 Oct 2015	1 for 2	25.29	18.41	2.50	33.33
China Sandi Holdings Limited	910	28 Oct 2015	2 for 1	65.52	38.39	1.50	66.67
China Agri-Products Exchange Limited	149	4 Nov 2015	3 for 2	28.21 (Note 2)	13.58 (Note 2)	2.50	60.00
EPI (Holdings) Limited	689	12 Nov 2015	5 for 1	65.43	23.91	1.00	83.33
Lai Sun Development Company Limited	488	17 Nov 2015	1 for 2	33.33	25.20	2.00	33.33
China New Economy Fund Limited	80	23 Nov 2015	1 for 2	11.32	7.84	3.25	33.33
GCL-Poly Energy Holdings Limited	3800	15 Dec 2015	1 for 5	15.79	13.51	2.50	16.67
GCL New Energy Holdings Limited	451	15 Dec 2015	3 for 8	11.76	8.91	2.50	27.27
Hanison Construction Holdings Limited	896	15 Dec 2015	1 for 2	20.63	14.75	2.00	33.33
China Hongqiao Group Limited	1378	8 Jan 2016	7 for 50	0.00	0.00	0.00	12.28
Coolpad Group Limited	2369	22 Jan 2016	3 for 20	14.73	13.39	3.10	13.04
China Oceanwide Holdings Limited	715	25 Jan 2016	1 for 2	0.00	0.00	0.00	33.33
Hanny Holdings Limited	275	25 Jan 2016	8 for 1	68.75 (Note 2)	19.61 (Note 2)	3.00	88.89
Synertone Communication Corporation	1613	5 Feb 2016	1 for 1	67.10 (Note 2)	50.50 (Note 2)	0.00	50.00
Chuang's China Investments Limited	298	17 Mar 2016	1 for 2	34.10	25.70	2.50	33.33
Maximum				0.00	0.00	3.25	88.89
Minimum				82.80	50.50	0.00	12.28
Median				28.21	18.41	2.00	33.33
Average				34.69	21.12	1.90	43.03
The Company	1246	24 Mar 2016	11 for 2	58.75	17.97	2.50	84.62

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- 1) Maximum dilution effect of each rights issue is calculated as: (number of rights shares)/((number of existing shares entitled for the rights shares under the basis of entitlement) + (number of rights shares)) X 100%.

- 2) Calculation of discounts were based on the theoretical closing price per respective share and the theoretical ex-entitlements price per respective share based on respective last trading date adjusted for the effect of the capital reorganisation or share consolidation conducted by these company.

Subscription price

As shown in the table above, 15 out of 17 Comparables had set the subscription prices of their Rights Issues at a discount to the closing price of the relevant shares on the last trading day prior to/on the dates of announcements in respect of respective rights issues. The discounts of the Comparables range from discount of approximately 82.80% to zero discount, with a median discount of approximately 28.21% and an average discount of approximately 34.69%. We consider that it is a common market practice for listed issuers in Hong Kong to conduct rights issue at a discount to the market price in order to enhance the attractiveness of the rights issue. The discount represented by the Subscription Price to the theoretical closing price per Consolidated Share on the Last Trading Day (the “**LTD Discount**”) of approximately 58.75% falls within the range of discounts of the Comparables (the “**LTD Market Range**”) even though it is larger than the average discount of the Comparables (the “**LTD Market Average**”).

We also note from the table above that the discount represented by the Subscription Price to the theoretical ex-entitlement price per Consolidated Share based on the closing price per Consolidated Share on the Last Trading Day (the “**Ex-Rights Discount**”) of approximately 17.97% falls within the range of discounts of the Comparables (from a discount of approximately 50.50% to zero discount) (the “**Ex-Rights Market Range**”) and is lower than the average discount of the Comparables of approximately 21.12% (the “**Ex-Rights Market Average**”).

Notwithstanding the LTD Discount is larger than the LTD Market Average, we have considered the following factors when assessing the fairness and reasonableness of the Subscription Price:

- (i) it is a common market practice that the subscription price of an Rights Issue normally represented a discount to the prevailing market price of the relevant shares;
- (ii) the LTD Discounts falls within the LTD Market Range;
- (iii) the Ex-Rights Discount falls within the Ex-Rights Market Range and is below the Ex-Rights Market Average;
- (iv) the adjusted average closing prices of the Shares were in general on a decreasing trend since July 2015;

- (v) the trading liquidity of the Shares during the Review Period was generally low; and
- (vi) the Subscription Price was determined at arm's length basis between the Company and the Underwriter, which is, amongst the three financial institutions approached by the Company, the only one willing to proceed with further negotiation given the substantial size of the underwriting amount.

Having taken into account the above, we consider that the Subscription price is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Evaluation of other principal terms of the Rights Issue

As disclosed in the Letter from the Board, the Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of the Underwritten Shares, being 5,478,000,000 Rights Shares.

As shown in the table above, the underwriting commission of the Comparables ranged from nil to 3.25% with a median of 2.00% and an average of 1.90%. Given that the underwriting commission of 2.50% falls within the range of the Comparables, we are of the opinion that the underwriting commission paid to the Underwriter is in line with the normal market practice and is therefore fair and reasonable.

As disclosed in the Letter from the Board, the Underwriting Agreement, in particular, the underwriting obligations of the Underwriter and the number of the Underwritten Shares, was determined after arm's length discussion between the Company and the Underwriter. Apart from the underwriting commission discussed above, we have also reviewed other principal terms of the Underwriting Agreement, including but not limited to, the obligations of the Underwriter, payments terms, the termination of the Underwriting Agreement and conditions of the Underwriting Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which appears to be unusual. As such, we concur with the Directors' view that the Underwriting Agreement is in the interests of the Company and the Shareholders as a whole.

(d) Risk associated with the Rights Issue

Shareholders and potential investors should note that the Rights Issue is conditional upon, amongst other things, the fulfilment of the conditions set out under the section headed "Conditions of the Rights Issue" in the Letter from the Board. In particular, the Rights Issue is subject to the Share Consolidation becoming effective, the obligations of the Underwriter becoming unconditional and the Underwriting Agreement not having terminated in accordance with the terms thereof as set out in the paragraph headed "Termination of the

Underwriting Agreement” in the Letter from the Board. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they in any doubt about their positions, they should consult their own professional advisers.

V. Possible financial effects of the Rights Issue

(a) Net tangible assets

According to the unaudited pro forma financial information of the Group set out in Appendix II of the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2015 amounted to approximately HK\$300,154,000. Upon completion of the Rights Issue, such amount will increase by the estimated net proceeds from the Rights Issue of approximately HK\$879,870,000 to approximately HK\$1,180,024,000.

(b) Working capital

According to the 2015 Interim Report, the Group had cash and bank balances of approximately HK\$39,259,000 as at 30 September 2015. Immediately upon completion of the Rights Issue, the cash and bank balances of the Group will increase by an amount equivalent to the net proceeds of the Rights Issue of approximately HK\$879,870,000. We are of the view that the working capital position of the Group will be strengthened.

(c) Gearing ratio

According to the 2015 Interim Report, the gearing ratio of the Group, which was calculated based on total interest bearing borrowings of approximately HK\$146.14 million against total equity of approximately HK\$300.15 million, was approximately 48.69%. Upon completion of the Rights Issue, interest bearing borrowings would be reduced as part of the proceeds will be utilised to repay the debt whilst the capital base of the Group would be enlarged. As such, the gearing ratio of the Group is expected to improve accordingly upon completion of the Rights Issue.

It should be noted that the abovementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon completion of the Rights Issue.

VI. Possible dilution to the shareholdings of the Shareholders

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares on the same basis. As illustrated in the section headed “Shareholding structure” set out in the Letter from the Board, we note that the shareholding interests of the Qualifying Shareholders who elect to take up their respective entitlements under the Rights Issue will remain unchanged upon the completion of the Rights Issue, however, the

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

shareholding interests of the Qualifying Shareholders who do not take up their respective entitlement under the Rights Issue will be diluted upon the completion of the Rights Issue up to a maximum of 84.62%.

As compared to the Comparables as set out under the section “Comparable Analysis” in this letter, we note that the maximum dilution of the Rights Issue falls within the range of Comparables (from approximately 12.28% to approximately 88.89%) but lies above the average of the Comparables of approximately 43.03%. Nevertheless, we consider that the foregoing should be balanced against by the following factors:

- (i) the Independent Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM;
- (ii) the Rights Issue is on the basis that all Qualifying Shareholders have been offered equal opportunity to maintain their proportional shareholding and participate in the capital base enlargement of the Company;
- (iii) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to the then prevailing market conditions;
- (iv) the inherent dilutive nature is general for all cases of Rights Issues;
- (v) the positive financial effect as a result of the Rights Issue as detailed in the section “Possible financial effects of the Rights Issue” above.

Having considered the above, we are of the opinion that the potential dilution effect on the shareholding for the Qualifying Shareholders who decide not to accept the Rights Issue is justifiable.

However, the Shareholders should note that, as disclosed in the Letter from the Board, the Company may conduct other fund raising activities in the next 12 months, as at the Latest Practicable Date, since the amount of sales proceeds to be generated from the property project is uncertain, the Company has not formed any plan for such fund raising activities nor has it confirmed the amount to be raised in the next 12 months. Such fund raising activities may lead to further dilution effect to the shareholding of the Shareholders.

RECOMMENDATION

Having considered the above mentioned principal factors and reasons, in particular, (i) all Qualifying Shareholders are offered equal opportunity to subscribe for the Rights Shares at the same price in proportion to their respective entitlements; (ii) the Rights Issue will reduce the indebtedness of the Group and hence improve the gearing ratio of the Company; (iii) the Proposed Acquisition, if materialised, will bring income stream to the Company; and (iv) the Rights Issue is expected to bring positive financial effect to the Group, we are of

LETTER OF ADVICE FROM THE INDEPENDENT FINANCIAL ADVISER

the opinion that the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming EGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
INCUCorporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUCorporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

(A) Financial information of the Group for the three years ended 31 March 2013, 2014 and 2015 and the six months ended 30 September 2015 can be referred to in appendix I to the listing document of the Company dated 30 September 2013, pages 37–83 of the 2014 annual report published on 24 July 2014, pages 41–94 of the 2015 annual report published on 20 July 2015 and pages 4-31 of the 2015 interim report published on 24 December 2015 respectively, which are published on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.1246.com.hk>). Please refer to the hyperlinks as stated below:

- Listing document of the Company: <http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0930/LTN20130930049.pdf>
- 2014 annual report: <http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0724/LTN20140724995.pdf>
- 2015 annual report: <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0720/LTN20150720773.pdf>
- 2015 interim report: <http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1224/LTN20151224384.pdf>

(B) On 29 September 2015, the Company entered into the sale and purchase of agreement for the acquisition of the entire issued share capital of Double Earn Holdings Limited. The financial information of Double Earn Holdings Limited and its subsidiaries can be referred to in appendix II to the circular of the Company dated 6 November 2015. Please refer to the hyperlinks as stated below:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1105/LTN201511051135.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial information of the Group for the six months ended 30 September 2015 and for each of the years ended 31 March 2014 and 2015 are disclosed in the interim report of the Company for the six months ended 30 September 2015 and the annual reports of the Company for the years ended 31 March 2014 and 2015, respectively, which are published on both the website of the Stock Exchange and the website of the Company.

Foundation business

The foundation industry in Hong Kong dropped significantly during the six months ended 30 September 2015 as the major infrastructures had completed their foundations and proceeded to building superstructure stage while new infrastructure projects had been postponed due to the slow approval progress of infrastructure projects by the Legislative Council and Legco Finance Committee of Hong Kong. The Group expects that the foundation business in public sectors may decrease further. The escalation of labour costs continued as unions recently raised the standard salaries of steel bending, formwork, welding and concreting skilled labour significantly. Under such market sentiment, we shall be pessimistic in the business prospects of foundation business in the year of 2015–2016. In the meantime, the Group will continue to adjust its existing portfolio and diversify its revenue stream, in order to enhance the shareholders' value and benefit the Group.

Property investment business

The Group also involves in property investment in the PRC upon completion of the Property Acquisition and the Company is positive about the prospects of this new business segment. Economy of the PRC has been expanding at a high but stable rate. Domestic consumption has recently contributed more and more to the growth of the gross domestic production. Looking into the future, the PRC government is committed to (i) pivoting from investment-led growth in industry and infrastructure toward services and consumption; and (ii) focusing on inciting domestic demand and rebalancing of the economy. As a more supportive government and a more stabilised environment are conducive to the success of a property project, the Company is of the view that the property investment business can seize these opportunities in a blooming property industry in the PRC.

Moreover, the rise of the middle class in the PRC during the past two decades is phenomenal, and this trend is expected to continue for decades. This is due partly to the prodigious pace of urbanisation. Millions of people in the PRC are moving up along the economic ladder, and as they progress, their tastes and requirements will mature. Most city dwellers, especially those who are living in third-tier cities such as Yueyang, will sooner or later become customers of high-end properties provided by the Property Project. With the customer base expanding, the Company is therefore positive of the futures of the property investment business.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2016, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

Borrowings

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK\$1,281 million comprising (i) loans from independent third parties of approximately HK\$1,116 million; (ii) bank loans of approximately HK\$39 million secured by personal guarantee of the directors of the subsidiaries of the Group; and (iii) a unsecured and unguaranteed loan from a related company of approximately HK\$126 million.

Contingent liabilities

As at 31 March 2016, there were five outstanding cases for compensation and personal injuries claims, against the Group by an employee of the subcontractor and employees of the Group. The claims were related to the said employee of the subcontractor and the said employees of the Group who alleged to have suffered from bodily injuries during their course of work and employment in the Group's construction sites. Given that (i) the claims are dealt with and handled by the insurers and all potential claims are covered by mandatory insurance with amounts to be assessed by the court; and (ii) the Directors assessed the cases and believed that there would not be a material impact on the financial position of the Group, no provision has been made for the above personal injuries cases and as such, there was no contingent liabilities made in relation thereto. There was no substantial progress on the five cases as at 31 March 2016.

Disclaimer

Save as the aforesaid claims, the Group did not, as at the close of business on 31 March 2016, have any outstanding mortgages, charges or debentures, loan capital issued, or bank overdrafts, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, or any hire purchases commitments, guarantees or other material contingent liabilities.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the net proceeds from the Rights Issue and the financial resources available to the Group, the Group will have sufficient working capital for its present requirements and for at least 12 months from the date of publication of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide further information about how the financial information of the Group might be affected by the completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2015.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2015. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue. The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated net tangible assets of the Group as at 30 September 2015 as extracted from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2015 included in the published interim financial report of the Company and is adjusted for the effect of the Rights Issue. Unless otherwise defined, terms and herein shall have the same meanings as those defined in the Circular.

	Unaudited consolidated net tangible assets as at 30 September 2015 <i>(Note i)</i> <i>HK\$'000</i>	Add: Net estimated proceeds from the Rights Issue <i>(Note ii)</i> <i>HK\$'000</i>	Unaudited pro forma consolidated net tangible assets after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets per share prior to the Share Consolidation and Rights Issue as at 30 September 2015 <i>(Note iii)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets per consolidated share after implementation of the Share Consolidation and completion of the Rights Issue <i>(Note iv)</i> <i>HK\$</i>
Rights Issue of 5,478,000,000 Rights Shares	300,154	879,870	1,180,024	0.012	0.182

Notes:

- (i) Reference is made to the published interim report of the Company for the six months ended 30 September 2015.

- (ii) The estimated proceeds less related expenses from the Rights Issue is calculated based on 5,478,000,000 Rights Shares to be issued at the subscription price of HK\$0.165 per Rights Share. The estimated net proceeds are arrived at based on the gross proceeds from the Rights Issue of approximately HK\$904 million less the estimated related expenses of approximately HK\$24 million to be incurred by the Company.
- (iii) Based on 24,900,000,000 ordinary shares in issue as at 30 September 2015 before implementation of the Share Consolidation and before completion of the Rights Issue.
- (iv) Based on 6,474,000,000 consolidated shares, comprising (i) 996,000,000 Consolidated Shares in issue and (ii) 5,478,000,000 Rights Shares to be issued, assuming that the Share Consolidation and Rights Issue had been completed on 30 September 2015.
- (v) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2015.

The following in the full text of the independent reporting accountant's assurance report dated 27 May 2016, prepared for the sole purpose of inclusion in this Circular, received from independent reporting accountant, Zenith CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Company.



ZENITH CPA LIMITED
誠豐會計師事務所有限公司
10/F, China Hong Kong Tower
8-12 Hennessy Road
Wanchai, Hong Kong
香港灣仔軒尼詩道8-12號
中港大廈10樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

27 May 2016

The Board of Directors
Ngai Shun Holdings Limited
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ngai Shun Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2015 and related notes (the “**Pro Forma Financial Information**”) as set out on pages II-1 and II-2 of the circular issued by the Company dated 27 May 2016 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page II-1 of the Circular. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 5,478,000,000 right shares on the basis of eleven (11) Rights Shares for every two (2) Consolidated Shares held on 24 June 2016 (the “**Record Date**”) at HK\$0.165 per rights share (the “**Rights Issue**”) on the Group's financial position as at 30 September 2015 as if the Rights Issue had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2015, on which the condensed consolidated financial statements has been published.

Directors' Responsibility for the Pro Forma Financial Information

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

Reporting Accountant's Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of Pro Forma Financial Information included in this Circular is solely to illustrate the impact of a significant events or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been

undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 2015 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

Zenith CPA Limited

Certified Public Accountants

Cheng Po Yuen

Practising Certificate Number: P04887

Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

As at the Latest Practicable Date

Authorised: HK\$

<u>200,000,000,000</u>	Shares at nominal value of HK\$0.001 each	<u>200,000,000</u>
------------------------	---	--------------------

Issued and fully-paid or credited as fully-paid:

<u>24,900,000,000</u>	Shares at nominal value of HK\$0.001 each	<u>24,900,000</u>
-----------------------	---	-------------------

Immediately after the Share Consolidation, the Increase in authorised share capital and the Rights Issue

Authorised: HK\$

<u>16,000,000,000</u>	Consolidated Shares at nominal value of HK\$0.025 each	<u>400,000,000</u>
-----------------------	--	--------------------

Issued and fully-paid or credited as fully-paid:

996,000,000	Consolidated Shares at nominal value of HK\$0.025 each	24,900,000
-------------	--	------------

<u>5,478,000,000</u>	Rights Shares at nominal value of HK\$0.025 each to be issued	<u>136,950,000</u>
----------------------	---	--------------------

<u>6,474,000,000</u>	Consolidated Shares at nominal value of HK\$0.025 each	<u>161,850,000</u>
----------------------	--	--------------------

All the Shares in issue and the Rights Shares (when allotted and fully-paid) to be issued rank *pari passu* with each other in all respects including as regards to dividends and voting rights. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible or exchangeable securities in issue which would otherwise confer any right to subscribe for, convert or exchange into existing Shares.

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

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

3. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers contained in the Listing Rules (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders' interests and short positions in shares and underlying shares

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group were as follows:

Long and short positions in Shares and underlying Shares of the Company

Name of shareholder	Capacity	Number of shares	Approximate percentage of interest
Fabulous Business Limited (Note 1)	Beneficial owner	530,000,000 (Note 11) (L)	10.64%
Prime Colour Global Limited (Note 1)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Splendid Core Global Limited (Note 1)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Wong Sai Chung (Note 2)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Wong Sai Yee (Note 2)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Wong Lai Ling (Note 3)	Interest in spouse	530,000,000 (Note 11) (L)	10.64%
Wong Mei Yi Patricia (Note 4)	Interest in spouse	530,000,000 (Note 11) (L)	10.64%
Lam Wing Sum (Note 5)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Kwan Oi Man Joyce (Note 6)	Interest in spouse	530,000,000 (Note 11) (L)	10.64%
Kingston Finance Limited (Note 7)	Person having a security interest in shares	530,000,000 (Note 11) (L)	10.64%
Ample Cheer Limited (Note 7)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Best Forth Limited (Note 7)	Interest in controlled corporation	530,000,000 (Note 11) (L)	10.64%
Kingston Securities Limited (Note 8 & 10)	Others	5,478,000,000 (L)	84.61%
Galaxy Sky Investments Limited (Note 8 & 10)	Interest in controlled corporation	5,478,000,000 (L)	84.61%
Kingston Capital Asia Limited (Note 8 & 10)	Interest in controlled corporation	5,478,000,000 (L)	84.61%
Kingston Financial group Limited (Note 8 & 10)	Interest in controlled corporation	5,478,000,000 (L)	84.61%
Active Dynamic Limited (Note 8 & 10)	Interest in controlled corporation	5,478,000,000 (L)	84.61%
Chu Yuet Wah (Note 9 & 10)	Interest in controlled corporation	5,584,000,000 (L)	86.25%

(L) denotes long position

Notes:

- (1) Fabulous Business Limited is a company incorporated in the British Virgin Islands and is owned by Prime Colour Global Limited as to 50% and owned by Splendid Core Global Limited as to the remaining 50%. Each of Prime Colour Global Limited and Splendid Core Global Limited is deemed to be interested in the 2,650,000,000 Shares held by Fabulous Business Limited.
- (2) The issued share capital of Prime Colour Global Limited is legally owned by Wong Sai Chung, of which 40% of the shares is beneficially held by Mr. Wong Sai Chung, and 20% and 40% of the shares are held by Mr. Wong Sai Chung on trust for Mr. Wong Sai Lai and Mr. Wong Sai Yee. Each of Mr. Wong Sai Chung and Mr. Wong Sai Yee is deemed to be interested in all the Shares in which Prime Colour Global Limited is interested.
- (3) Ms. Wong Lai Ling is the spouse of Mr. Wong Sai Chung. Ms. Wong Lai Ling is deemed to be interested in all the Shares in which Mr. Wong Sai Chung is interested.
- (4) Ms. Wong Mei Yi Patricia is the spouse of Mr. Wong Sai Yee. Ms. Wong Mei Yi Patricia is deemed to be interested in all the Shares in which Mr. Wong Sai Yee is interested.
- (5) Splendid Core Global Limited is wholly-owned by Mr. Lam Wing Sum. Mr. Lam Wing Sum is deemed to be interested in all the Shares in which Splendid Core Global Limited is interested.
- (6) Ms. Kwan Oi Man Joyce is the spouse of Mr. Lam Wing Sum. Ms. Kwan Oi Man Joyce is deemed to be interested in all the Shares in which Mr. Lam Wing Sum is interested.
- (7) Based on the notices of disclosure of interest filed by Kingston Finance Limited on 21 August 2015, 106,000,000 Shares are held by Kingston Finance Limited. Kingston Finance Limited is wholly-owned by Ample Cheer Limited, which is in turn owned as to 80% by Best Forth Limited. Each of Ample Cheer Limited and Best Forth Limited is deemed to be interested in 106,000,000 Shares held by Kingston Finance Limited.
- (8) Based on the notices of disclosure of interest filed by Kingston Securities Limited on 31 March 2016, 5,478,000,000 Consolidated Shares are held by Kingston Securities Limited. Kingston Securities Limited is wholly-owned by Galaxy Sky Limited, which is in turn wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly-owned by Kingston Financial Group Limited, which is in turn owned as to 49.19% by Active Dynamic Limited. Each of Galaxy Sky Limited, Kingston Capital Asia Limited and Kingston Financial Group Limited and Active Dynamic Limited is deemed to be interested in 5,478,000,000 Consolidated Shares held by Kingston Securities Limited.
- (9) Based on the notices of disclosure of interest filed by Ms. Chu Yuet Wah, the entire issued share capital of Active Dynamic Limited and Best Forth Limited, respectively, is legally and beneficially owned by Ms. Chu Yuet Wah. Ms. Chu Yuet Wah is deemed to be interested in the Consolidated Shares in which each of Active Dynamic Limited and Best Forth Limited is interested respectively.
- (10) The number of Shares and the percentage shareholding in the Company is based on the Share Consolidation having become effective.
- (11) Fabulous Business Limited was interested in 530,000,000 shares of the Company, representing approximately 10.64% of the entire issued share capital of the Company before the share subdivision of one existing share divided into 5 new shares of the Company became effective

on 4 June 2015. Taking account the share subdivision having become effective, those 530,000,000 shares of the Company is now representing 2,650,000,000 shares of the Company as at the Latest Practicable Date.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) has any existing or proposed service contracts with any member of the Group which is not determinable by the Company within one (1) year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACT, ASSETS AND ARRANGEMENT OF SIGNIFICANCE

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 March 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. LITIGATION

The Group, in the ordinary course of its business, is involved in various claims, suits, investigations, and legal proceedings that arise from time to time. Although the Group does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on its financial position or results of operations,

litigation is inherently unpredictable. Therefore, the Group could incur judgements or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

As at 31 March 2016, there were five outstanding cases for compensation and personal injuries claims, against the Group by the employee of the subcontractor and the employees of the Group. The claims were related to the employee of the subcontractor and the employees of the Group who alleged to have suffered from bodily injuries during their course of work and employment in the Group's construction sites. The claims are dealt with and handled by the insurers and are covered by mandatory insurance. The Directors assessed the cases and believed that there would not be a material impact to the financial position of the Group. No provision has been made for the cases in the consolidated financial statements.

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

8. QUALIFICATIONS AND CONSENT OF EXPERTS

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

Name	Qualifications
Zenith CPA Limited	Certified Public Accountants
INCU Corporate Finance Limited	a corporation licensed by the SFC to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue

Each of the above experts has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice, opinion and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have 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 any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (a) the Underwriting Agreement;
- (b) the Supplemental Underwriting Agreement;
- (c) the sale and purchase agreement dated 5 February 2016 and entered into between the Company, as the vendor, and Excellent Speed Limited, as the purchaser, in relation to the proposed disposal of 49% shareholdings in Pearl Swirls Limited, a direct wholly-owned subsidiary of the Company, at the total consideration of HK\$73,883,694.94;
- (d) the sale and purchase agreement dated 29 September 2015 (as amended by the supplemental sale and purchase agreement dated 4 November 2015) and entered into between the Company, as the purchaser, and Landing International Development Limited, as the vendor, in relation to the proposed acquisition of the entire issued share capital of Double Earn Holdings Limited and all indebtedness, obligations and liabilities due, owing or incurred by the Hong Kong subsidiary of Landing International Development Limited to the vendor, at the consideration of HK\$1,000 million;
- (e) the sale and purchase agreement dated 10 July 2015 and entered into between Laurel Stars Limited (“**Laurel Stars**”), a wholly-owned subsidiary of the Company, as the vendor, and Fair Jade Group Limited, as the purchaser, for the sale and purchase of the entire issued share capital of Achieved Success Company Limited and all obligations, liabilities and debts owed by Achieved Success Company Limited to Laurel Stars at the consideration of HK\$42,000,000;
- (f) the placing agreement dated 13 April 2015 and entered into between the Company and Kingston Securities Limited as the placing agent for the placing, on a best effort basis, of up to 83,000,000 placing shares to the places at the placing price of HK\$0.73 per placing share;
- (g) the provisional agreement dated 23 January 2015 entered into, among others, World Mate Investment Limited as the purchaser and Funa Assets Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, in relation to

the sale and purchase of Shops nos. 12A, 12B and 12C, Ground Floor, Hip Wo House (Ground Floor of Nos. 167A, 167B and 167C Hip Wo Street), Kowloon, Hong Kong at the total consideration of HK\$50,000,000; and

- (h) the acquisition agreement dated 22 May 2014 and entered into, among others, Laurel Stars, as the purchaser, and Absolutely Talent Technology Limited, as the vendor, for the sale and purchase of the entire issued share capital of Funa Assets Limited at a total cash consideration of HK\$39,000,000.

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$24 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Head office and principal place of business in Hong Kong

Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Executive Directors

Mr. Mock Wai Yin
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Underwriter

Kingston Securities Limited
Suite 2801, 28/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Mr. Wang Xin
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Non-executive Directors

Mr. Chui Kwong Kau
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Independent non-executive Directors

Mr. Lam Chi Wai
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Ms. Lau Mei Ying
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Ms. Thadani Jyoti Ramesh
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Company secretary

Mr. Yeung Siu Keung
Certified Public Accountant
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Financial adviser to the Company

Kingston Corporate Finance Limited
Suite 2801, 28/F
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

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

INCU Corporate Finance Limited
Unit 1602, Tower 1, Slivercord
30 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Principal share registrar

Appleby Trust (Cayman) Limited
Clifton House
PO Box 1350
75 Fort Street
Grand Cayman
KY1-1108
Cayman Islands

Authorised representatives

Mr. Mock Wai Yin
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Mr. Yeung Siu Keung
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Legal advisers to the Company

Michael Li & Co.
19/F Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

Principal bankers

DBS Bank (Hong Kong) Limited
G/F, The Center
99 Queen's Road Central
Central
Hong Kong

OCBC Wing Hang Bank, Limited
161 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central
Hong Kong

Nanyang Commercial Bank, Limited
155 Des Voeux Road Central
Hong Kong

**Hong Kong branch share registrar
and transfer office**

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors and reporting accountants

Zenith CPA Limited
Certified Public Accountants
10/F, China Hong Kong Tower
8–12 Hennessy Road
Wanchai
Hong Kong

DIRECTORS AND SENIOR MANAGEMENT**Executive Directors****Mr. Mock Wai Yin (莫偉賢)**

Mr. Mock Wai Yin (“**Mr. Mock**”), aged 43, joined the Company and was appointed as an executive Director and the Chairman of the Board on 15 July 2015. Mr. Mock holds a Master of Philosophy in Biochemistry from The Chinese University of Hong Kong and a Master of Science in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has 15 years of experience in research analysis and over 3 years of world-wide experience in natural resources, project investment and property development as well as project valuation and budget management. He was an executive director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited) (Stock Code: 726) from 20 December 2013 to 1 February 2015, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Mock has been an executive director of Focus Media Network Limited (Stock Code: 8112) since 27 November 2015, the shares of which are listed on the GEM of the Stock Exchange.

Mr. Wang Xin (王欣)

Mr. Wang Xin (“**Mr. Wang**”), aged 40, was appointed as an executive Director on 17 March 2016. Mr. Wang is graduated from Xi’an Jiaotong University and majored in tourism management in the People’s Republic of China in July 1997. Mr. Wang has over 20 years’ experiences in hotel, real estate and tourism. He is currently an executive director of Sino Haijing Holdings Limited (Stock Code: 1106), the shares of which are listed on the Main Board of the Stock Exchange and has been the executive director of Guanghe Landscape Culture Communication Co., Ltd, ShanXi (a company listed on The Shanghai Stock Exchange with stock code: 600234) (“**Landscape Culture**”) since September 2014 and the executive director of Guangxi Landscape Shengjing Investment Limited (廣西山水盛景投資有限公司[#]) since June 2014, a subsidiary company of Landscape Culture. Mr. Wang was the chairman of the board, chairman of strategy and planning committee, a member of remuneration committee and nomination committee of Landscape Culture from September 2014 to July 2015. Moreover, Mr. Wang was the vice general manager of Guangxi Yinxiang Liu Sanjie Tourism Culture Industrial Investment LLC (廣西印象劉三姐旅遊文化產業投資有限責任公司[#]) from December 2012 to September 2014 and Guangxi Hengsheng Group Limited (廣西恒升集團有限公司[#]) from May 2008 to December 2012.

Non-executive Directors**Mr. Chui Kwong Kau (崔光球)**

Mr. Chui Kwong Kau (“**Mr. Chui**”), aged 49, joined the Company as our non-executive Director on 6 March 2015. Mr. Chui has over 15 years’ experiences in accounting and auditing fields. Mr. Chui is currently an executive director of China Energy Development Holdings Limited (Stock Code: 228), the shares of which are listed on the Main Board of the Stock Exchange and an executive director of Hong Kong Life Sciences

and Technologies Group Limited, the shares of which are listed on the GEM (Stock Code: 8085). Moreover, Mr. Chui has been a non-executive director of Hsin Chong Group Holdings Limited (Stock Code: 404) since 23 May 2015 and a non-executive director of DeTai New Energy Group Limited (Stock Code: 559) since 1 December 2015, the shares of which are both listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Aurum Pacific (China) Group Limited (Stock Code: 8148) from 17 March 2010 to 16 March 2016, the shares of which are listed on the GEM of the Stock Exchange.

Independent non-executive Directors

Mr. Lam Chi Wai (林智偉)

Mr. Lam Chi Wai (“**Mr. CW Lam**”), aged 38, joined the Company as an independent non-executive Director on 15 July 2015. Mr. CW Lam holds a Master of Science in Accountancy from the Hong Kong Polytechnic University. Mr. CW Lam had years of experience in the field of business accounting, auditing and corporate secretarial services. He is a member of Association of Chartered Certified Accountants. He has been an independent non-executive director of Jin Bao Bao Holdings Limited (Stock Code: 1239) since 5 March 2015, the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Lau Mei Ying (劉美盈)

Ms. Lau Mei Ying (“**Ms. Lau**”), aged 34, joined the Company as an independent non-executive Director on 15 July 2015. Ms. Lau graduated from the Chinese University of Hong Kong with a bachelor degree of Social Science in Economics. Ms. Lau has extensive experiences in the financial market and insurance underwriting. She has been a fellow member of Life Management Institute issued by Life Office Management Association since November 2008. Ms. Lau has been an independent non-executive director of Focus Media Network Limited (Stock Code: 8112) since 27 November 2015, the shares of which are listed on the GEM of the Stock Exchange.

Ms. Thadani Jyoti Ramesh (戴依敏)

Ms. Thadani Jyoti Ramesh (“**Ms. Thadani**”), aged 32, joined the Company as an independent non-executive Director on 15 July 2015. Ms. Thadani obtained her Bachelor Degree in Laws and the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong. Ms. Thadani is a business consultant for investment projects and has extensive experience in analysing and reviewing business practices.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yeung Siu Keung, who is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants.

- (b) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business in Hong Kong of the Company is situated at Unit 2102, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Unit 2102, 21/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 March 2014 and 2015;
- (c) the interim report of the Company for the six months ended 30 September 2015;
- (d) the unaudited pro forma financial information of the Group, the text of which is set out on pages II-1 to II-2 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 44 to 69 of this circular;
- (g) the written consents of the experts as referred to in the section headed "Qualification and consents of experts" in this appendix;
- (h) the circular of the Company dated 6 November 2015 in relation to a very substantial acquisition;
- (i) the material contracts referred to in the section headed "Material contracts" in this appendix; and
- (j) this circular.

The following is the particulars of Mr. Wang Xin (“**Mr. Wang**”), the executive Directors proposed to be re-elected at the EGM:

Mr. Wang Xin

Mr. Wang Xin, aged 40, is an executive Director. Mr. Wang was appointed as an executive Director on 17 March 2016. Mr. Wang is graduated from Xi’an Jiaotong University and majored in tourism management in the People’s Republic of China in July 1997. Mr. Wang has over 20 years’ experiences in hotel, real estate and tourism. He is currently an executive director of Sino Haijing Holdings Limited (Stock Code: 1106), the shares of which are listed on the Main Board of the Stock Exchange and has been the executive director of Guanghe Landscape Culture Communication Co., Ltd, ShanXi (a company listed on The Shanghai Stock Exchange with stock code: 600234) (“**Landscape Culture**”) since September 2014 and the executive director of Guangxi Landscape Shengjing Investment Limited (廣西山水盛景投資有限公司[#]) since June 2014, a subsidiary company of Landscape Culture. Mr. Wang was the chairman of the board, chairman of strategy and planning committee, a member of remuneration committee and nomination committee of Landscape Culture from September 2014 to July 2015. Moreover, Mr. Wang was the vice general manager of Guangxi Yinxiang Liu Sanjie Tourism Culture Industrial Investment LLC (廣西印象劉三姐旅遊文化產業投資有限責任公司[#]) from December 2012 to September 2014 and Guangxi Hengsheng Group Limited (廣西恒升集團有限公司[#]) from May 2008 to December 2012.

Save as disclosed above, Mr. Wang does not hold any position in the Company or any of its subsidiaries, or have any other major appointments and professional qualifications. He does not have any relationship with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. Wang did not hold any other directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Moreover, as at the Latest Practicable Date, Mr. Wang does not have, and is not deemed to have, any interests or short positions in any shares, underlying shares or debentures (as defined under Part XV of the SFO) of the Company.

There is no service contract between the Company and Mr. Wang and Mr. Wang is appointed for an initial term of one year commencing from 17 March 2016, which is automatically renewable for successive terms of one year upon expiry of the then current term.

Mr. Wang will be subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the requirements of the memorandum and articles of association of the Company. The remuneration of Mr. Wang will be determined by the remuneration committee of the Company and the Board by reference to his duties and responsibilities with the Company, the remuneration policy of the Company as well as prevailing market rates.

Save as disclosed above, in relation to the re-election of Mr. Wang as an executive Director, there are no other matters concerning Mr. Wang that need to be brought to the attention of the Shareholders nor is there any information relating to Mr. Wang that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.



Ngai Shun Holdings Limited
毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 01246)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Ngai Shun Holdings Limited (the “**Company**”) will be held at Units 4202–03, 42nd Floor, The Center, 99 Queen’s Road Central, Hong Kong, on 14 June 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval of the listing of, and the permission to deal in, the Consolidated Shares (as defined below), with effect from the business day (as defined below) immediately following the date on which this Resolution is passed:
 - (a) every twenty-five (25) issued and unissued shares of HK\$0.001 each in the share capital of the Company be consolidated into one (1) share of HK\$0.025 each (the “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”) be and is hereby approved;
 - (b) the Consolidated Shares shall rank *pari passu* in all respects with each other and have the same rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company;
 - (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.001 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and

NOTICE OF EGM

- (d) any one or more of the directors of the Company (the “**Directors**”) be and is/ are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Share Consolidation.”
2. “**THAT**
- (a) the increase of the authorised share capital of the Company from HK\$200,000,000 divided into 8,000,000,000 Consolidated Shares of HK\$0.025 each to HK\$400,000,000 divided into 16,000,000,000 Consolidated Shares by the creation of an additional 8,000,000,000 unissued (the “**Increase in Authorised Share Capital**”) Consolidated Shares be and is hereby approved; and
- (b) any one or more of the Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”
3. “**THAT** subject to the passing of resolution number 1 and 2 above and conditional upon: (a) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (b) the fulfillment of the conditions set out in the underwriting agreement dated 24 March 2016 (the “**Underwriting Agreement**”), entered into between the Company as issuer and Kingston Securities Limited (the “**Underwriter**”) as underwriter becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the next business day after the last day for acceptance of Rights Shares (as defined below) (a copy of the Underwriting Agreement had been produced to the EGM marked “A”, and signed by the chairman of the EGM for the purpose of identification),
- (i) the issue by way of Rights Issue (the “**Rights Issue**”) of 5,478,000,000 new Consolidated Shares (the “**Rights Shares**”) at the subscription price of HK\$0.165 per Rights Share to the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on record date of the Rights Issue as determined and announced by the board of Directors (excluding those Shareholders (the “**Excluded Shareholders**”) with registered addresses outside Hong Kong whom the Directors consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place

NOTICE OF EGM

where those overseas Shareholders reside) on the basis of eleven Rights Shares for every two Consolidated Shares then held by Qualifying Shareholders on the record date be and is hereby approved;

- (ii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
 - (iii) the Underwriting Agreement and the transactions contemplated thereby (including but not limited to the arrangement for the taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and
 - (iv) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”
4. “**THAT** Mr. Wang Xin be re-elected as an executive Director and the board of Directors be authorised to fix his remuneration.”

By order of the Board
Ngai Shun Holdings Limited
Mock Wai Yin
Executive Director and Chairman

Hong Kong, 27 May 2016

Registered office:
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

*Head office and principal place of business
in Hong Kong:*
Unit 2102, 21/F
West Tower Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

Notes:

1. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney authorised in writing or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

NOTICE OF EGM

2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or the adjourned meeting or poll (as the case may be) at which the person named in such instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.