
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Ngai Shun Holdings Limited (the “Company”), you should at once hand this circular with the enclosed form or 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.

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)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 49% OF THE ISSUED SHARE CAPITAL OF
PEARL SWIRLS LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



A letter from the Board is set out on pages 4 to 16 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 17 to 18 in this circular. A letter from Astrum containing its advice in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 49 in this circular.

A notice convening the EGM to be held at Units 4202–03, 42nd Floor, The Center, 99 Queen’s Road Central, Hong Kong on Wednesday, 15 June 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 in this circular.

A form of proxy for use at the EGM is enclosed.

Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Hong Kong branch share registrar and transfer office of the Company, 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 less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

30 May 2016

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	17
Letter from Astrum	19
Appendix I — Financial Information of the Group	50
Appendix II — General Information	53
Notice of the EGM	EGM-1

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 5 February 2016, 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016 relating to, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	means a day other than a Saturday, Sunday or public holiday in Hong Kong
“Company”	Ngai Shun Holdings Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement
“Completion Account”	the completion account of Ngai Shun Construction as at the date of Completion
“Completion NAV”	the audited net asset value of Ngai Shun Construction as stated in the Completion Account
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$73,883,694.94 (subject to post-completion adjustment) to be paid by the Purchaser to the Company pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the sale of the Sale Shares by the Company to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
“Dr. Wong”	Dr. Wong Sai Chung, a substantial Shareholder, who was also a Director in the last 12 months preceding the date of the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the transactions as contemplated under the Sale and Purchase Agreement

DEFINITIONS

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Lam Chi Wai, Ms. Lau Mei Ying and Ms. Thadani Jyoti Ramesh, being all the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Astrum”	Astrum Capital Management Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than Purchaser and its associates and those who are involved in or interested in the relevant resolution to be approved at the EGM
“Latest Practicable Date”	26 May 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the aggregate sum of HK\$125,554,547.50 which the Company is indebted to the Purchaser as at the date of the Sale and Purchase Agreement, pursuant to the loan agreement entered into between the Company (as the borrower) and the Purchaser (as the lender) on 3 March 2015 and the drawdown notice given by the Company to the Purchaser on 5 March 2015
“Long Stop Date”	29 June 2016, or such other date as the Company and the Purchaser may agree in writing
“Mr. Lam”	Mr. Lam Wing Sum, a substantial Shareholder, who was also a Director in the last 12 months preceding the date of the Sale and Purchase Agreement

DEFINITIONS

“Ngai Shun Construction”	Ngai Shun Construction & Drilling Company Limited, a company incorporated in Hong Kong with limited liability, which is a direct wholly-owned subsidiary of Pearl Swirls
“Pearl Swirls”	Pearl Swirls Limited, a company incorporated in the British Virgin Islands with limited liability, which is a direct wholly-owned subsidiary of the Company
“Pearl Swirls Group”	Pearl Swirls and Ngai Shun Construction
“PRC”	the People’s Republic of China
“Purchaser”	Excellent Speed Limited, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 5 February 2016 (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) entered into between the Company and the Purchaser in relation to the disposal of the Sale Shares by the Company
“Sale Shares”	49 ordinary shares of Pearl Swirls, representing 49% of the issued share capital of Pearl Swirls held by the Company immediately before the Completion
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

[#] *The English names of the Chinese entitles 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
PO Box 1350
75 Fort Street
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

30 May 2016

To the Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 49% OF THE ISSUED SHARE CAPITAL OF
PEARL SWIRLS LIMITED
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements, whereby the Company announced that on 5 February 2016 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration which will be offset by the Loan owing to the Purchaser by the Company.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal; and (iv) the notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

Date

5 February 2016 (after trading hours) (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016)

Parties

- (a) the Company, as the vendor; and
- (b) the Purchaser, as the purchaser.

Both Dr. Wong and Mr. Lam were the Directors of the Company in the last 12 months preceding the date of the Sale and Purchase Agreement and hence are connected persons of the Company pursuant to the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam. Hence, the Purchaser is an associate of Dr. Wong and Mr. Lam and is a connected person of the Company under Chapter 14A of the Listing Rules.

The Disposal

Pursuant to the Sale and Purchase Agreement, the Company conditionally agreed to dispose of and the Purchaser conditionally agreed to acquire the Sale Shares, being 49% of the issued share capital of Pearl Swirls. As at the Latest Practicable Date, Pearl Swirls is a wholly-owned subsidiary of the Company.

Consideration

The Consideration shall be HK\$73,883,694.94 (subject to adjustment as disclosed in the paragraph headed "Post-completion Consideration Adjustment Mechanism") which will be offset by part of the Loan owed to the Purchaser by the Company. In any event that the Consideration exceeds the amount of the Loan, the exceeding sum will be paid by the Purchaser to the Company in cash.

The unaudited net asset value of Ngai Shun Construction as at 31 December 2015 and 29 February 2016 amounted to HK\$150,783,050.90 and HK\$144,102,857.21 respectively.

LETTER FROM THE BOARD

The major items of the assets and liabilities of Ngai Shun Construction as at 31 December 2015 are set out below:

	(unaudited) <i>approximately</i> HK\$'000
Property, plant and equipment	81,730
Cash and cash equivalents	68,100
Trade receivables	110,180
Other assets	<u>3,210</u>
Total assets	263,220
Trade and other payables	(63,570)
Bank borrowings	(30,680)
Other liabilities	<u>(18,190)</u>
Total liabilities	(112,440)
Net assets	<u><u>150,780</u></u>

The Consideration is equal to 49% of the unaudited net asset value of Ngai Shun Construction as at 31 December 2015. The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to solely 49% of the net asset value of Ngai Shun Construction as at 31 December 2015.

POST-COMPLETION CONSIDERATION ADJUSTMENT MECHANISM

The Consideration shall be adjusted as follows upon the Completion Account is made available:

- (a) in the event that 49% of the Completion NAV is higher than HK\$73,883,694.94, the adjusted Consideration shall be the total sum of HK\$73,883,694.94 and the difference between 49% of the Completion NAV and the amount of HK\$73,883,694.94, given that the maximum amount of the Consideration shall not be more than HK\$186,725,100; and
- (b) in the event that 49% of the Completion NAV is equal to or lower than the amount of HK\$73,883,694.94, the Consideration shall remain unchanged, i.e. HK\$73,883,694.94.

The Company shall appoint the existing auditors of Ngai Shun Construction to prepare the Completion Account and it is expected that the Completion Account will be made available within two months after Completion. The Completion Account shall be prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the period commencing from 1 April 2016 and ending on the date of Completion.

LETTER FROM THE BOARD

When the Completion Account is made available after Completion, the Company will issue an announcement informing the Shareholders on the net asset value of Ngai Shun Construction as at the date of Completion and the final Consideration.

The Directors consider that the Consideration reflects the value of the Sale Shares as (i) it was determined based on the net asset value of Ngai Shun Construction as at 31 December 2015 and it may be adjusted upwards in accordance with the Completion NAV correspondingly; (ii) the net asset value represents the total investment input of the Company into Ngai Shun Construction; (iii) such value will not be affected by external factors (i.e. industry trend, business environment or business prospects), and hence is a reliable indication of the value of Ngai Shun Construction; and (iv) the nature and size of the business of Ngai Shun Construction is heavily asset-based.

Given that construction companies have their own unique characteristics (such as the size of business, reputation, projects-on-hand, profitability and capital structure), the Company considers that it is more appropriate to assess the Consideration with reference to the price-to-earnings ratio and price-to-book ratio of the Company itself, rather than other comparable listed companies in Hong Kong. However, given that the profit of the Pearl Swirls Group dropped substantially in 2015 as compared with that in 2014 and the prospect of the Pearl Swirls Group is uncertain, the Purchaser considers, and the Company agrees that the price-to-earnings ratio established from the historical profitability of the Pearl Swirls Group does not reflect the true value of the Pearl Swirls Group. The Purchaser and the Company further acknowledge that the price-to-book ratio can be a reference to the valuation of the Pearl Swirls Group given that it is an asset-based company. As at 5 February 2016 (being the date of the Sale and Purchase Agreement), the price-to-book ratio of the Company was approximately 1.33 times. Given that (i) the Sale Shares represent the minority stake of Pearl Swirls; and (ii) Pearl Swirls is a private company with no open market for share trading, and after the arm's length negotiation with the Purchaser, the Company considers it justifiable to set the Consideration at nil-premium to 49% of the net asset value of Ngai Shun Construction.

As both the Company and the ultimate beneficial owners of the Purchaser (being Dr. Wong and Mr. Lam, who are the directors of Ngai Shun Construction) have good understanding of the performance and value of the Pearl Swirls Group, and they consider that using the net assets of Ngai Shun Construction as at 31 December 2015 as the sole reference to the determination of the Consideration is the most appropriate method to determine the Consideration after having considered the nature and business of the Pearl Swirls Group and the restrictions encountered during the course of determination as detailed above. In view of the above, together with the facts that (i) the basis of determination of the Consideration was mutually agreed by the parties to the Sale and Purchase Agreement after their arm's length negotiations; and (ii) the Consideration is, in the Directors' point of view, fair and reasonable, which is also concurred with by the Independent Financial Adviser, the Directors are of the view that the Consideration, which is determined with reference to the net asset value of Ngai Shun Construction, is fair and reasonable as it represents the asset value of Ngai Shun Construction.

LETTER FROM THE BOARD

Conditions precedent

Completion is subject to the following conditions precedent being fulfilled or waived (as the case may be) on or before the Long Stop Date:

- (i) the warranties provided by the Company remaining true and accurate in all respects and not misleading in any respect as at Completion;
- (ii) Pearl Swirls allotting and issuing 99 shares to the Company;
- (iii) the Independent Shareholders approving the Sale and Purchase Agreement and all the transactions contemplated under the Sale and Purchase Agreement;
- (iv) all consents, approvals, permits, or authorisations (as the case may be) that are necessary pursuant to applicable laws, regulations or rules for the execution, implementation and Completion of the Sale and Purchase Agreement having been obtained, and all such consents, approvals, permits and authorisations not having been revoked or withdrawn; and
- (v) all consents or approvals that are necessary pursuant to the implementation and Completion of the Sale and Purchase Agreement having been obtained from the Stock Exchange, and such consents or approvals not having been revoked or withdrawn.

The Purchaser may waive the condition (i) above at any time before the Long Stop Date. The Purchaser at present has no intention to waive condition (i) which is capable to be waived. Save as aforesaid, none of the other conditions above is capable of being waived.

If the aforementioned conditions precedent have not been satisfied (or, where applicable, waived by the Purchaser in writing) on or before the Long Stop Date, unless or otherwise such a later date is agreed between the Company and the Purchaser in writing, the Sale and Purchase Agreement (save for clauses relating to severability, entire agreement, notices and other communications, variation, acknowledgment, and governing law which shall continue to take effect) shall automatically lapse and be of no further effect, and no party to the Sale and Purchase Agreement shall have any liability and obligation to the other parties, save in respect of any antecedent breaches of the Sale and Purchase Agreement.

As at the date of the Sale and Purchase Agreement, the Company owned one issued share of Pearl Swirls, represented the entire issued shares of Pearl Swirls. Pearl Swirls will allot and issue 99 shares to the Company to enlarge its share capital in order to sell 49% of the issued share capital to the Purchaser. As at the Latest Practicable Date, condition (ii) as mentioned above is yet to be fulfilled.

LETTER FROM THE BOARD

Completion

Completion shall take place on the Business Day immediately after the date on which all the conditions precedent have been fulfilled or waived (as the case may be), or such other date as the Company and the Purchaser shall agree in writing, provided that such date shall in no event be later than 29 June 2016 (or such other date as may be agreed amongst the Company and the Purchaser).

After the Disposal, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls will remain to be a subsidiary of the Company.

INFORMATION ON PEARL SWIRLS GROUP

Pearl Swirls is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Pearl Swirls is a direct wholly-owned subsidiary of the Company.

Ngai Shun Construction is a company incorporated in Hong Kong with limited liability and is principally engaged in foundation business in Hong Kong as a foundation subcontractor. Ngai Shun Construction is a direct wholly-owned subsidiary of Pearl Swirls.

A summary of the unaudited financial information of the Pearl Swirls Group for the two years ended 31 March 2014 and 31 March 2015, for the nine months ended 31 December 2015 and for the eleven months ended 29 February 2016 is set out below:

	For the year ended 31 March		For the nine months ended	For the eleven months ended
	2014	2015	31 December 2015	29 February 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	101,706	97,404	33,322	25,322
Profit after tax	85,500	81,418	27,864	21,183

As at 31 December 2015 and 29 February 2016, Pearl Swirls Group had an unaudited consolidated net asset value of approximately HK\$150.76 million and HK\$144.077 million, respectively.

For the eleven months ended 29 February 2016, although the Pearl Swirls Group had overall recorded a profit, it had incurred a loss of approximately HK\$6.68 million from January 2016 to February 2016, which had led to a decrease in its unaudited consolidated net asset value as at 29 February 2016. The major reason for the loss is due to the decreasing turnover.

LETTER FROM THE BOARD

The unaudited turnover of the Pearl Swirls Group for each month from November 2015 to February 2016 is set out below:

	November 2015	December 2015	January 2016	February 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	45,463	27,925	22,261	21,513

It is noted that there is a decreasing trend in the turnover of the Pearl Swirls Group from November 2015 to February 2016. The turnover dropped from approximately HK\$45.5 million in November 2015 to approximately HK\$21.5 million in February 2016, representing a significant decrease of 53%. The Group expects that the Pearl Swirls Group may not have a sound performance in the future due to the reasons as disclosed below under the paragraph headed “Reasons for and Benefits of the Disposal”.

It is noted that despite the Pearl Swirls Group is still profit-making as disclosed above, the Company recorded a net loss of approximately HK\$81.92 million for the six months ended 30 September 2015 as disclosed in the interim report 2015 of the Company mainly due to the recognised fair value loss of approximately HK\$84.31 million in respect of financial assets at fair value through profit or loss during the period.

It was noted that the profit of Pearl Swirls Group had declined in 2015 as the major infrastructures in Hong Kong 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 of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong. Due to the aforesaid reason, 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 and will have an adverse impact on the profit margin of the Pearl Swirls Group.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam. To the best of the Directors’ knowledge, the Purchaser is an investment holding company.

INFORMATION ON THE COMPANY

The Company, through its subsidiaries, is principally engaged in the foundation business, property and securities investment. Ngai Shun Construction is the only subsidiary of the Group which is principally engaged in foundation business in Hong Kong.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors are of the view that the Disposal will benefit the Company by directly reducing its debts and interests and also improve the liquidity and overall financial position of the Company as the Consideration of HK\$73,883,694.94 will be offset by part of the Loan owed to the Purchaser by the Company. The aforesaid partial set-off of the Loan can (i) reduce the Group's debts by HK\$73,883,694.94, which represents approximately 58.8% of the outstanding amount of the Loan (together with interest incurred thereon) of HK\$125,554,547.50 as at the date of the Sale and Purchase Agreement; (ii) reduce the finance cost by approximately HK\$3.42 million per year borne by the Group as a substantial part of the Loan's principal are repaid; (iii) improve the Group's liquidity as the repayment pressure of the majority part of the Loan is alleviated without cash outlay; and (iv) moderate the Group's gearing level thereby strengthening the Group's financial position.

The Directors are of the view that the change of political environment in Hong Kong has affected the Hong Kong foundation industry. The press release issued by the Hong Kong Construction Association dated 20 January 2016 pointed out that there was serious delay in approving new projects at the Legislative Council 2015–16 session. It mentioned that although the government has scheduled to submit bills for budget approval of 72 projects totaling HK\$67.5 billion in the Legislative Council 2015–16 session, only 4 new projects in the total sum of HK\$0.47 billion were approved. Accordingly, it would be highly unlikely that anything close to the scheduled HK\$67.5 billion could be approved before its July summer recess. Due to the slow approval progress of new infrastructure projects in the Legislative Council and the completion of major infrastructure in Hong Kong, the foundation business experienced downfall especially in the public projects. Ngai Shun Construction has also recorded significant decrease in public projects involved. The total number of public projects in progress with contract sum of more than HK\$50 million decreased from 5 projects as at 31 March 2014 to 3 projects as at 31 March 2015, and further to 2 projects as at 30 September 2015. The total contract sum of public projects in progress dropped from approximately HK\$489.3 million as at 31 March 2014 to approximately HK\$369.3 million as at 31 March 2015, and further to approximately HK\$272.7 million as at 30 September 2015. Due to fewer public projects, more subcontractors competed in the private projects and thus Ngai Shun Construction need to discount a lot in the tenders to get the bid, which further reduced the profit margin.

Moreover, the construction boom in last few years has allowed more small subcontractors to be listed and hence obtain more money to increase their business size. The increase in competitors affected Ngai Shun Construction directly in its pricing strategy, leading to decreasing profit. The outstanding contract sum of the Company decreased from approximately HK\$329.6 million in March 2015 to approximately HK\$151.6 million in March 2016, represents a decrease of 54%. Among the outstanding contract sum, the amount regarding public projects decreased from approximately HK\$183.1 million in March 2015 to approximately HK\$33.5 million in March 2016, representing a significant drop of 82%.

LETTER FROM THE BOARD

Further, since the slow approval progress of infrastructure projects persists in the Legislative Council, the Directors are of the view that the slow approval process in the Legislative Council and its Finance Committee has led to the difficulty in implementation of the government policy regarding its support initiatives for foundation services in Hong Kong. Hence, the Company foresees that the decreasing trend in profit of Ngai Shun Construction will be recurring and continuing.

Considering that the profit from foundation business engaged by Ngai Shun Construction is decreasing and also new infrastructure projects had been postponed due to the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong, the Directors expect that the profit from the foundation business in public sectors may decrease further and therefore the Group intends to allocate more resources in developing the Group's property development business (i.e. the property project located in a parcel of land situated on the western shore of 南湖 (Nanhu Lake[#]), Yueyang, Hunan Province, the PRC (the "**Property Project**"). Details of which are disclosed in the circular of the Company dated 6 November 2015 and the announcement of the Company dated 24 November 2015) and other potential business opportunities. The Company is also looking for other potential acquisition opportunities to enhance the prospect of the Group. On 2 December 2015 and 20 May 2016, respectively, the Company entered into a framework agreement and a heads of agreement with Mr. Du Changqing in relation to a proposed acquisition of the entire issued share capital of Impression Culture International Holdings Limited, 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 established 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, the details of which are disclosed in the announcements of the Company dated 2 December 2015 and 20 May 2016.

As the aforesaid acquisition of Property Project has completed, the Directors believe that it would be more beneficial to the Company and its Shareholders to free up the capital invested in the declining foundation industry, and reallocate the Group's resources to other assets and businesses which the Group has already acquired. As disclosed in the circular of the Company dated 6 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 had 96 Saleable Units, among which 63 Saleable Units with total gross floor area of approximately 17,495 square meters were 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 were 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. Yueyang, where the Property Project is located, is a third-tier city of economic prospects and development potential, and is in proximity with the other major facilities within the district. Based on statistics published on the official website of the Statistics Bureau of Yueyang City, the aggregate transaction amount for the sales of commodity residential properties in Yueyang increased

LETTER FROM THE BOARD

from approximately RMB12.3 billion in 2014 to approximately RMB17.6 billion in 2015, representing an annual growth of approximately 42.9%. The property under the Property Project was with the market value of approximately RMB1,350,000,000 as at 16 October 2015, as assessed by an independent qualified professional valuer and thus the Property Project is expected to generate significant revenue for the Group upon selling of the residential units. 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 development business can seize these opportunities in a blooming property industry in the PRC. The Directors are of the view that the property development business is in line with the Group's long term development plan and provides an opportunity for the Group to tap into the property market and to generate diversified income and additional cash flow for the Group's continuous development.

Assuming the Disposal completed on 29 February 2016, the profit of the Pearl Swirls Group attributable to the owners of the Company would be reduced by approximately HK\$10.38 million for the eleven months ended 29 February 2016. Despite this decrease in profit of the Pearl Swirls Group attributable to the owners of the Company is larger than the finance cost reduced (which amounted to approximately HK\$3.42 million per year aforesaid) following the Disposal, it is considered that the Disposal is beneficial to the Company as the profit of the Pearl Swirls Group is expected to decrease further in the future as explained above and the debts and interests reduced from the set-off by the Consideration with amount of HK\$73,883,694.94 would be allocated to the Group's property development business and other potential business opportunities following the Disposal, which may enhance the prospect of the Group.

As at the Latest Practicable Date, save for the proposed acquisition mentioned above, the Company has no intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) in relation to (i) the acquisition of any new business; (ii) any disposal, scaling-down and/or termination of its existing businesses and/or major operating assets, save for the Disposal; and (iii) the injection of any new business to the Group.

The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the Sale and Purchase Agreement are entered on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls and Ngai Shun Construction will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements.

LETTER FROM THE BOARD

The Consideration of HK\$73,883,694.94 will be offset by part of the Loan owing to the Purchaser by the Company and there will be no cash proceed received from the Disposal (subject to possible cash proceeds should the amount of Consideration after the post-completion adjustment exceeds the Loan). The Company does not expect to recognise any material accounting gain or loss as a result of the Disposal, because the consideration was determined as a result of arm's length negotiations between the Company and the Purchaser taking into account the net asset value of Ngai Shun Construction as at 31 December 2015. The actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of the Company on the date of Completion and the review by the Company's auditors upon finalisation of the consolidated financial statements of the Group.

None of the Directors has any material interest in the Sale and Purchase Agreement and the Disposal and therefore, none of them has abstained from voting on the Board resolution(s) which approved the Sale and Purchase Agreement and the Disposal.

LISTING RULES IMPLICATIONS

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Both Dr. Wong and Mr. Lam were the Directors of the Company in the last 12 months preceding the date of the Sale and Purchase Agreement and hence are connected persons of the Company pursuant to the Listing Rules as at the Latest Practicable Date. As the Purchaser is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam, the Purchaser therefore is an associate of Dr. Wong and Mr. Lam and is a connected person of the Company under the Listing Rules. The Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, the Purchaser and its associates (including Fabulous Business Limited, the substantial Shareholder of the Company as at the Latest Practicable Date and is interested in 2,650,000,000 Shares, representing approximately 10.64% of the total issued share capital of the Company) are required to abstain from voting on the relevant resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote on the relevant resolutions in the EGM taking into account the recommendations of the Independent Financial Adviser. The letter from the Independent Board Committee is set out on pages 17 to 18 of this circular.

LETTER FROM THE BOARD

The Company has also appointed Astrum Capital Management Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote on the relevant resolutions in the EGM. The letter from Astrum is set out on pages 19 to 49 of this circular.

EGM

A notice convening the EGM at which resolution will be proposed to consider, and if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, to be held at Units 4202–03, 42nd Floor, The Center, 99 Queen’s Road Central, Hong Kong on Wednesday, 15 June 2016 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, 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 less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

The resolution to be put to vote at the EGM will be taken by way of poll in accordance with the Listing Rules.

The Purchaser and its associates (including Fabulous Business Limited, the substantial Shareholder of the Company as at the Latest Practicable Date and is interested in 2,650,000,000 Shares, representing approximately 10.64% of the total issued share capital of the Company), are required to abstain from voting on the relevant resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Disposal which is required to abstain from voting on the relevant resolution(s) to approve the Disposal at the EGM.

RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views are set out in the “Letter from the Independent Board Committee” in this circular after taking into account of the advice from the Independent Financial Adviser) considers that Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser, respectively, which set out their recommendations in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors considered by them in arriving at their recommendations.

You are advised to read the letter from the Independent Board Committee and the letter from Astrum mentioned above before deciding how to vote on the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

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



Ngai Shun Holdings Limited

毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01246)

30 May 2016

To the Independent Shareholders,

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 49% OF THE ISSUED SHARE CAPITAL OF
PEARL SWIRLS LIMITED**

We refer to the circular of the Company dated 30 May 2016 (the “Circular”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to whether, in our opinion, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Astrum has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Astrum; and (iii) the additional information set out in the appendices to this circular.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and having taken into account the opinion of Astrum and, in particular, the factors, reasons and recommendations as set out in the letter from Astrum on pages 19 to 49 of this circular, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Sale and Purchase Agreement and the transactions contemplated thereunder are in the interests of the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

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

Mr. Lam Chi Wai
Independent
non-executive Director

Ms. Lau Mei Ying
Independent
non-executive Director

Ms. Thadani Jyoti Ramesh
Independent
non-executive Director

LETTER FROM ASTRUM

The following is the full text of the letter from Astrum setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder which has been prepared for the purpose of inclusion in this circular.



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

30 May 2016

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

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF 49% OF THE ISSUED SHARE CAPITAL OF PEARL SWIRLS LIMITED

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Ngai Shun Holdings Limited (the “**Company**”) in relation to the disposal (the “**Disposal**”) of 49 ordinary shares (the “**Sale Shares**”) of Pearl Swirls Limited (“**Pearl Swirls**”) by the Company to Excellent Speed Limited (the “**Purchaser**”). Details of the Disposal are disclosed in the announcements of the Company dated 5 February 2016, 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016 (the “**Announcements**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 4 to 16 of the circular of the Company dated 30 May 2016 (the “**Circular**”) to its shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 5 February 2016 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016), pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing 49% of the issued share capital of Pearl

LETTER FROM ASTRUM

Swirls immediately before Completion) at the Consideration of HK\$73,883,694.94 (subject to adjustment (the “**Adjustment**”) as disclosed in the sub-paragraph headed “*B. Post-completion Consideration Adjustment Mechanism*” under the paragraph headed “*5. Terms of the Sale and Purchase Agreement*” below) which will be offset by the Loan owed to the Purchaser by the Company. In any event that the Consideration exceeds the amount of the Loan, the exceeding sum will be paid by the Purchaser to the Company in cash.

As more than one of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Both Dr. Wong and Mr. Lam were the Directors in the last 12 months preceding the date of the Sale and Purchase Agreement and hence are connected persons of the Company pursuant to the Listing Rules as at the Latest Practicable Date. As the Purchaser is owned as to 50% by Dr. Wong and the remaining 50% by Mr. Lam, the Purchaser therefore is an associate of Dr. Wong and Mr. Lam and is a connected person of the Company under the Listing Rules. Accordingly, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Furthermore, the Purchaser and its associates (including Fabulous Business Limited, the substantial Shareholder as at the Latest Practicable Date and was interested in 2,650,000,000 Shares, representing approximately 10.64% of the total issued share capital of the Company) are required to abstain from voting on the relevant resolutions to approve the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Disposal which is required to abstain from voting on the relevant resolution(s) to approve the Disposal at the EGM.

An Independent Board Committee, comprising 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 whether or not (i) the terms of the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Disposal is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM ASTRUM

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, the Purchaser and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Disposal, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcements, the Circular, the Sale and Purchase Agreement and the relevant supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016, the annual report of the Company for the year ended 31 March 2015 (the “**2014–2015 Annual Report**”) and the interim report of the Company for the six months ended 30 September 2015 (the “**2015–2016 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial conditions and prospects of the Group (including the Pearl Swirls Group). We have (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the Disposal, the businesses, financial position and future outlook of the Group (including the Pearl Swirls Group). We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcements and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcements and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcements and the Circular, the omission of which would make any statement herein or in the Announcements and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the Disposal and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group (including the Pearl Swirls Group). Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders

LETTER FROM ASTRUM

solely in connection with their consideration of the Disposal. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Disposal, we have taken into consideration the following factors and reasons:

1. Information of the Group

A. Business of the Group

According to the Letter from the Board, the Company, through its subsidiaries, is principally engaged in the foundation business (the “**Foundation Business**”), property and securities investment. Ngai Shun Construction is the only operating subsidiary of the Group which is principally engaged in foundation business in Hong Kong.

On 29 September 2015, the Company entered into a sale and purchase agreement (as supplemented by a supplemental sale and purchase agreement dated 4 November 2015) with Landing International Development Limited (“**Landing International**”) pursuant to which the Company agreed to purchase, and Landing International agreed to sell, the entire issued share capital of Double Earn Holdings Limited (“**Double Earn**”) and all indebtedness, obligations and liabilities due, owing or incurred by a subsidiary of Double Earn to Landing International at a consideration of HK\$1,000 million. Double Earn, through its subsidiaries, is principally engaged in development and operation of a property project (the “**Property Project**”) located in a parcel of land situated on the western shore of 南湖 (Nanhu Lake*), Yueyang, Hunan Province, the PRC, which was under development into high-end residential buildings with club houses and parking lots. Completion of the aforesaid acquisition took place on 24 November 2015. For further details, please refer to the circular of the Company dated 6 November 2015 (the “**VSA Circular**”).

In addition, on 2 December 2015 and 20 May 2016, the Company entered into a framework agreement and a heads of agreement, respectively, with Mr. Du Changqing in relation to a possible acquisition of the entire issued share capital of Impression Culture International Holdings Limited. Should the aforesaid acquisition be materialised, the Group will be able to 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*), which operates a famous show (namely, “**印象•劉三姐 (Impression • Liu Sanjie*)**”) in Yangshuo, Guangxi Province, the PRC. “**印象•劉三姐 (Impression • Liu Sanjie*)**” is an outdoor night show beside the Li River in Yangshuo and is awarded as Top Ten Most Influential National Cultural Industry Demonstration Base in 2013 issued by the Ministry of Culture of the PRC and China’s Well-

* For identification purposes only

LETTER FROM ASTRUM

Known Trademark by the State Administration for Industry and Commerce of the PRC. For further details, please refer to the announcements of the Company dated 2 December 2015 and 20 May 2016. As at the Latest Practicable Date, the aforementioned acquisition had not been materialised.

B. Financial information of the Group

The following table summarizes (i) the audited consolidated financial results of the Group for the two years ended 31 March 2014 and 31 March 2015 (“FY2014” and “FY2015”, respectively) as extracted from the 2014–2015 Annual Report; and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 September 2014 and 30 September 2015 (“PE2014” and “PE2015”, respectively) as extracted from the 2015–2016 Interim Report:

Table 1: Financial information of the Group

	FY2014 (audited) <i>HK\$'000</i>	FY2015 (audited) <i>HK\$'000</i>	PE2014 (unaudited) <i>HK\$'000</i>	PE2015 (unaudited) <i>HK\$'000</i>
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)
		As at 31 March 2014 (audited) <i>HK\$'000</i>	As at 31 March 2015 (audited) <i>HK\$'000</i>	As at 30 September 2015 (unaudited) <i>HK\$'000</i>
Cash and cash equivalents		118,642	254,815	39,259
Total interest-bearing borrowings (Note 1)		(26,568)	(132,333)	(146,135)
Total assets		324,164	544,771	541,176
Total (liabilities)		(94,862)	(223,347)	(241,022)
Total equity		229,302	321,424	300,154
Gearing ratio (Note 2)		11.6%	41.2%	48.7%

Source: the 2014–2015 Annual Report and the 2015–2016 Interim Report

LETTER FROM ASTRUM

Notes:

1. *The total interest-bearing borrowings of the Group comprised the Loan, bank loans and finance leases.*
2. *Gearing ratio is calculated by dividing the Group's total interest-bearing borrowings by the Group's total equity.*

(i) For the year ended 31 March 2015 (i.e. FY2015)

In FY2015, the Group's revenue, which was all derived from the Foundation Business, achieved a record high of approximately HK\$558.2 million, representing an annual growth of approximately 14.6% as compared to approximately HK\$486.9 million in FY2014. Such increase was primarily due to the growth of the Foundation Business. According to the 2014–2015 Annual Report, the Group completed 28 projects and were awarded 12 new contracts that worth, in aggregate, HK\$200.6 million in FY2015. As at 31 March 2015, the Group had 18 projects in progress (including 12 public projects and 6 private projects).

The Group's gross profit for FY2015 was approximately HK\$149.8 million, representing an increase of approximately 12.3% as compared with approximately HK\$133.4 million in FY2014. However, the Group's gross profit margin slightly decreased from approximately 27.4% in FY2014 to approximately 26.8% in FY2015. As advised by the Management, such decrease in gross profit margin was due to the fact that the increase in revenue was slower than the rise in staff cost and subcontracting charges in FY2015.

In FY2015, the Group recorded profit of approximately HK\$90.6 million, representing a year-on-year growth of approximately 23.4% as compared to approximately HK\$73.4 million for FY2014. Such improvement was mainly attributable to (i) the increase in gross profit of approximately HK\$16.4 million; (ii) the one-off gain on disposal of retail shops at Hip Wo Street, Kwun Tong, Hong Kong of approximately HK\$9.9 million in FY2015; (iii) the increase in rental income of approximately HK\$2.4 million; and (iv) the increase in net gain from fair value adjustment on investment properties of approximately HK\$2.2 million, which was partially offset by the increase in administrative and other operating expenses of approximately HK\$13.9 million.

As at 31 March 2015, the Group's cash and cash equivalents amounted to approximately HK\$254.8 million, representing an increase of approximately 114.8% as compared to approximately HK\$118.6 million as at 31 March 2014. Such increase was principally due to (i) the net cash generated from financing activities of approximately HK\$105.0 million, which was, in turn, mainly attributable to the drawdown of the Loan of HK\$120.0 million from the Purchaser in March 2015; and (ii) the net cash

LETTER FROM ASTRUM

generated from operating activities of approximately HK\$125.3 million, which was partially offset by the net cash used in investment activities of approximately HK\$94.2 million. Furthermore, owing to the drawdown of the Loan in March 2015, the Group's gearing ratio (as calculated by dividing the Group's total interest-bearing borrowings by the Group's total equity) increased substantially from approximately 11.6% as at 31 March 2014 to approximately 41.2% as at 31 March 2015. As at 31 March 2015, the Group's current assets, current liabilities and total equity amounted to approximately HK\$440.0 million, approximately HK\$212.3 million and approximately HK\$321.4 million, respectively.

(ii) For the six months ended 30 September 2015 (i.e. PE2015)

In PE2015, the Group's Foundation Business remained as the sole revenue stream of the Group. During the review period, the Group completed 7 foundation projects and acquired 11 new contracts that worth, in aggregate, approximately HK\$263.5 million. As at 30 September 2015, there were 20 projects in progress (including 13 public projects and 7 private projects), and the total contract sum in hand was approximately HK\$911.3 million. The Group's outstanding contract sum as at 30 September 2015 dropped to approximately HK\$239.5 million, representing a decline of approximately 45.1% as compared to approximately HK\$436.6 million as at 30 September 2014.

The Group's revenue in PE2015 amounted to approximately HK\$227.4 million, representing a period-on-period decrease of approximately 22.6% as compared to approximately HK\$293.7 million in PE2014. The decrease was primarily due to the drop of the Foundation Business. The Group's gross profit margin decreased from approximately 24.1% in PE2014 to approximately 17.2% in PE2015. Such decrease was mainly attributable to the decrease in revenue associated with the increase in depreciation costs in cost of sales in PE2015, which was, in turn, due to the increase in purchase of plant and machinery. Furthermore, in view of the increase in competition of the private projects in the foundation industry, the Group has reduced the rate of the projects in order to maintain its market share, which also resulted in an adverse effect on the Group's gross profit margin.

As a result of (i) the decrease in revenue of approximately HK\$66.3 million; (ii) recognition of fair value loss on financial assets at fair value through profit or loss of approximately HK\$84.3 million; and (iii) the increase in administrative and other operating expenses of approximately HK\$11.3 million, the Group turned from a profit making position of approximately HK\$41.9 million in PE2014 to a loss making position of approximately HK\$81.9 million in PE2015.

LETTER FROM ASTRUM

As at 30 September 2015, the Group's cash and cash equivalents amounted to approximately HK\$39.3 million, representing a substantial decrease of approximately 84.6% as compared to approximately HK\$254.8 million as at 31 March 2015. Such decrease was principally due to the net cash used in investment activities of approximately HK\$296.4 million, which was partially offset by (i) the net cash generated from operating activities of approximately HK\$8.4 million; and (ii) the net cash generated from financing activities of approximately HK\$72.5 million. As at 30 September 2015, the Group's current assets, current liabilities and total equity amounted to approximately HK\$446.1 million, approximately HK\$228.9 million and approximately HK\$300.2 million, respectively. The Group's gearing ratio further increased to approximately 48.7% as at 30 September 2015, as compared to approximately 41.2% as at 31 March 2015.

2. Information of the Pearl Swirls Group

A. Business and shareholding structure of the Pearl Swirls Group

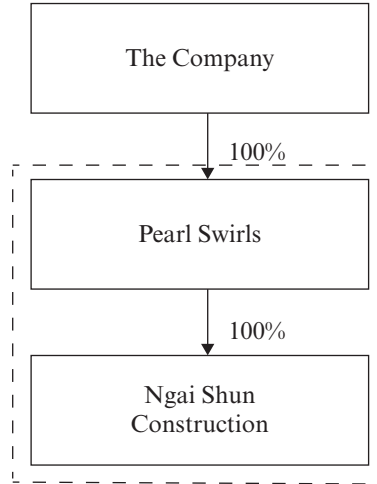
According to the Letter from the Board, Pearl Swirls is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Pearl Swirls is a direct wholly-owned subsidiary of the Company.

Ngai Shun Construction is a company incorporated in Hong Kong with limited liability and is principally engaged in foundation business in Hong Kong as a foundation subcontractor. Ngai Shun Construction is a direct wholly-owned subsidiary of Pearl Swirls. As advised by the Management, the Pearl Swirls Group is the sole operating arm of the Group's Foundation Business.

LETTER FROM ASTRUM

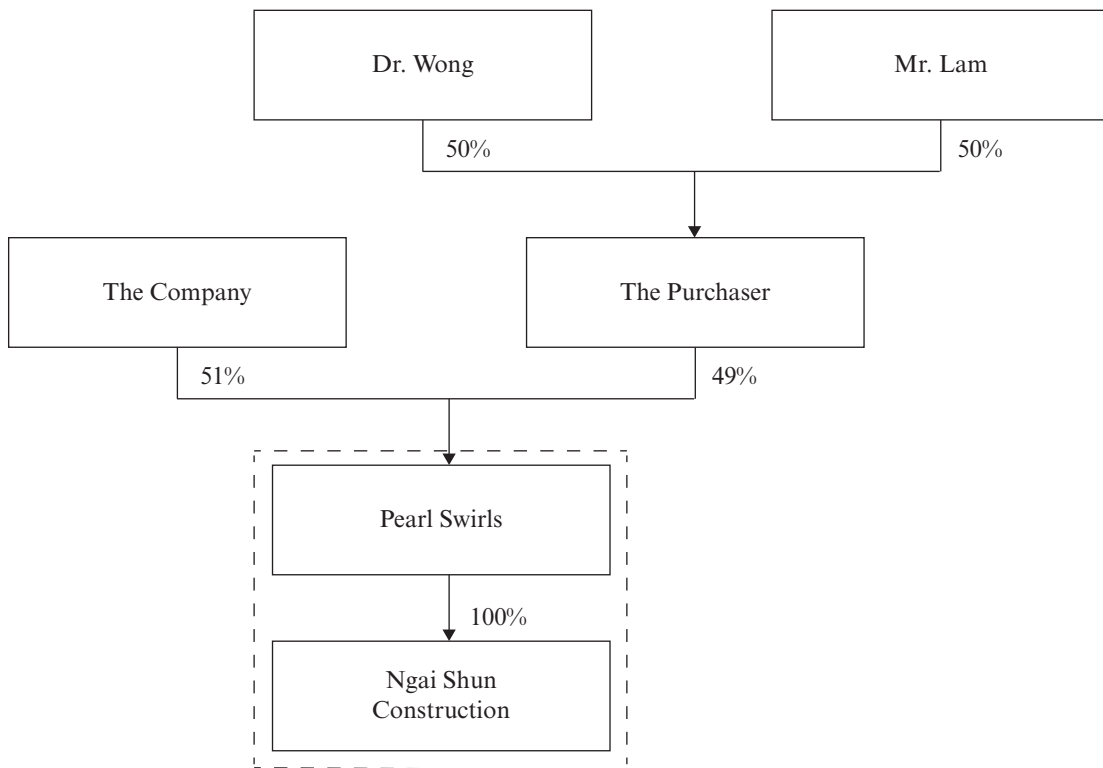
The following diagram depicts the simplified shareholding structure of the Pearl Swirls Group (i) as at the Latest Practicable Date; and (ii) upon Completion:

(i) *As at the Latest Practicable Date*



[]: the Peral Swirls Group

(ii) *Upon Completion*



[]: the Peral Swirls Group

LETTER FROM ASTRUM

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls and Ngai Shun Construction will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements.

B. Financial information of the Pearl Swirls Group

A summary of the unaudited financial information of the Pearl Swirls Group for FY2014, FY2015, for the nine months ended 31 December 2015 and for the eleven months ended 29 February 2016 as extracted from the Letter from the Board is set out below:

Table 2: Financial information of the Pearl Swirls Group

	FY2014	FY2015	For the nine months ended 31 December 2015	For the eleven months ended 29 February 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	101,706	97,404	33,322	25,322
Profit after tax	85,500	81,418	27,864	21,183

As illustrated in Table 2 above, profit of the Pearl Swirls Group for the nine months ended 31 December 2015 and for the eleven months ended 29 February 2016 was substantially lower than that for the full financial year ended 31 March 2015. As advised by the Management, such decrease was mainly attributable to the fact that major infrastructures in Hong Kong 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 of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong.

As at 31 December 2015 and 29 February 2016, the Pearl Swirls Group had an unaudited consolidated net assets of approximately HK\$150.8 million and HK\$144.1 million, respectively.

3. Information of the Purchaser

According to the Letter from the Board, the Purchaser is a company incorporated in the British Virgin Islands with limited liability. To the best of the Directors' knowledge, the Purchaser is an investment holding company. As at the Latest Practicable Date, the Purchaser was owned as to 50% by Dr. Wong and as to 50% by Mr. Lam. Both Dr. Wong and Mr. Lam were the Directors in the last twelve months preceding the date of the Sale and Purchase Agreement.

LETTER FROM ASTRUM

According to the 2014–2015 Annual Report and as advised by the Management, Dr. Wong joined Ngai Shun Construction in 1994 and was responsible for overall management and overseeing marketing and engineering work of the Group before his resignation as an executive Director on 15 July 2015. Dr. Wong has over 20 years of experience in foundation works. Before joining the Group, he worked for Reinforced Earth (SEA) Pte. Ltd. as senior project engineer from 1989 to 1993 and Reinforced Earth Pacific Ltd. as assistant general manager and consultant from 1993 to 1999. Both Reinforced Earth (SEA) Pte. Ltd. and Reinforced Earth Pacific Ltd. are companies that provided civil engineering and design services.

In respect of Mr. Lam, he is one of the founders of the Group. He established Ngai Shun Construction in 1983, a partnership, with business focused mainly in site investigation and grouting work. Mr. Lam has been involved in the construction industry for more than 37 years. Before his resignation as an executive Director on 15 July 2015, he was responsible for formulation of development strategies, overseeing the daily operation and business development of Group.

As advised by the Management, Dr. Wong and Mr. Lam retained as directors of Ngai Shun Construction after their resignations as executive Directors on 15 July 2015 and continued to lead the development and operation of Ngai Shun Construction.

4. Reasons for and benefits of the Disposal

The Pearl Swirls Group, through its operating subsidiary (namely, Ngai Shun Construction), is principally engaged in foundation business in Hong Kong as a foundation subcontractor and is the sole operating arm of the Group's Foundation Business. As mentioned in the sub-paragraph headed "*B. Financial information of the Pearl Swirls Group*" under the paragraph headed "*2. Information of the Pearl Swirls Group*" above, the financial performance of the Pearl Swirls Group for the eleven months ended 29 February 2016 was weakening as compared to FY2014 and FY2015. The Pearl Swirls Group's profit decreased significantly from approximately HK\$81.4 million in FY2015 to approximately HK\$21.2 million for the eleven months ended 29 February 2016. Such decrease was mainly attributable to the fact that major infrastructures in Hong Kong 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

LETTER FROM ASTRUM

of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong. In this regard, we have obtained from the Management the project list of Ngai Shun Construction and summarized the number of public projects in progress as at 31 March 2014, 31 March 2015 and 31 March 2016 in the following table:

Table 3: Number of public projects in progress

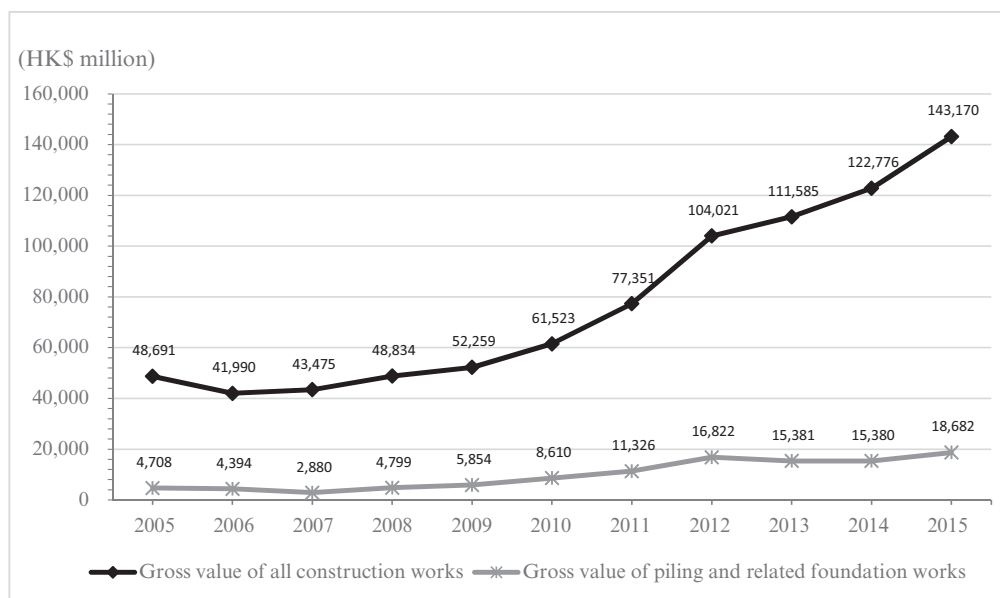
	No. of public projects in progress				Total	contract sum
	With contract sum more than HK\$50 million	With contract sum more than HK\$20 million but less than or equal to HK\$50 million	With contract sum less than or equal to HK\$20 million	With contract sum less than or equal to HK\$20 million		
As at 31 March 2014	5	3	3	11	489.3	
As at 31 March 2015	3	4	5	12	369.3	
As at 31 March 2016	0	1	3	4	47.6	

As illustrated in Table 3 above, the total number of public projects in progress conducted by Ngai Shun Construction decreased significantly from 12 projects as at 31 March 2015 to 4 projects as at 31 March 2016. Moreover, following to completion of foundation work of several major infrastructures (including but not limited to Centre of Excellence in Paediatrics at Kai Tak and Hin Keng Station of Shatin to Central Link in FY2015, as well as M+ Museum in West Kowloon Cultural District in PE2015), the total number of public projects in progress with contract sum of more than HK\$50 million decreased from 5 projects as at 31 March 2014 to 3 projects as at 31 March 2015, and subsequently, no more project with contract sum of more than HK\$50 million was in progress as at 31 March 2016. Furthermore, the total contract sum of public projects in progress dropped from approximately HK\$489.3 million as at 31 March 2014 to approximately HK\$369.3 million as at 31 March 2015, and further to approximately HK\$47.6 million as at 31 March 2016.

LETTER FROM ASTRUM

In order to analyse the fairness and reasonableness of the Disposal, we have conducted research on the foundation industry in Hong Kong through public domains. Set out below is the diagram showing the gross value of all construction works as well as piling and related foundation works in nominal terms performed by main contractors from 2005 to 2015:

Chart 1: Gross value of all construction works and piling and related foundation works



Source: Census and Statistics Department and Development Bureau of Hong Kong

Note:

1. Construction works comprised (i) piling and related foundation works; (ii) site formation and clearance; (iii) erection of architectural superstructure; and (iv) civil engineering construction.
2. The figure for the year of 2015 is a provisional figure and is subject to adjustment.

As illustrated in Chart 1 above, the gross value of all construction works as well as piling and related foundation works in Hong Kong showed, in general, an increasing trend from 2005 to 2015. The gross value of all construction works in Hong Kong surged from approximately HK\$48,691 million in 2005 to approximately HK\$143,170 million in 2015, representing a compound annual growth rate (the “CAGR”) of approximately 11.4%. During the same period of time, the gross value of piling and related foundation works in Hong Kong increased from approximately HK\$4,708 million to approximately HK\$18,682 million, representing a CAGR of approximately 14.8%. The expansion of the foundation industry was in line with that of the construction industry.

In view of the expansion of the foundation industry in the past decade, we have discussed with the Management regarding the reasons for the Disposal. The Management explained to us that the expansion of the construction industry

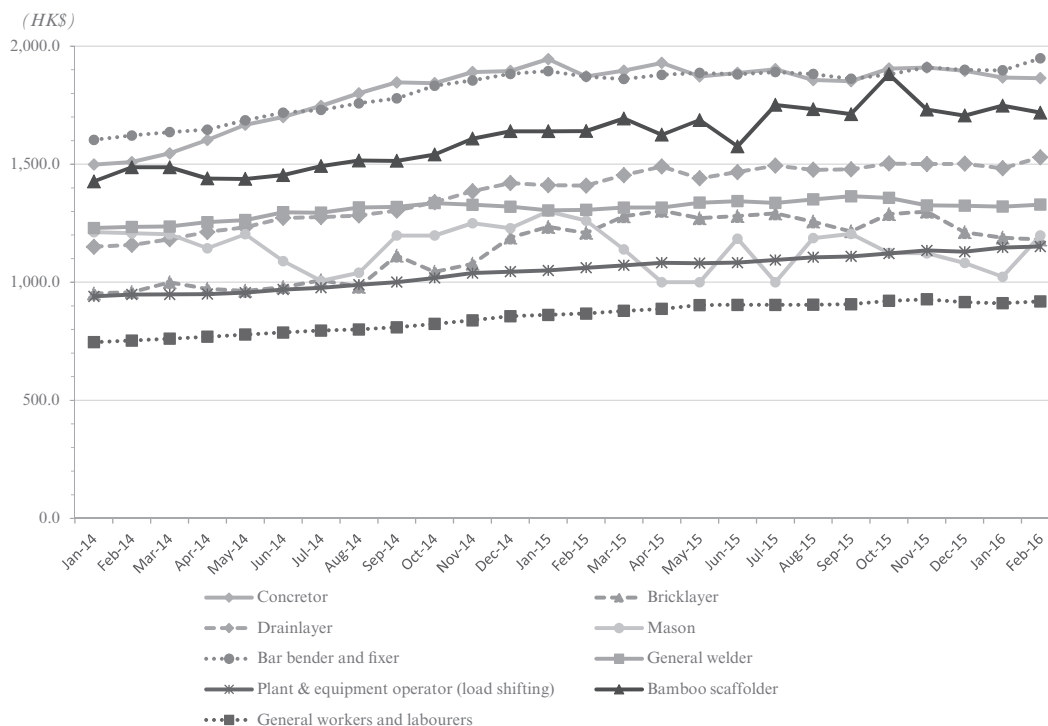
LETTER FROM ASTRUM

(including the foundation industry) in Hong Kong in the past decade was mainly attributable to the Ten Major Infrastructure Projects as proposed in 2007. Nevertheless, many new infrastructure projects have been postponed recently due to the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong. Given that the bidding process for construction work of public projects (including but not limited to foundation work) will only start after obtaining funding approval by the Legislative Council of Hong Kong, the slow approval progress of infrastructure projects has adversely affected, and might continue to affect, the business of the Pearl Swirls Group. In this regard, we have conducted research on the recent approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong. According to the press released by the Hong Kong government dated 27 January 2016 and the information disclosed in the official website of the Legislative Council of Hong Kong, the Hong Kong government has submitted 72 capital work projects with a total estimated value of approximately HK\$67.5 billion to the Finance Committee of the Legislative Council of Hong Kong for funding approval in year 2015–2016. These projects included hospital development projects in Kwai Chung and Tuen Mun, as well as youth hostels. However, due to the slow approval progress by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong, only 20 among these 72 projects with an aggregate value of approximately HK\$26.1 billion had been approved as at the Latest Practicable Date. Any funding proposal which could not be approved by July 2016 will pass to new members of the Legislative Council to be elected in September 2016, and thus the commencement of construction work of such infrastructure projects will be further postponed. According to the 2016–17 Budget, the Hong Kong government budgeted to invest approximately HK\$85.8 billion on public infrastructure. Given the facts that (i) Ngai Shun Construction is a foundation subcontractor in Hong Kong; (ii) for the eleven months ended 29 February 2016, approximately 50% of revenue of Ngai Shun Construction was contributed by public contracts; (iii) out of 72 capital work projects submitted to the Finance Committee of the Legislative Council of Hong Kong for funding approval in year 2015–2016, only 20 projects had been approved as at the Latest Practicable Date; and (iv) the bidding process for construction work of public projects (including but not limited to foundation work) will only start after obtaining funding approval by the Legislative Council of Hong Kong, the Management considers, and we concur with their view, that should the approval progress of infrastructure projects in Hong Kong continue to be slow, the Pearl Swirls Group's foundation business in public sectors may weaken further in future, which will, in turn, adversely affect the Group's financial performance.

LETTER FROM ASTRUM

Furthermore, we were advised by the Management that the continuing escalation of labour costs is another factor which may hinder the development and prospect of the Pearl Swirls Group. Based on our research from public domains, set out below is the diagram showing the average daily wage of workers engaged in construction projects of public sector from January 2014 to February 2016:

Chart 2: Average daily wage of workers engaged in construction projects of public sector



Source: Census and Statistics Department of Hong Kong

As illustrated in Chart 2 above, the average daily wage of workers engaged in construction projects of public sector in Hong Kong showed an increasing trend from January 2014 to February 2016. The increasing labour costs would inevitably increase Ngai Shun Construction's operating cost, and thus adversely affect the profitability of the Pearl Swirls Group. Furthermore, as mentioned in the 2014–2015 Annual Report, the construction industry in Hong Kong is currently facing the problem of a severe shortage and ageing of skilled workers. Although the Hong Kong government and the Construction Industry Council have made strenuous efforts in recent years to train local skilled workers and enhance the industry's professional image, and have attracted many new entrants to the industry, the keen demand has yet to be met. If the shortage of skilled workers cannot be properly dealt with, it will seriously affect the implementation of public housing, hospital, school and public transportation projects, and will also indirectly lead to the escalation of construction costs.

LETTER FROM ASTRUM

In addition, the competition in the foundation industry in Hong Kong became more and more fierce. As at the Latest Practicable Date, there were 141 contractors registered as Specialist Contractors (Sub-register of Foundation Works Category) at the Buildings Department in Hong Kong, as compared with 129 registered contractors in September 2012. To react against the increasing competitiveness of the foundation industry, we were advised by the Management that the Company has adjusted its pricing strategy by decreasing its profit margin, which might further adversely affect the financial performance of the Pearl Swirls Group.

In view of the above, in particular, (i) the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong; (ii) the continuing escalation of labour costs; (iii) a severe shortage and ageing of skilled workers in Hong Kong; and (iv) the increasing competitiveness of the foundation industry in Hong Kong, we concur with the Management's view that notwithstanding the expansion of the foundation industry in the past decade, the prospect of the foundation industry in Hong Kong, in which the Pearl Swirls Group operates, is uncertain.

Having considered the facts that (i) the Pearl Swirls Group is the sole operating arm of the Group's Foundation Business; (ii) the financial performance of the Pearl Swirls Group for the eleven months ended 29 February 2016 was weakening as compared to FY2014 and FY2015; and (iii) the prospect of the foundation industry in Hong Kong, in which the Pearl Swirls Group operates, is uncertain, we concur with the Management's view that the Disposal provides the Group an opportunity to realize part of its investment in the Pearl Swirls Group at a reasonable price (please refer to our analysis on the Consideration as set out in the sub-paragraph headed "*A. Consideration*" under the paragraph headed "*5. Terms of the Sale and Purchase Agreement*" below) and allocate more resources to the Group's other existing business and any other potential business should the opportunity arise.

In addition, pursuant to the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016), the Consideration will be offset by the Loan owed to the Purchaser by the Company. According to the loan agreement entered into between the Company (as the borrower) and the Purchaser (as the lender) on 3 March 2015, the Loan in the principal amount of HK\$120.0 million is unsecured, interest-bearing at a rate of 5% per annum and repayable at a date falling twelve months from the drawdown date (i.e. on 5 March 2016) which shall be automatically extended for a further term of twelve months unless advance notice for not less than one month is given by the Purchaser to the Company in writing. Assuming that no adjustment will be made to the Consideration in accordance with the Adjustment Mechanism (*as defined below*), the Consideration represents approximately 58.8% of the outstanding amount of the Loan (together with interest incurred thereon) of HK\$125,554,547.5 as at the date of the Sale and Purchase Agreement. As advised by the Management, it is expected that the interest cost of the Loan borne by the Group will reduce by approximately HK\$3.4 million per year after offsetting the Consideration by the majority part of the Loan. We consider that offsetting the Consideration by the

LETTER FROM ASTRUM

majority part of the Loan can (i) reduce the finance cost borne by the Group; (ii) alleviate the repayment pressure of the majority part of the Loan on the Group without cash outlay; and (iii) moderate the Group's gearing level thereby strengthening the Group's financial position, and is therefore in the interests of the Company and the Shareholders as a whole.

Furthermore, Dr. Wong and Mr. Lam, being the ultimate beneficial owners of the Purchaser, have been working for and contributing to the Group for a long period of time. In particular, Mr. Lam is one of the founders of the Group. Both Dr. Wong and Mr. Lam have extensive experience of over 20 years in the foundation and construction industry in Hong Kong. Before their resignation as executive Directors on 15 July 2015, they were responsible for formulating development strategies, overseeing and managing the daily operation and business development of the Group. On the strength of their leadership and endeavour, the revenue of the Group recorded satisfactory growth from approximately HK\$205.0 million for the year ended 31 March 2011 to approximately HK\$558.2 million for FY2015, representing a CAGR of approximately 28.5%, and the Group's profit increased significantly from approximately HK\$4.3 million for the year ended 31 March 2011 to approximately HK\$90.6 million for FY2015, representing a CAGR of approximately 114.4%. After their resignation as executive Directors, Dr. Wong and Mr. Lam retained as directors of Ngai Shun Construction and continued to lead the development and operation of Ngai Shun Construction. Although the financial performance of the Pearl Swirls Group for the eleven months ended 29 February 2016 was not satisfactory, we share the same view with the Management and consider that it is necessary and essential to leverage on the experience and expertise of Dr. Wong and Mr. Lam for formulating the strategic direction of the Pearl Swirls Group under such unfavourable market condition of the foundation industry in Hong Kong. Having considered the fact that the Pearl Swirls Group will be held as to 51% by the Company and as to 49% by the Purchaser upon Completion, we concur with the Management's view that the Disposal can serve as an incentive and enticement to motivate Dr. Wong and Mr. Lam to create and focus on the shareholders' value of the Pearl Swirls Group and retain them in the management level of the Pearl Swirls Group. By aligning the interests of the Group with that of the Purchaser, we believe that Dr. Wong and Mr. Lam, as directors of Ngai Shun Construction, will be more committed to the furtherance of the business development of the Pearl Swirls Group, which is favourable to the prospect of the Pearl Swirls Group. On the other hand, the Disposal allows the Group to reserve the ultimate control over the Pearl Swirls Group by holding 51% of the issued share capital of Pearl Swirls. Should the business and financial performance of the Pearl Swirls Group improve under the leadership and management of Dr. Wong and Mr. Lam, the Group could enjoy the success of the Pearl Swirls Group with the Purchaser.

We have discussed with the Management for the reasons of disposing 49% of the issued share capital of Pearl Swirls, instead of the entire issued share capital of Pearl Swirls. We were advised by the Management that since 2015, the prospect of the foundation industry in Hong Kong became uncertain due to the slow approval progress of infrastructure projects by the Legislative Council of Hong Kong and the Finance Committee of the Legislative Council of Hong Kong as well as the continuing

LETTER FROM ASTRUM

escalation of labour costs. The Company contemplated to sell part or all of their investment in the Foundation Business so as to minimise the exposure of the Group to the uncertain business environment. However, given the Foundation Business, which is operated by the Pearl Swirls Group, is the key revenue stream of the Group contributing revenue of approximately HK\$486.9 million in FY2014, approximately HK\$558.2 million in FY2015 and approximately HK\$227.4 million in PE2015, the Management is of the view that the Group should retain part of its investment in the Foundation Business before the Group could secure another stable revenue source from other businesses. We noted that the Group has tapped into the property development industry in the PRC by acquiring the entire issued share capital of Double Earn in November 2015. According to the VSA Circular, the Property Project includes 2 development phases and a total of 113 residential units. As advised by the Management, the construction of the first and second phases of the Property Project had been completed as at the Latest Practicable Date. However, the construction of the Property Project is still subject to the approval of the relevant regulatory authorities in the PRC. After striving for balance between risk and return, the Management considers, and we concur with their view, that the Disposal provides the Group an opportunity to realize part of its investment in the Pearl Swirls Group, and on the other hand, allows the Group to reserve the ultimate control over the Pearl Swirls Group by holding 51% of the issued share capital of Pearl Swirls.

Moreover, as mentioned in the Letter from the Board, the Directors believed that it would be more beneficial for the Company and the Shareholders to free up the capital invested in the declining foundation industry, and reallocate the Group's resources to other assets and businesses which the Group has already acquired (including but not limited to the Property Project). It is considered by the Group that the debts of HK\$73,883,694.94 and the interests of approximately HK\$3.4 million per year (both subject to the Adjustment) reduced from offsetting the Consideration by the Loan would be allocated to the Group's property development business and other potential business opportunities following the Disposal, which may enhance the prospect of the Group. In this regard, we have discussed with the Management in relation to the Property Project. According to the valuation report dated 6 November 2015 as contained in appendix V to the VSA Circular, the Property Project is situated at the southwest of the town centre of Yueyang City and is located on the western shores of Nanhu Lake (南湖). Developments in the neighbourhood comprise low-rise and high-rise residential developments, temple and sites for government institution. The Property Project is located at the corner of the main roads of the region, namely Hubin Avenue and Dabahu Road, and is about 15-minute drive from the town center. As stated in the VSA Circular, 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. As advised by the Management, the construction of the first and second phases of the Property Project had been completed as at the Latest Practicable Date. Based on the latest development and sales plan, the 113 residential units were split into 226 smaller saleable units (the "**Saleable Units**"). As mentioned in the letter from the Board, as at 31 March 2016, the first phase had 96 Saleable Units, among which 63 Saleable Units with the total gross floor area of approximately 17,495 square meters have been sold;

LETTER FROM ASTRUM

and the second phase had 130 Saleable Units, among which 4 Saleable Units with the total gross floor area of approximately 1,012 square meters have been sold. In addition, certain commercial buildings, including retail shops and apartments, with the total gross floor area of approximately 6,268 square meters have also been sold. It is expected that the Property Project will bring a considerable size of revenue to the Group by selling the remaining Saleable Units, retail shops and apartments.

In order to assess the commercial justifications for the Group to reallocate more resources to its property development business, we have conducted research from public domains in relation to the property market in Yueyang, in which the Property Project is located. Yueyang is one of the important cities in the northern part of Hunan Province. According to the statistics published on the official website of the Statistics Bureau of Yueyang City, the total urban population in Yueyang increased from approximately 4.8 million in 2012 to approximately 5.6 million in 2015, representing a CAGR of approximately 4.8%. The gross domestic product of Yueyang increased from approximately RMB220.0 billion in 2012 to approximately RMB288.6 billion in 2015, representing a CAGR of approximately 9.5%. Throughout the same period of time, the average urban disposable income per capita of Yueyang increased by approximately RMB3,092 to approximately RMB25,202, representing a CAGR of approximately 4.5%. During 2014 and 2015, the PRC government promulgated a series of loosening policies on the property market in Yueyang, including but not limited to (i) the relaxation of the restrictions on mortgage loans and re-sale of personal residential properties; (ii) lowering the reserve-requirement ratio; and (iii) cutting the benchmark interest rates. Due to the aforementioned favourable policies, the aggregate transaction amount for the sales of commodity residential properties in Yueyang increased from approximately RMB12.3 billion in 2014 to approximately RMB17.6 billion in 2015, representing an annual growth of approximately 42.9%. The aggregate area of sales of commodity residential properties in Yueyang increased by approximately 31.8% from approximately 3.4 million square meters in 2014 to approximately 4.5 million square meters in 2015. In the first quarter of 2016, the PRC government further promulgated various rules and regulations, including but not limited to the Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax during Real Estate Transactions* (關於調整房地產交易環節契稅營業稅優惠政策的通知) and the Circular of the People's Bank of China and China Banking Regulatory Commission on Issues concerning Adjusting the Individual Housing Loan Policies* (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知), in order to further stimulate the property market in the PRC (including but not limited to Yueyang). Such rules and regulations imposed various loosening measures against the property market in the PRC, such as (i) reducing deed tax; (ii) the exemption of business tax for sales of housing units which have been held for more than 2 years after the date of purchase; and (iii) lowering the minimum down-payment requirements for purchase of the first house. We believe that such favourable rules and regulations will bring a positive impact on the property market in the PRC (including but not limited to Yueyang) and thus the Group's property development business. All in all, the above findings

* For identification purposes only

LETTER FROM ASTRUM

demonstrate that the residential property market in Yueyang has been under healthy growth and is expected to be favourable to the development and operation of the Group's property development business in Yueyang.

Having considered the facts that (i) the prospect of the foundation industry in Hong Kong, in which the Pearl Swirls Group operates, is uncertain as discussed above; (ii) the Group has already tapped into the property development industry in the PRC by acquiring the entire issued share capital of Double Earn in November 2015; (iii) the construction of the first and second phases of the Property Project had been completed as at the Latest Practicable Date; (iv) the Property Project has commenced to contribute revenue to the Group by selling certain Saleable Units, retail shops and apartments; (v) it is expected that the Property Project will bring a considerable size of revenue to the Group by selling the remaining Saleable Units, retail shops and apartments; and (vi) the residential property market in Yueyang, in which the Property is located, has been under healthy growth and is expected to be favourable to the development and operation of the Group's property development business in Yueyang, we are of the view that the reallocation of the Group's resources from the Foundation Business to its other businesses (including the Property Project) would enhance the prospect of the Group and is, thus, in the interests of the Company and the Shareholders as a whole.

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls, respectively. Assuming that the Disposal completed on 29 February 2016, the profit of the Pearl Swirls Group attributable to the owners of the Company would be reduced by approximately HK\$10.4 million for the eleven months ended 29 February 2016. Notwithstanding the decrease in profit of the Pearl Swirls Group attributable to the owners of the Company is much higher than the reduction of interest cost of the Loan borne by the Group of approximately HK\$3.4 million per year, we consider that the Disposal is beneficial to the Company after having considered the facts that (i) the financial performance of the Pearl Swirls Group for the eleven months ended 29 February 2016 was weakening; and (ii) the prospect of the foundation industry in Hong Kong, in which the Pearl Swirls Group operates, is uncertain, and there is no guarantee that the Pearl Swirls Group will be able to maintain its profitability in coming years; (iii) the Disposal provides the Group an opportunity to realize part of its investment in the Pearl Swirls Group and allocate more resources to the Group's other existing business and any other potential business should the opportunity arise; (iv) the Disposal allows the Group to reserve the ultimate control over the Pearl Swirls Group and continue to enjoy the success of the Pearl Swirls Group with the Purchaser should the business and financial performance of the Pearl Swirls Group improve under the leadership and management of Dr. Wong and Mr. Lam; (v) offsetting the Consideration by the majority part of the Loan can reduce the finance cost borne by the Group, alleviate the repayment pressure of the majority part of the Loan on the Group without cash outlay, and moderate the Group's gearing level thereby strengthening the Group's financial position; (vi) the Disposal can serve as an incentive and enticement to motivate Dr. Wong and Mr. Lam to create and focus on the shareholders' value of the Pearl Swirls Group and retain them in the management level of the Pearl Swirls Group; and (vii) the terms of the Sale and

LETTER FROM ASTRUM

Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016), including the Consideration, are fair and reasonable and on normal commercial terms (please refer to our analysis as set out in the paragraph headed “5. *Terms of the Sale and Purchase Agreement*” below).

In view of the above, we are of the view that the Disposal is in the interests of the Company and the Shareholders as a whole.

5. Terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) are set out as follows:

Date:	5 February 2016 (after trading hours) (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016)
Parties:	(i) the Company, as the vendor (ii) the Purchaser, as the purchaser
Subject matter:	the Sale Shares, representing 49% of the issued share capital of Pearl Swirls held by the Company immediately before Completion
Consideration:	HK\$73,883,694.94 (subject to the Adjustment), which will be offset by the Loan owed to the Purchaser by the Company. In any event that the Consideration exceeds the amount of the Loan, the exceeding sum will be paid by the Purchaser to the Company in cash.

A. Consideration

The Consideration is HK\$73,883,694.94 (subject to the Adjustment). As advised by the Management, the Consideration was determined after arm’s length negotiations between the Company and the Purchaser with reference solely to 49% of the net assets of Ngai Shun Construction as at 31 December 2015. The Directors consider that the Consideration reflects the value of the Sale Shares as (i) it was determined based on the net asset value of Ngai Shun Construction as at 31 December 2015 and it may be adjusted upwards in accordance with the Completion NAV correspondingly; (ii) the net asset value represents the total investment input of the Company into Ngai Shun Construction; (iii) such value will not be affected by external factors (i.e. industry trend, business environment or business prospects), and hence is a reliable indication of the value of Ngai Shun Construction; and (iv) the nature and size of the business of Ngai Shun

LETTER FROM ASTRUM

Construction is heavily asset-based. Given that construction companies have their own unique characteristics (such as the size of business, reputation, number and size of projects-on-hand, profitability and capital structure), the Company considers that it is more appropriate to assess the Consideration with reference to the price-to-earnings ratio (“**PE ratio**”) and price-to-book ratio (“**PB ratio**”) of the Company itself, rather than other listed comparable companies in Hong Kong. However, given that the profit of the Pearl Swirls Group dropped substantially in 2015 as compared with that in 2014 and the prospect of the Pearl Swirls Group is uncertain, the Purchaser considers, and the Company agrees, that the PE ratio established from the historical profitability of the Pearl Swirls Group does not reflect the true value of the Pearl Swirls Group. The Purchaser and the Company further acknowledge that the PB ratio can be a reference to the valuation of the Pearl Swirls Group given that it is an asset-based company. As at 5 February 2016 (being the date of the Sale and Purchase Agreement), the PB ratio of the Company was approximately 1.33 times. Given that (i) the Sale Shares represent the minority stake of Pearl Swirls; and (ii) Pearl Swirls is a private company with no open market for share trading, and after the arm’s length negotiation with the Purchaser, the Company considers it justifiable to set the Consideration at nil-premium to 49% of the net asset value of Ngai Shun Construction.

In respect of the basis of determination of the Consideration, we have discussed with the Management and were given to understand that both the Company and the ultimate beneficial owners of the Purchaser (being Dr. Wong and Mr. Lam, who are the directors of Ngai Shun Construction) have good understanding of the performance and value of the Pearl Swirls Group, and they consider that using the net assets of Ngai Shun Construction as at 31 December 2015 as the sole reference to the determination of the Consideration is the most appropriate method to determine the Consideration after having considered the nature and business of the Pearl Swirls Group and the restrictions encountered during the course of determination as detailed above. In addition, we have conducted a research through public domains in relation to the basis of determination of consideration for the transactions (including both acquisitions and disposals) conducted and announced by other companies listed on the Stock Exchange for the six-month period immediately prior to the date of the Sale and Purchase Agreement (i.e. 5 February 2016). We, to the best of our knowledge and endeavor, identified two transactions, the consideration of which was solely based on the net assets of the target company or group. As such, we consider that using net assets of target companies or groups as the sole reference to the determination of consideration is not an uncommon market practice. In view of the above, together with the facts that (i) the basis of determination of the Consideration was mutually agreed by the parties to the Sale and Purchase Agreement after their arm’s length negotiations; (ii) using net assets of target companies or groups as the sole reference to the determination of consideration is not an uncommon market practice; and (iii) the Consideration is, in our view, fair and reasonable after our further analysis as disclosed below, we concur with the Management’s

LETTER FROM ASTRUM

view that the adoption of the net assets of Ngai Shun Construction as at 31 December 2015 as the basis of determination of the Consideration by the Company is understandable and commercially sensible.

Based on the unaudited financial statements of the Pearl Swirls Group, the net assets of Ngai Shun Construction as at 31 December 2015 amounted to HK\$150,783,050.9. The Consideration of HK\$73,883,694.94 is equivalent to the proportionate 49% net assets of Ngai Shun Construction (i.e. HK\$150,783,050.9 x 49%) as at 31 December 2015. We have enquired with the Management about the reason for taking no account the net assets of the Pearl Swirls Group as at 31 December 2015 and instead, taking into account the net assets of Ngai Shun Construction, for the determination of the Consideration. We were advised by the Management that Pearl Swirls is an investment holding company. Save and except for the investment in Ngai Shun Construction, Pearl Swirls had no other material assets and liabilities as at the Latest Practicable Date. As such, the discrepancy between the net assets of the Pearl Swirls Group (comprising Pearl Swirls and Ngai Shun Construction) and the net assets of Ngai Shun Construction is minimal.

In order to further evaluate the fairness and reasonableness of the Consideration, we have attempted to compare the PE ratio and the PB ratio, both of which are commonly used valuation multiples in assessing value of a company, implied by the Consideration with that of acquisition transactions relating to similar business as the Pearl Swirls Group (i.e. the foundation business). However, to the best of our knowledge and endeavor, we could not identify any similar acquisition transactions in public domain. As an alternative, we have attempted to compare the PE ratio and the PB ratio of companies (the “**Comparable Companies**”) listed on the Stock Exchange which (i) are principally engaged in the foundation industry in Hong Kong with operations similar to that of the Pearl Swirls Group; (ii) substantial portion of revenue for the latest full financial year prior to the date of the Sale and Purchase Agreement was derived from the foundation industry; and (iii) the market capitalization as at 5 February 2016 (being the date of the Sale and Purchase Agreement) is less than HK\$1,000 million. To the best of our knowledge and endeavor, we have identified an exhaustive list of 7 Comparable Companies which fulfill the aforementioned selection criteria.

As mentioned above, profit of the Pearl Swirls Group has declined substantially in 2015 as compared with that in 2014. As such, we consider that the historical PE ratio implied by the Consideration (which is calculated by dividing the Consideration by the proportionate 49% profit of the Pearl Swirls Group for the latest full financial year ended 31 March 2015) may not truly reflect the current value of the Sale Shares. On the contrary, we are of the opinion that it is more meaningful and reasonable to use the latest available financial figure of the Pearl Swirls Group to calculate the current PE ratio implied by the Consideration in order to reflect the true value of the Sale Shares. According to the latest management account of the Pearl Swirls Group, the unaudited profit of

LETTER FROM ASTRUM

the Pearl Swirls Group for the eleven months ended 29 February 2016 amounted to approximately HK\$21.2 million. The annualized profit of the Pearl Swirls Group for the year ended 31 March 2016 (based on the unaudited profit of the Pearl Swirls Group for the eleven months ended 29 February 2016) is approximately HK\$23.1 million and the current PE ratio implied by the Consideration (which is calculated by dividing the Consideration by the proportionate 49% annualized profit of the Pearl Swirls Group for the year ended 31 March 2016) is 6.52 times.

As each of the Comparable Companies has its own unique nature and characteristic in terms of, *inter alia*, business operation and environment, size, profitability and financial position, the comparison of the PE ratio and the PB ratio between the Comparable Companies and the Pearl Swirls Group may not represent an identical comparison. We, however, consider such comparison could be treated as an indication as to the reasonableness and fairness of the Consideration. The relevant details of the Comparable Companies are set forth in Table 4 below:

Table 4: Details of the Comparable Companies

Stock Code	Name	Principal activities	Market capitalization as at 5 February 2016 (being the date of the Sale and Purchase Agreement) (HK\$)	Profit attributable to equity holders in the latest full financial year prior to the date of the Sale and Purchase Agreement (HK\$)	Net assets attributable to equity holders based on the latest published financial statements prior to the date of the Sale and Purchase Agreement (HK\$)	PE ratio (times)	PB ratio (times)
1499	LEAP Holdings Group Limited	Provision of foundation works and ancillary services; and construction wastes handling at the public fill reception facilities managed by the Government in Hong Kong	858,000,000	38,499,000	150,184,000	22.29	5.71
1500	In Construction Holdings Limited	Demolition works, site formation works, ground investigation field works and general building works	410,850,000	72,653,000	297,538,000	5.65	1.38
1556	Chinney Kin Wing Holdings Limited	Engaged in foundation works including piling construction and other ancillary services; and drilling and site investigation	525,000,000	98,590,000	281,599,000	5.33	1.86

LETTER FROM ASTRUM

Stock Code	Name	Principal activities	Market capitalization as at 5 February 2016 (being the date of the Sale and Purchase Agreement) (HK\$)	Profit attributable to equity holders in the latest full financial year prior to the date of the Sale and Purchase Agreement (HK\$)	Net assets attributable to equity holders based on the latest published financial statements prior to the date of the Sale and Purchase Agreement (HK\$)	PE ratio (times)	PB ratio (times)
1662	Yee Hop Holdings Limited	Provision of foundation works including the construction of mini-piles, rock-socketed steel H-piles and driven steel H piles, and other civil works, including site formation works and road and pavement works; and tunneling works	520,000,000	86,001,000	128,863,000	6.05	4.04
1718	Wan Kei Group Holdings Limited	Provision of foundation works; and ground investigation field works in Hong Kong	552,000,000	62,000,000	262,197,000	8.90	2.11
2277	Chun Sing Engineering Holdings Limited	Foundation and substructure construction business in Hong Kong mainly include ELS works, pile caps construction and substructure construction for residential, commercial and infrastructure projects	937,300,000	65,771,000	212,729,000	14.25	4.41
3822	Sam Woo Construction Group Limited	Provision of foundation works and ancillary services	705,600,000	219,168,000	626,862,000	3.22	1.13
					Maximum:	22.29	5.71
					Minimum:	3.22	1.13
					Average:	9.38	2.95
					Median:	6.05	2.11
					Consideration (HK\$)	PE ratio (times)	PB ratio (times)
The Sale Shares					73,883,694.94	6.52 <i>(Note 1)</i>	1.00 <i>(Note 2)</i>

Sources: the website of the Stock Exchange (www.hkex.com.hk) and the financial reports of the respective Comparable Companies

Notes:

1. PE ratio implied by the Consideration is calculated by dividing the Consideration by the proportionate 49% annualized profit of the Pearl Swirls Group for the year ended 31 March 2016 (i.e. approximately HK\$23.1 million).
2. PB ratio implied by the Consideration is calculated by dividing the Consideration by the proportionate 49% net assets of the Pearl Swirls Group as at 31 December 2015 (i.e. approximately HK\$73.9 million).

LETTER FROM ASTRUM

As set out in Table 4 above, the PE ratios of the Comparable Companies ranged from approximately 3.22 times to approximately 22.29 times with an average of approximately 9.38 times and a median of approximately 6.05 times. The PE ratio implied by the Consideration is approximately 6.52 times and falls within the range of the PE ratios of the Comparable Companies and is higher than the median of the PE ratios of the Comparable Companies.

The PB ratios of the Comparable Companies ranged from approximately 1.13 times to approximately 5.71 times with an average of approximately 2.95 times and a median of approximately 2.11 times. The PB ratio implied by the Consideration is approximately 1.00 time and is lower than the lowest PB ratio among the Comparable Companies.

We noted that the Sale Shares represent 49% of the entire issued share capital of Pearl Swirls and Pearl Swirls is not a listed company on the Stock Exchange. In reality, minority shares in a company are worth less than their pro-rated equity value of the company given that their holders do not have a controlling interest in the company. Furthermore, as there is no open market for trading of shares in private companies, shares in a private company are usually worth less than comparable shares in a publicly held company. In view of the facts that (i) the shares of all the Comparable Companies are listed on the Stock Exchange; and (ii) the entire issued shares capital of the Comparable Companies were taken into account in our analysis, we consider that it is unfair to directly compare the PE ratio and PB ratio implied by the Consideration with the PE ratios and PB ratios of the Comparable Companies, respectively, without adjustment. In an attempt to eliminate the difference between the Sale Shares and the Comparable Companies in terms of control and marketability, we attempted to apply minority discount and marketability discount to each of the PE ratios and PB ratios of the Comparable Companies. In determining a reasonable minority discount, we have made reference to the “Mergerstat Review 2015” published by FactSet Research System Inc. (a worldwide analytical and data driven solution provider which is dual listed on the New York Stock Exchange and the NASDAQ Stock Market under the symbol “FDS”), which included data derived from mergers and acquisitions involving companies in the United States, including privately held, publicly traded and cross-border transactions. According to the “Mergerstat Review 2015”, the average control premium for construction contractors and engineering services companies (which was calculated based on the mergers and acquisitions of the relevant companies as announced in 2014) is approximately 25.2%. Based on the following formula, the minority discount for construction contractors and engineering services companies is approximately 20.1%.

$$\text{Implied Minority Discount} = 1 - \frac{1}{1 + x} = 20.1\%$$

where x = control premium (i.e. 25.2%)

LETTER FROM ASTRUM

As mentioned above, the control premium figures disclosed in the “Mergerstat Review 2015” were calculated based on the mergers and acquisitions involving companies in the United States, including privately held, publicly traded and cross-border transactions, rather than solely based on the data of privately held companies. However, to the best of our knowledge and endeavor, we could not identify another reliable source of minority discount and/or control premium figures, which is solely based on the data of privately held companies. Given that (i) there is no widely used empirical study conducted on minority discount for private companies in Hong Kong; (ii) FactSet Research System Inc., the publisher of the “Mergerstat Review 2015”, is a worldwide analytical and data driven solution provider; and (iii) based on our research conducted in the website of the Stock Exchange, the data presented in the Mergerstat Review was commonly used by various professional valuers in Hong Kong in determining minority discount and/or control premium for valuation of different transactions, we consider that the information and data presented in the “Mergerstat Review 2015” is a good reference in determining the minority discount in our analysis.

In respect of the marketability discount, we have made reference to a study named “Marketability and Value: Measuring the Illiquidity Discount” (the “**Marketability Study**”) undertaken by Dr. Aswath Damodaran (who is a Professor of Finance at Stern School of Business at New York University and teaches corporate finance and valuation courses in the MBA program. He has publications in “the Journal of Financial and Quantitative Analysis”, “the Journal of Finance”, “the Journal of Financial Economics” and “the Review of Financial Studies”. In addition to the above publications, he has also written numerous books on the areas of equity valuation, corporate finance and portfolio management). According to the Marketability Study, the marketability discount for private companies ranges from 25% to 35%, which was derived after taking into account, among other things, (i) the comparison between the issue price of the restricted stocks issued by listed companies and the trading price of the publicly traded stocks in the same companies; (ii) the comparison between the offer prices for the initial public offerings and the price of transactions involving same shares prior to the initial public offerings; and (iii) the comparison between the trading price of different classes of shares in the same companies. For sake of prudence, we took 25% as the marketability discount in our analysis. Having considered the facts that (i) there is no widely used empirical study conducted on marketability discount for private companies in Hong Kong; (ii) Dr. Aswath Damodaran, the writer of the Marketability Study, is a reputable scholar and is known as an authority on the area of valuation and has published several books relating to equity valuation; and (iii) based on our research conducted in the website of the Stock Exchange, the Marketability Study was commonly used by various professional valuers in Hong Kong in determining marketability discount for valuation of different transactions, we consider that the information and data presented in the Marketability Study is a good reference in determining the marketability discount in our analysis.

LETTER FROM ASTRUM

Set out below is the adjusted PE ratios and PB ratios of the Comparable Companies (the “**Adjusted PE ratios**” and the “**Adjusted PB ratios**”, respectively) with the adjustment of the minority discount of approximately 20.1% and the marketability discount of 25%:

Table 5: Adjusted PE and PB ratios of the Comparable Companies

Stock Code	Name	Adjusted PE ratio (times)	Adjusted PB ratio (times)
1499	LEAP Holdings Group Limited	13.35	3.42
1500	In Construction Holdings Limited	3.39	0.83
1556	Chinney Kin Wing Holdings Limited	3.19	1.12
1662	Yee Hop Holdings Limited	3.62	2.42
1718	Wan Kei Group Holdings Limited	5.33	1.26
2277	Chun Sing Engineering Holdings Limited	8.54	2.64
3822	Sam Woo Construction Group Limited	1.93	0.67
	Maximum:	13.35	3.42
	Minimum:	1.93	0.67
	Average:	5.62	1.77
	Median:	3.62	1.26
	The Sale Shares	6.52	1.00

As set out in Table 5 above, the Adjusted PE ratios of the Comparable Companies ranged from approximately 1.93 times to approximately 13.35 times with an average of approximately 5.62 times and a median of approximately 3.62 times. The PE ratio implied by the Consideration of approximately 6.52 times falls within the range of the Adjusted PE ratios of the Comparable Companies and is higher than the average and median of the Adjusted PE ratios of the Comparable Companies.

The Adjusted PB ratios of the Comparable Companies ranged from approximately 0.67 time to approximately 3.42 times with an average of approximately 1.77 times and a median of approximately 1.26 times. The PB ratio implied by the Consideration of approximately 1.00 time falls within the range of the Adjusted PB ratios of the Comparable Companies.

In view of the above, in particular, (i) the Consideration is equivalent to the proportionate 49% net assets of Ngai Shun Construction as at 31 December 2015; (ii) the PE ratio implied by the Consideration falls within the range of the Adjusted PE ratios of the Comparable Companies and is higher than the average and median of the Adjusted PE ratios of the Comparable Companies; and (iii) the

LETTER FROM ASTRUM

PB ratio implied by the Consideration falls within the range of the Adjusted PB ratios of the Comparable Companies, we are of the view that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

B. Post-completion Consideration Adjustment Mechanism

The Consideration of HK\$73,883,694.94 shall be adjusted according to the following adjustment mechanism (the “**Adjustment Mechanism**”) upon the Completion Account is made available:

- (a) in the event that 49% of the Completion NAV is higher than HK\$73,883,694.94, the adjusted Consideration shall be the total sum of HK\$73,883,694.94 and the difference between 49% of the Completion NAV and the amount of HK\$73,883,694.94, given that the maximum amount of the Consideration shall not be more than HK\$186,725,100; and
- (b) in the event that 49% of the Completion NAV is equal to or lower than the amount of HK\$73,883,694.94, the Consideration shall remain unchanged (i.e. HK\$73,883,694.94).

Having considered the facts that (i) the Consideration of HK\$73,883,694.94 was determined with reference solely to 49% of the net assets of Ngai Shun Construction as at 31 December 2015; (ii) under the Adjustment Mechanism, the Consideration will be adjusted to 49% of the Completion NAV with a cap of HK\$186,725,100 should the Completion NAV be higher than the net asset value of Ngai Shun Construction as at 31 December 2015 (i.e. HK\$150,783,050.9); and (iii) under no circumstances, the Consideration will be adjusted downward, we consider that the Adjustment Mechanism can further safeguard the interest of the Company and is, therefore, in the interests of the Company and the Shareholders as a whole.

C. Conclusion

In view of the above, in particular the facts that:

- (i) the Consideration is fair and reasonable so far as the Independent Shareholders are concerned; and
- (ii) the Adjustment Mechanism can further safeguard the interest of the Company, and is, therefore, in the interests of the Company and the Shareholders as a whole,

we are of the opinion that the terms of the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016), including the Consideration, are fair and reasonable and on normal commercial terms.

6. Financial effects of the Disposal

A. Effect on earnings

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the issued share capital of Pearl Swirls respectively, and Pearl Swirls and Ngai Shun Construction will remain as subsidiaries of the Company and their financial results will continue to be consolidated into the Group's consolidated financial statements. As mentioned in the Letter from the Board, the Company does not expect to recognise any material accounting gain or loss as a result of the Disposal as the Consideration was determined after arm's length negotiations between the Company and the Purchaser and taking into account the net assets of Ngai Shun Construction as at 31 December 2015, and the Consideration is subject to the Adjustment. However, Shareholders should note that the actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of the Company on the date of Completion and the review by the Company's auditors upon finalisation of the consolidated financial statements of the Group.

B. Effect on gearing ratio

As at 30 September 2015, the gearing ratio of the Group (which was calculated based on the Group's total interest-bearing borrowings of approximately HK\$146.1 million and the Group's total equity of approximately HK\$300.2 million) was approximately 48.7%. The principal amount of the Loan accounted for approximately 82.1% of the Group's total interest-bearing borrowings as at 30 September 2015. Immediately upon Completion, the Group's total interest-bearing borrowings will be substantially reduced by offsetting the Consideration (subject to the Adjustment) by the majority part of the Loan. As such, it is expected that the Disposal would have a favorable impact on the gearing ratio of the Group.

C. Effect on working capital

As at 30 September 2015, the Group had cash and cash equivalents of approximately HK\$39.3 million. Pursuant to the Sale and Purchase Agreement, the Consideration of HK\$73,883,694.94 (subject to the Adjustment) will be offset by the Loan owed to the Purchaser by the Company. Such settlement method will alleviate the repayment pressure of the majority part of the Loan on the Group without cash outlay and thus allow the Group to retain working capital for its daily operation and future business development. Therefore, we consider that the Disposal would have a positive impact on the working capital of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

LETTER FROM ASTRUM

OPINION

Having taken into account the factors and reasons as stated above, we consider that although the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolutions at the EGM to approve the entering into of the Sale and Purchase Agreement (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) and the transactions contemplated thereunder (including the Disposal).

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) since 2012 and has participated in and completed various independent financial advisory transactions.

1. 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 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 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.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2016, being the latest practicable date for the purpose of preparing this indebtedness statement 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 and intra-group liabilities, 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.

3. 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.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the present financial resources available to the Group, including the existing banking and credit facilities and funds internally generated from its business operation, the available financial facilities and also the cash flow impact of the Disposal, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular, in the absence of unforeseeable circumstances.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF 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 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 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 Dr. Wong Sai Chung, of which 40% of the shares is beneficially held by Dr. Wong Sai Chung, and 20% and 40% of the shares are held by Dr. Wong Sai Chung on trust for Mr. Wong Sai Lai and Mr. Wong Sai Yee. Each of Dr. 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 Dr. Wong Sai Chung. Ms. Wong Lai Ling is deemed to be interested in all the Shares in which Dr. 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 into 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

* as defined in the announcement of the Company dated 24 March 2016 in relation to the proposed share consolidation

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.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associate(s) had any interests in a business which competed or might compete with the business of the Group and had any other conflicts of interests with the Group.

4. 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. 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 employee of the Group. The claims were related to the employee of the subcontractor and the employee 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.

On 30 October 2014, a summon has been issued to the Group in relation to an offence arising from the incident occurred on 2 May 2014 which involved the Group failure to ensure that every part of the load, namely THE H-PILE which was to be raised or lowered by the lifting appliance was securely suspended or supported; and adequately secured so as to prevent danger arising to persons or properties as a result of the slipping or displacement of any part of the load. The Deputy Magistrate has ruled on 8 December 2015 that the summons against Ngai Shun Construction has been dismissed by the plaintiff since the prosecution offered no further evidence. The case has been closed with no further legal process. The directors are of the view that this case will not cause any material adverse impact on the Group.

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.

7. 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:

- (i) the Sale and Purchase Agreement;
- (ii) on 26 May 2016, the Company entered into the supplemental underwriting agreement with Kingston Securities Limited as the underwriter in relation to the modification and variation of certain terms in the underwriting agreement stated in (iii) below;
- (iii) on 24 March 2016, the Company entered into the underwriting agreement with Kingston Securities Limited as the underwriter in relation to 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 of 24 June 2016 payable in full on acceptance;
- (iv) on 29 September 2015, the Company, as the purchaser, entered into the sale and purchase agreement with Landing International Development Limited, as the vendor, for the acquisition of 100% of the issued share capital of Double Earn Holdings Limited, and the acquisition of all indebtedness, obligations and liabilities due, owing or incurred by the Mass Spring (Hong Kong) Limited (萬泉(香港)有限公司) to Landing International Development Limited;

- (v) on 4 November 2015, the supplemental sale and purchase agreement entered into between the Company and Landing International Development Limited to amend certain terms of the sale and purchase agreement stated in (ii) above;
- (vi) on 10 July 2015, Laurel Stars Limited (桂星有限公司), a wholly-owned subsidiary of the Company, as the vendor, entered into the sale and purchase agreement with Fair Jade Group Limited, as the purchaser, for the sale and purchase of the sale shares and the sale loan of Achieved Success Company Limited at the consideration of HK\$42,000,000;
- (vii) on 13 April 2015, the Company and Kingston Securities Limited entered into the placing agreement pursuant to which the Company has conditionally appointed Kingston Securities Limited to procure, on a best effort basis, as placing agent of the Company, independent places to subscribe for a maximum of 83,000,000 placing shares at a price of HK\$0.73 per placing share;
- (viii) on 23 January 2015, Funa Assets Limited, an indirect wholly-owned subsidiary of the Company, as the vendor, entered into the provisional agreement with, among others, World Mate Investment Limited as the purchaser 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 Kowloon, Hong Kong at the total consideration of HK\$50,000,000; and
- (ix) on 22 May 2014, Laurel Stars Limited (桂星有限公司), a wholly-owned subsidiary of the Company, entered into the acquisition agreement with, among others, Absolutely Talent Technology Limited, pursuant to which Absolutely Talent Technology Limited has conditionally agreed to sell and Laurel Stars Limited (桂星有限公司) has conditionally agreed to acquire the entire issued share capital of Funa Assets Limited at a total cash consideration of HK\$39,000,000.

Save as disclosed above, no other material contracts have been entered into by the Group within two years immediately preceding the date of this circular.

8. QUALIFICATIONS AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
Zenith CPA Limited	Certified Public Accountants
Astrum Capital Management Limited	a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of the above expert 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 it respectively appear.

As at the Latest Practicable Date, each of the above expert 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 the above expert 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. MISCELLANEOUS

- (i) 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.
- (ii) The Company's Hong Kong branch share registrar is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The Secretary of the Company is Mr. Yeung Siu Keung, who is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of this Circular will prevail over the Chinese text in the event of inconsistency.

10. 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:

- (i) the memorandum and articles of association of the Company;
- (ii) the Company's interim report for the six months ended 30 September 2015;
- (iii) the Company's annual reports for each of the two financial years ended 31 March 2014 and 2015;
- (iv) the letter from the Independent Board Committee, the text of which is set out in pages 17 to 18 of this circular;
- (v) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 19 to 49 of this circular;
- (vi) the material contracts referred to under the paragraph headed "Material Contracts" in this appendix;
- (vii) the written consents of the experts as referred to in the section headed "Qualification and consents of experts" in this appendix;
- (viii) the circular of the Company dated 6 November 2015 in respect of the very substantial acquisitions; and
- (ix) this circular.

NOTICE OF THE EGM



Ngai Shun Holdings Limited

毅信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01246)

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 Wednesday, 15 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 RESOLUTION

“THAT

- (a) the sale and purchase agreement entered into between Excellent Speed Limited and the Company dated 5 February 2016 (as amended and supplemented by four supplemental deeds dated 30 March 2016, 7 April 2016, 28 April 2016 and 26 May 2016) (the “**Sale and Purchase Agreement**”) in relation to the sale and purchase of 49 ordinary shares in Pearl Swirls Limited (a copy of which has been produced to the EGM marked “A” and initialed by the Chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) or, if the affixation of the common seal of the Company is necessary, any one Director and the company secretary of the Company or any two Directors or such other person (including a director) or persons as the Board may appoint be and is/are hereby authorised for and on behalf of the Company to approve and execute all 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 or related to the Sale and Purchase Agreement and transactions contemplated thereunder or incidental thereto and completion thereof as he/she/they may consider necessary, desirable or expedient.”

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

Hong Kong, 30 May 2016

NOTICE OF THE EGM

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.
2. Any member of the Company entitled to attend and vote at the EGM 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 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 EGM 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 EGM, 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 EGM 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.