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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**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 EGM**

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A letter from the Board is set out on pages 4 to 22 of 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 Thursday, 22 September 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.

31 August 2016

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## DEFINITIONS

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

“Agreement”	the agreement dated 25 July 2016 between the Company and the Purchaser in relation to the Disposal;
“Announcement”	the announcement of the Company dated 25 July 2016 relating to, among other things, the 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, 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 Agreement;
“Completion Account”	the audited accounts of Ngai Shun Construction for the period commencing from 1 April 2016 and ending on the date of Completion as prepared by the auditor of Ngai Shun Construction or such other Hong Kong Certified Public Accounts as appointed by the Company;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	the consideration of HK\$80,000,000 (subject to post-completion adjustment) to be paid by the Purchaser to the Company pursuant to the Agreement;
“Debt”	the aggregate sum of HK\$128,357,826 which the Company is indebted to the Purchaser as at the date of the Agreement, pursuant to the loan agreement entered into between the Company and the Purchaser on 3 March 2015 and the drawdown notice given by the Company to the Purchaser on 5 March 2015;
“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 Agreement;
“Dr. Wong”	Dr. Wong Sai Chung;

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## DEFINITIONS

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“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 Agreement;
“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;
“Latest Practicable Date”	29 August 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;
“Long Stop Date”	29 September 2016, or such other date as may be agreed amongst the Company and the Purchaser;
“Mr. Lam”	Mr. Lam Wing Sum;
“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 as at the Latest Practicable Date;
“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;
“Previous Disposal”	the proposed sale of 49 ordinary shares of Pearl Swirls by the Company to the Purchaser pursuant to the terms and conditions of the sale and purchase agreement dated 5 February 2016;
“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 as to 50% by Mr. Lam;
“Sale Shares”	49 ordinary shares of Pearl Swirls, representing 49% of the total issued share capital of Pearl Swirls held by the Company immediately before Completion;

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.



**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  
Dr. Wong Yun Kuen

*Non-executive Director:*

Mr. Chui Kwong Kau

*Independent non-executive Directors:*

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

*Registered Office:*

P.O. Box 1350  
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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

31 August 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 EGM**

**INTRODUCTION**

Reference is made to the Announcement, where the Company announced that on 25 July 2016 (after trading hours), the Company and the Purchaser entered into the Agreement, pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to purchase, the Sale Shares at HK\$80,000,000 (subject to adjustment), which will be offset by part of the Debt owing to the Purchaser by the Company.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information about the Disposal; and (ii) the notice of the EGM.

### THE AGREEMENT

#### Date

25 July 2016 (after trading hours)

#### Parties

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

The Purchaser is an investment holding company incorporated in the British Virgin Islands with limited liability and is owned as to 50% by each of Dr. Wong and Mr. Lam, respectively.

As at the Latest Practicable Date, Fabulous Business Limited (“**Fabulous Business**”) is interested in 106,000,000 Shares, representing approximately 1.64% of the total issued share capital of the Company. Fabulous Business is a company incorporated in the British Virgin Islands and is owned as to 50% by Prime Colour Global Limited (“**Prime Colour**”) and as to 50% by Splendid Core Global Limited (“**Splendid Core**”). Each of Prime Colour and Splendid Core is deemed to be interested in 106,000,000 Shares held by Fabulous Business. Prime Colour is owned as to 40% by Dr. Wong, with the remaining 20% and 40% of the shares being held by Dr. Wong on trust for and on behalf of Mr. Wong Sai Lai and Mr. Wong Sai Yee, respectively. Splendid Core is a company wholly-owned by Mr. Lam. As at the Latest Practicable Date, each of Dr. Wong and Mr. Lam holds 50% of the issued share capital of the Purchaser. Therefore, each of Dr. Wong and Mr. Lam is deemed to be interested in 1.64% of the total issued share capital of the Company through their respective controlled corporations. In addition, Dr. Wong is directly interested in 9,300,000 Shares, representing approximately 0.14% of the total issued share capital of the Company. Save as otherwise aforesaid, the Purchaser and Mr. Lam do not hold any direct interests in the Company as at the Latest Practicable Date.

Dr. Wong and Mr. Lam are directors of Ngai Shun Construction and hence are connected persons of the Company at the subsidiary level. As such, the Purchaser is an associate of each of Dr. Wong and Mr. Lam and is a connected person of the Company at the subsidiary level.

#### Subject matter

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

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## LETTER FROM THE BOARD

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### Consideration

The consideration for the Sale Shares shall be HK\$80,000,000 and offset by part of the Debt owing to the Purchaser by the Company at Completion subject to the following adjustment:

- (a) in the event that 49% of the audited net asset value of Ngai Shun Construction as at the date of Completion (the “**Completion NAV**”) is higher than HK\$62,600,000 which is determined with reference to 49% of the net asset value of Ngai Shun Construction as at 31 March 2016 (i.e. HK\$127,659,000), the consideration shall be the higher of (A) the aggregate of (i) HK\$80,000,000 and (ii) the excess of 49% of the Completion NAV over HK\$62,600,000; and (B) HK\$80,000,000, given that the maximum amount of the Consideration shall not be more than HK\$849,599,205; or
- (b) in the event that 49% of the Completion NAV is equal to or lower than the amount of HK\$62,600,000, the consideration shall remain at the sum of HK\$80,000,000.

The additional amount payable to the Company as a result of the adjustment above shall be settled by the Purchaser within 10 calendar days after the issue of the Completion Account by way of offsetting the Debt (after deducting the amount of HK\$80,000,000). If such additional amount exceeds the amount of the Debt (after deducting the amount of HK\$80,000,000), the excess shall be paid by the Purchaser to the Company in cash within 10 calendar days after the issue of the Completion Account.



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## LETTER FROM THE BOARD

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The audited net asset value of Ngai Shun Construction as at 31 March 2016 amounted to HK\$127,659,000. The major items of the assets and liabilities of Ngai Shun Construction as at 31 March 2016 are set out below:

	(audited) <i>approximately</i> HK\$'000
Property, plant and equipment	76,102
Cash and cash equivalents	85,540
Trade receivables	72,996
Other assets	<u>16,323</u>
Total assets	<u>250,961</u>
Trade and other payables	(72,225)
Bank borrowings	(38,680)
Other liabilities	<u>(12,397)</u>
Total liabilities	(123,302)
Net assets	<u><u>127,659</u></u>

The Consideration is determined after arm's length negotiations between the Company and the Purchaser with reference to 49% of the net asset value of Ngai Shun Construction as at 31 March 2016.

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.

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 is fair and reasonable as it was determined based on a premium of approximately 27.8% to the 49% of the net asset value of Ngai Shun Construction as at 31 March 2016 of approximately HK\$127.7 million and it may be further adjusted upwards in accordance with the Completion NAV in order to capture the profits of Ngai Shun Construction at Completion.

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## LETTER FROM THE BOARD

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The net asset value represents the total investment input of the Company into Ngai Shun Construction, 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 in which the nature and size of the business of Ngai Shun Construction is heavily asset-based.

In order to further evaluate the fairness and reasonableness of the Consideration, the Company has 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 the Directors' knowledge and endeavor, the Company could not identify any similar acquisition transactions in public domain. As an alternative, the Company 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 Agreement was derived from the foundation industry; and (iii) the market capitalisation as at 25 July 2016 (being the date of the Agreement) is less than HK\$1,000 million. To the best of the Directors' knowledge and endeavor, the Company has identified an exhaustive list of 7 Comparable Companies which fulfill the aforementioned selection criteria.

According to the latest unaudited management account of the Pearl Swirls Group, the unaudited profit of the Pearl Swirls Group for the year ended 31 March 2016 amounted to approximately HK\$4.74 million and the current 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 year ended 31 March 2016 is approximately 34.44 times.

## LETTER FROM THE BOARD

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. Although LEAP Holdings Group Limited has extreme value of the PE ratio and the PB ratio, and Chun Sing Engineering Holdings Limited has extreme value of PE ratio, the Company considers they are fair and representative samples for comparison, due to the fact that their principal businesses and geographical source of revenue are similar to those of the Pearl Swirls Group. Hence, the Company is of the view that, comparing the median of the PE ratio and the PB ratio of the Comparable Companies represent a more appropriate indicator as compared to average given the relatively small sample size and the inclusion of extreme values of the PE ratio and the PB ratio. As the comparison of PE ratio and the PB ratio may not represent an identical comparison due to a number of factors as set out in this letter, the Board, however, considers 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 below:

Stock Code	Name	Principal activities	Market capitalization as at 25 July 2016 (being the date of the Agreement) (HK\$)	Profit attributable to equity holders in the latest full financial year prior to the date of the Agreement (HK\$)	Net assets attributable to equity holders based on the latest published financial statements prior to the date of the 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.	HK\$1,719,200,000	HK\$29,225,000	HK\$166,461,000	58.83	10.33
1500	In Construction Holdings Limited	Demolition works, site formation works, ground investigation field works and general building works.	HK\$680,600,000	HK\$92,075,000	HK\$331,267,000	7.39	2.05
1556	Chinney Kin Wing Holdings Limited	Engaged in foundation works including piling construction and other ancillary services; and drilling and site investigation.	HK\$607,500,000	HK\$140,499,000	HK\$345,686,000	4.32	1.76
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.	HK\$625,000,000	HK\$94,294,000	HK\$224,302,000	6.63	2.79
1718	Wan Kei Group Holdings Limited	Provision of foundation works; and ground investigation field works in Hong Kong.	HK\$624,000,000	HK\$25,573,227	HK\$262,275,826	24.40	2.38
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.	HK\$2,472,000,000	HK\$43,536,000	HK\$226,124,000	56.78	10.93
3822	Sam Woo Construction Group Limited	Foundation works and ancillary services in Hong Kong and Macau.	HK\$688,800,000	HK\$152,877,000	HK\$655,051,000	4.51	1.05
					Maximum	58.83	10.93
					Minimum	4.32	1.05
					Average	23.27	4.47
					Median	7.39	2.38
					Consideration (HK\$)	PE ratio (times)	PB ratio (times)
	The Sale Shares				HK\$80,000,000	34.44 (Note 1)	1.28 (Note 2)

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

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## LETTER FROM THE BOARD

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*Notes:*

1. PE ratio implied by the Consideration is calculated by dividing the Consideration by the proportionate 49% profit of the Pearl Swirls Group for the year ended 31 March 2016 (i.e. approximately HK\$4.74 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 March 2016 (i.e. approximately HK\$127.6 million).

As set out in the table above, the PE ratios of the Comparable Companies ranged from approximately 4.32 times to approximately 58.83 times with an average of approximately 23.27 times and a median of approximately 7.39 times. The PE ratio implied by the Consideration is approximately 34.44 times and falls within the range of the PE ratios of the Comparable Companies and is higher than the average and the median of the PE ratios of the Comparable Companies.

The PB ratios of the Comparable Companies ranged from approximately 1.05 times to approximately 10.93 times with an average of approximately 4.47 times and a median of approximately 2.38 times. The PB ratio implied by the Consideration is approximately 1.28 times and falls within the range of the PB ratios of the Comparable Companies and is lower than the average and the median of the PB ratios of the Comparable Companies. Given that the PB ratio implied by the Consideration is lower than the median of the PB ratios of the Comparable Companies, but it falls within the range of the PB ratios of the Comparable Companies, the Board still considers the Consideration as fair and reasonable.

Given that construction companies have their own unique characteristics (such as the size of business, reputation, projects-on-hand, profitability and capital structure), 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, the Board considers 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, 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. 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. However, given that the profit of the Pearl Swirls Group dropped substantially for the year ended 31 March 2016 as compared with that for the year ended 31 March 2015 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

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## LETTER FROM THE BOARD

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valuation of the Pearl Swirls Group given that it is an asset-based company. As at 31 March 2016, the price-to-book ratio of the Company was approximately 1.32 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 that it is justifiable to set the Consideration at a 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 March 2016 as the sole reference to the basis of 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, with the facts that the basis of determination of the Consideration was mutually agreed by the parties to the Agreement after their arm's length negotiations, the Directors are of the view that the Consideration, is fair and reasonable as it represents the asset value of Ngai Shun Construction.

### **Conditions precedent**

Completion is conditional upon the satisfaction of the following conditions:

- (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 Shareholders approving the Agreement and all the transactions contemplated under the 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 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 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,

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## LETTER FROM THE BOARD

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the 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 Agreement shall have any liability and obligation to the other parties, save in respect of any antecedent breaches of the Agreement.

As at the date of the 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 total issued share capital to the Purchaser. As at the Latest Practicable Date, condition (ii) as mentioned above is yet to be fulfilled.

### **Completion**

Completion shall take place on the Business Day immediately after all the conditions precedent have been fulfilled or waived, 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 the Long Stop Date.

Upon Completion, the Company and the Purchaser will hold 51% and 49% of the total issued share capital of Pearl Swirls respectively, and Pearl Swirls will remain a subsidiary of the Company.

### **INFORMATION ON THE 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. The Pearl Swirls Group is the sole operating arm of the Group's foundation business.

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## LETTER FROM THE BOARD

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A summary of the unaudited financial information of the Pearl Swirls Group for the three years ended 31 March 2014, 31 March 2015 and 31 March 2016 and for the three months ended 30 June 2016 is set out below:

	<b>For the year ended 31 March 2014</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>For the year ended 31 March 2015</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>For the year ended 31 March 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>For the three months ended 30 June 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>
Profit/(loss) before tax	101,706	97,404	6,138	(11,424)
Profit/(loss) after tax	85,500	81,418	4,740	(10,855)

As at 31 March 2016 and 30 June 2016, the Pearl Swirls Group had an unaudited consolidated net asset value of approximately HK\$127.6 million and HK\$116.8 million, respectively.

For the three months ended 30 June 2016, the Pearl Swirls Group had incurred a loss of approximately HK\$10.9 million from April 2016 to June 2016, which had led to a decrease in its unaudited consolidated net asset value as at 30 June 2016. The major reason for the loss is due to the decreasing turnover.

The unaudited monthly turnover of the Pearl Swirls Group from October 2015 to June 2016 is set out below:

	<b>October 2015</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>November 2015</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>December 2015</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>January 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>February 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>March 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>April 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>May 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>	<b>June 2016</b> (unaudited) <i>approximately</i> <i>HK\$'000</i>
Turnover	49,295	45,463	27,925	22,261	21,513	14,883	24,215	16,334	21,963
Quarterly average	40,894			19,552			20,837		

The monthly turnover for the past nine months dropped from approximately HK\$49.3 million in October 2015 to approximately HK\$22.0 million in June 2016, representing a significant decrease of approximately 55.4%. When comparing the turnover of the Pearl Swirls Group for the three months ended 30 June 2016 (approximately HK\$62.5 million) with the corresponding period in 2015 (approximately HK\$110.2 million), there was a drop of approximately HK\$47.7 million, representing a decrease of approximately 43.3%. A decreasing trend in turnover was noted for the three months period from October 2015 to December 2015 (approximately HK\$40.9 million), January 2016 to March 2016 (approximately HK\$19.6 million) and April 2016 to June 2016 (approximately HK\$20.8 million). Although the quarterly average turnover for the three months ended June 2016 recorded a 6.6% increase compared with that of March 2016, the quarterly average turnover for the three months ended June 2016 decreased significantly by approximately 43.3% as compared with the same corresponding period in 2015.

The low monthly turnover in March 2016 was mainly due to the new projects being postponed to April 2016 which shifted the turnover to the months after, leading to a slightly increase in monthly turnover in May 2016 and June 2016. Notwithstanding there was an



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## LETTER FROM THE BOARD

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increase in monthly turnover in May 2016 and June 2016, the Pearl Swirls Group recorded a loss of approximately HK\$10.9 million for the three months ended 30 June 2016. The main reason for the poor financial performance was mainly attributable to discount offered for the tendered projects which led to an increase in net loss for the three months ended June 2016, this further remark the reason for the disposal for the poor prospect of the foundation business in the future. Such fluctuation of the monthly turnover indicates that the monthly turnover does not accurately reflect the overall financial prospects of the Pearl Swirls Group given that the monthly turnover depends on the project in progress and the productivity which may vary every month.

Despite that the Pearl Swirls Group was still profit-making for the year ended 31 March 2016 as disclosed above, the Company recorded a net loss of approximately HK\$193.4 million for the year ended 31 March 2016 as disclosed in the annual report for the year ended 31 March 2016 of the Company mainly due to the fair value loss of approximately HK\$55.0 million and the loss on disposal of approximately HK\$48.1 million in respect of financial assets at fair value through profit or loss during the period.

It was noted that the profit of the Pearl Swirls Group had declined in 2016 as 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.

Based on the aforesaid and taking into account of the considerations as stated in the paragraph headed “Reasons for and Benefits of the Disposal” of this circular, it is expected that the Pearl Swirls Group may not have a sound performance in the future.

It is estimated that the Group will record a gain of approximately HK\$21.7 million (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately HK\$1.1 million, taking into account the net asset value of Ngai Shun Construction as at 30 June 2016. The Disposal would enhance and strengthen the financial position and cash flow of the Group by (i) using the Consideration to offset the majority part of the Debt and to moderate the Group’s gearing level; and (ii) in turn reduce the interest expense of approximately HK\$3.58 million borne by the Group.

### INFORMATION ON THE COMPANY

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



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE DISPOSAL

References are made to the announcements of the Company dated 5 February 2016 and 25 July 2016, the Company and the Purchaser entered into sale and purchase agreements dated 5 February 2016 and 25 July 2016, respectively, in relation to the Disposal. The Previous Disposal was voted against by the Shareholders by way of poll at the extraordinary general meeting of the Company held on 15 June 2016. The Company has collected the views from the Shareholders and gathered that the Shareholders may have concerns in relation to the Previous Disposal, including (i) the fact that the consideration for the Previous Disposal may not be reflective of the net asset value of Ngai Shun Construction; and (ii) that the disposal of the Pearl Swirls Group may not improve the financial position of the Group given that the Pearl Swirls Group has been contributing revenue to the Group in previous years.

After considering the views from the Shareholders stated above, the Company renegotiated the terms of the Disposal and considered that the Disposal would be beneficial to the Shareholders as a whole as compared to the Previous Disposal given that (i) the consideration of the Disposal of HK\$80,000,000, not only represents a approximately 8% increase in consideration of the Disposal, but also represents an increase in premium to approximately 27.8% to the 49% of net asset value of Ngai Shun Construction as at 31 March 2016, as compared to a premium of only approximately 18.1% for the Previous Disposal, the Consideration has been revised for the Shareholders to consider and make their judgments and decisions during the EGM on whether they are supporting or voting against the Disposal. Moreover, it helps to generate an immediate gain of approximately HK\$22.8 million (before deducting the estimated expenses) for the Company; (ii) the net asset value of Ngai Shun Construction is expected to decrease further in the future due to the expected continuous loss resulting from the uncertainties over foundation industry and slow approval progress of infrastructure projects by means of filibustering by the Legislative Council of Hong Kong, together with the intense competition in tender with other subcontractors, therefore the financial performance of Ngai Shun Construction certainly to be impaired; (iii) the adjustment mechanism provides an opportunity to maximize Shareholders' interest by raising the consideration in line with the Completion NAV while remaining unchanged if the Completion NAV decreases; and (iv) it would be difficult to secure another potential purchaser to purchase at the present consideration as the foundation business is going downhill, indicated by the decreasing net asset value of Ngai Shun Construction. The Directors consider the Disposal as an opportunity to capture the maximum investment return while the foundation industry is uncertain. Although the Pearl Swirls Group contributed a gain of approximately HK\$4.7 million for the year ended 31 March 2016, a loss of approximately HK\$10.9 million for the three months period ended 30 June 2016 recorded the biggest loss since the Company listed in 2013. Given the downturn trend of the foundation industry, the foundation business may not generate the same amount of approximately HK\$22.8 million profit (before deducting the estimated expenses) as the Disposal would have.

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## LETTER FROM THE BOARD

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The Directors have been continuously evaluating the current business strategies of the Group with an aim to streamline its business, increase its overall performance and prospect, and its attractiveness to the investors in the market. They generally do not foresee any strong or high growth potential in foundation industry, coupled with the decrease in the turnover of the Pearl Swirls Group, all of which translated into concerns as to the Company's limited option and ability for future fund raising and a need of the Group's strategy to streamline the principal businesses with an aim to optimise the Group's prospect. As at the Latest Practicable Date, the Directors have yet to explore other opportunities to improve the financial position of the Group apart from re-negotiating the Disposal. Since the Previous Disposal being voted down by the Shareholders, the Directors have re-evaluated the structure of the Disposal and considered that the Disposal represents a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities on, including but not limited to, the existing businesses such as property development business for the following reasons:

**(i) Enhance and strengthen the financial position and cash flow of the Group**

As the Disposal will enhance and strengthen the financial position and cash flow of the Group, the Company and the Purchaser re-negotiated the consideration of the Disposal from HK\$73,883,694.94 to HK\$80,000,000.00 which is beneficial to the Company as the consideration was previously set at the net asset value of Ngai Shun Construction whereas the current negotiation is set at a premium to the net asset value of Ngai Shun Construction as at 31 March 2016, given that the net asset value of Ngai Shun Construction has been decreasing for the three months ended 30 June 2016.

**(ii) Consideration for the Disposal represents a premium**

The Consideration, a premium to the net asset value of Ngai Shun Construction, will remain unchanged if the Pearl Swirls Group continues to make a loss. The Consideration will adjust upward with reference to the increased net asset value of Ngai Shun Construction if the Pearl Swirls Group is making a profit. The adjustment mechanism of the Consideration is beneficial to the Company by allowing it to yield a reasonable gain from the loss-making subsidiaries.

**(iii) Improve debt structure and liquidity of the Group**

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\$80,000,000 will be offset by part of the Debt owed to the Purchaser by the Company. The aforesaid partial set-off of the Debt can (i) reduce the Group's debts by HK\$80,000,000, which represents approximately 62.3% of the outstanding amount of the Debt (together with interest incurred thereon) of HK\$128,357,826 as at the date of the Agreement; (ii) reduce the finance cost by approximately HK\$3.58 million per year borne by the Group as a substantial part of the Debt's principal are repaid; (iii) improve the Group's liquidity as the repayment pressure of the majority part of the Debt is alleviated without cash outlay; and (iv) moderate the Group's gearing level thereby strengthening the Group's financial position.

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## LETTER FROM THE BOARD

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### **(iv) Poor prospects of the foundation industry**

The Directors are of the view that the changing 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 projects totally of HK\$7.6 billion were approved. Accordingly, nothing close to the scheduled HK\$67.5 billion was approved by the time of the July summer recess. Due to the slow approval progress of new infrastructure projects at 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 a 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 no public projects with contract sum of more than HK\$50 million as at 31 March 2016. 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\$166.6 million as at 31 March 2016. Due to fewer public projects, more subcontractors competed in the private projects and thus Ngai Shun Construction needed to discount a lot in the tenders to get the bid, which further reduced the profit margin.

### **(v) Competitive market which affects pricing strategy**

The construction boom in last few years also allowed more subcontractors to be listed to enlarge their business size. Together with the impact of fewer public projects, there is increased competition in the private sector and the Group needs to adjust its pricing strategy to have more discounts in the tenders, which further affect the profit margin. 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 54.0%. 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 81.7%.

### **(vi) Change of business focus to property development business**

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. The

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## LETTER FROM THE BOARD

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Directors expect that the foundation business in public sectors may decrease further and the Group therefore intends to allocate more resources in developing the Group's property development business and other potential business opportunities.

The Group's property development business represents the acquired property project located in a parcel of land situated on the western shores of 南湖 (Nanhu Lake<sup>#</sup>), Yueyang, Hunan province, the PRC (the "**Property Project**"). 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 compound annual growth rate (the "**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. 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. The Directors 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 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.

### **(vii) Additional capital resources from the Disposal**

As the aforesaid acquisition of the Property Project was completed on 24 November 2015, 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

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## LETTER FROM THE BOARD

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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 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.

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 Holding Limited 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, the Directors are of the view that the reallocation of the Group's



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## LETTER FROM THE BOARD

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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.

As at the Latest Practicable Date, 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.

Having taking into account that (i) the poor financial performance of the Pearl Swirls Group as its financial performance for the three months ended 30 June 2016 was weakening; (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) reasons and benefits of the Disposal and the estimated gain of approximately HK\$22.8 million (before deducting the estimated expenses) from the Disposal; (iv) an opportunity provided to the Group 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; and (v) offsetting the Consideration by the majority part of the Debt to reduce the finance cost borne by the Group, alleviate the repayment pressure of the majority part of the Debt on the Group without cash outlay, and moderate the Group's gearing level thereby strengthening the Group's financial position, despite the Shareholders have voted against the Disposal previously, the Directors once again proposed the same Disposal and considered that the Disposal together the terms of the Agreement (including the consideration for the Disposal) are fair and reasonable and 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.

The consideration for the Disposal will be offset by part of the Debt owing to the Purchaser by the Company and there will be no cash proceed received from the Disposal. The Company expects to recognise a gain on disposal of approximately HK\$21.7 million (before tax) from the Disposal after deducting the estimated expenses attributable to the Disposal of approximately HK\$1.1 million, taking into account the net asset value of Ngai Shun Construction as at 30 June 2016. 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.

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## LETTER FROM THE BOARD

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

Dr. Wong and Mr. Lam are directors of Ngai Shun Construction and hence are connected persons of the Company at the subsidiary level. 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 each of Dr. Wong and Mr. Lam and is a connected person of the Company. The Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Given that (i) the Board has approved the Disposal; and (ii) the independent non-executive Directors have confirmed that (A) the terms of the Disposal are fair and reasonable; (B) the Disposal is on normal commercial terms or better; and (C) the Disposal is in the interests of the Company and the Shareholders as a whole, the Disposal is exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

### EGM

A notice convening the EGM at which resolution will be proposed to consider, and if thought fit, to approve the 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 Thursday, 22 September 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, which is interested in 106,000,000 Shares, representing approximately 1.64% of the total issued share capital of the Company, as at the Latest Practicable Date), and Dr. Wong (which is directly interested 9,300,000 Shares, representing approximately 0.14% of the total issued share capital of the Company as at the Latest Practicable Date), are required to abstain from voting on the relevant resolution to approve the Agreement and the transactions contemplated thereunder

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## LETTER FROM THE BOARD

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at the EGM. Save as disclosed, 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 considers that the 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 recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

### 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*



## 1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Financial information of the Group for the two years ended 31 March 2015 and 2016 are disclosed in the annual reports of the Company for the years ended 31 March 2015 and 2016, respectively, which are published on both the website of the Stock Exchange and the website of the Company. Quick links to the annual reports of the Company are set out below:

annual report of the Company for the year ended 31 March 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0720/LTN20150720773.pdf>

annual report of the Company for the year ended 31 March 2016:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728278.pdf>

### **Foundation business**

The foundation industry in Hong Kong has been adversely affected by the political environment and experienced a downfall during the year. There was a serious delay in approving new infrastructure projects by the Legislative Council of Hong Kong and the Legco Finance Committee 2015–16 sessions. Although 72 projects totalling HK\$67.5 billion has been scheduled to submit for budget approval, only projects totalling of HK\$7.6 billion were approved. Accordingly, nothing close to the scheduled HK\$67.5 billion was approved by the time of July summer recess. The construction boom in last few years also allowed more subcontractors to be listed to enlarge their business size. Together with the impact of fewer public projects, there is increased competition in the private sector and the Group needs to adjust its pricing strategy to have more discounts in the tenders, which further affect the profit margin.

Under such market situation, the business prospects of foundation business will be uncertain and the Group foresees that the decreasing trend will be recurring and continuing.

### **Property development business**

Economy of the PRC has been expanding at a high but stable rate. Domestic consumption has recently contributed more and more to 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 development 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 development business.

### **Investment Securities**

Since investment securities became one of its principal business activities during the current year, the Group has been continuously evaluating the performance of its existing investment portfolio and looking for other investment opportunities. The Group will be cautious in making investment decisions based on the then market situation to obtain a balance between risk and return. Such investment decisions may include diversifying the Group's investment portfolio, investing in new listed securities or disposing its existing listed securities.

### **Provision of Catering Services**

The provision of catering services business, especially those providing high-standard cuisine and targeting at high-value customers, is a promising opportunity in Hong Kong. As people's tastes and requirements on restaurant continuously upgrades, the management is of the view that demand for high-quality restaurant will be even higher in the future.

Coupled with the satisfactory profitability of the Group's provision of catering services business, the management is optimistic on its future performance.

## **2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 June 2016, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had:

- (i) unsecured interest-bearing loans from independent third parties of approximately HK\$1,147 million;
- (ii) interest-bearing bank borrowings of approximately HK\$32 million guaranteed by the two directors of the Group's subsidiary; and
- (iii) unsecured interest-bearing loan from a related company of approximately HK\$128 million.

As at 30 June 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 30 June 2016.

Save as the aforesaid and intra-group liabilities and normal trade payables, as at the close of business on 30 June 2016, the Group did not 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 payables) 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 2016, 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 and available financial facilities, the Group will have sufficient working capital to meet its present requirements for at least the next 12 months from the date 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, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any member of the Group.

No Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 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 2016 (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 judgments or enter into settlements of claims that could adversely affect its operating results or cash flows in a particular period.

As at 30 June 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 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 (as supplemental by the supplemental agreement dated 4 November 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 for a consideration of HK\$1,000 million;
- (v) 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;

- (vi) 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; and
- (vii) 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.

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. MISCELLANEOUS

- (i) The registered office of the Company is situated at P.O. Box 1350, Clifton House, 75 Fort Street, 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.

## 9. 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 annual reports for each of the two financial years ended 31 March 2015 and 2016;

- (iii) the material contracts referred to under the paragraph headed “Material Contracts” in this appendix; and
- (iv) this circular.



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## NOTICE OF EGM

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### **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 Thursday, 22 September 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as an ordinary resolution of the Company:

#### **ORDINARY RESOLUTION**

“**THAT**

- (a) the Agreement entered into between Excellent Speed Limited and the Company dated 25 July 2016 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 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, 31 August 2016

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## NOTICE OF EGM

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**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.