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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

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## SUN CENTURY GROUP LIMITED

太陽世紀集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1383)

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION IN RELATION TO DEBT RESTRUCTURING  
INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;  
(III) CLOSURE OF REGISTER OF MEMBERS; AND  
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



Underwriters of the Rights Issue

Fame Select Limited



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



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

A letter of advice from New Spring Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 90 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 49 to 50 of this circular.

A notice convening the EGM to be held at Lecture Room B, The Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen's Road Central, Hong Kong at 3:00 p.m. on Monday, 14 November 2016 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. 3:00 p.m. on Saturday, 12 November 2016) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company at the close of business on the Record Date. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) with the Registrar, by no later than 4:30 p.m. on Thursday, 17 November 2016. Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 16 November 2016 and that dealings in the Shares will take place while the conditions to which the Rights Issue is subject to remain unfulfilled. Any dealings by the Shareholders and other persons in the Shares between the Latest Practicable Date and the date on which the Rights Issue becomes unconditional (which is expected to be at 4:00 p.m. on Friday, 9 December 2016), and any dealings in the Rights Shares in their nil-paid form from Thursday, 24 November 2016 to Thursday, 1 December 2016 (both dates inclusive), will be at their own risk and if they are in any doubt about their position, they should consult their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate their obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on pages 9 to 11 of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 20 September 2016 in relation to, among other things, the Rights Issue and the Debt Restructuring
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business and on which the Stock Exchange is open for normal trading, other than a Saturday or a Sunday or a public holiday or a day on which a “black” rainstorm warning signal or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“CB Subscription Agreement”	the agreement dated 20 September 2016 (as amended and supplemented by the extension letter dated 13 October 2016) entered into between the Company and Fame Select in relation to the subscription of the Convertible Bonds by Fame Select
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Sun Century Group Limited, a company incorporated in the Cayman Islands with limited liability and its issued Shares are listed on the Main Board of the Stock Exchange (stock code: 1383)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.26 per Conversion Share, subject to adjustments

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## DEFINITIONS

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“Conversion Shares”	new Shares to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the two-year zero coupon convertible bonds in the aggregate principal amount of HK\$570,000,000 to be issued by the Company to Fame Select
“Debt Restructuring”	the replacement of the Loan by the issue of the Convertible Bonds
“Deed of Set-Off”	the deed of set-off to be entered into between the Company and Fame Select upon completion of the CB Subscription Agreement in respect of the set-off of the balance of the Loan on a dollar-for-dollar basis against the total subscription price payable by Fame Select in respect of the subscription of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EAF”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for the excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement
“Fame Select”	Fame Select Limited, a company incorporated in the BVI with limited liability, which was interested in 861,048,842 Shares, representing approximately 57.31% of the existing issued share capital of the Company, and the Controlling Shareholder as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement
“Independent Shareholders(s)”	Shareholder(s) other than Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with, the Company and its connected persons
“Irrevocable Undertaking”	the irrevocable undertaking given by Fame Select pursuant to the Underwriting Agreement
“Last Trading Day”	20 September 2016, being the last trading day immediately prior to the publication of the Announcement
“Latest Practicable Date”	24 October 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 6 December 2016 or such other date as may be agreed between the Company and the Underwriters in writing, being the last day for acceptance of and payment for the Rights Issue
“Latest Time for Termination”	4:00 p.m. on the third Business Day following (but excluding) the date of the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Loan”	the aggregate amount of the loan together with the interests accrued thereon owed by the Company to Fame Select, which as at the Latest Practicable Date included the principal amount of HK\$525,374,700 and the accrued interests of HK\$45,067,579
“Macau”	the Macau Special Administrative Region of the PRC
“Mr. Chau”	Mr. Chau Cheok Wa, the Chairman of the Company, an executive Director, and the Controlling Shareholder
“New Spring Capital” or “Independent Financial Adviser”	New Spring Capital Limited, a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiry regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, consider it necessary or expedient to exclude them from the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) (as shown in the register of members of the Company on the Record Date) is/are outside Hong Kong
“PAL”	the provisional allotment letter(s) to be despatched to the Qualifying Shareholders in respect of their assured entitlements under the Rights Issue
“PRC”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF

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## DEFINITIONS

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“Prospectus Posting Date”	Tuesday, 22 November 2016, or such date as may be agreed between the Company and the Underwriters for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholder(s), whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 21 November 2016, being the record date for determination of entitlements to the Rights Issue, or such later date as may be agreed between the Company and the Underwriters in writing
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong
“Rights Issue”	the issue of the Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date
“Rights Share(s)”	the new Share(s) to be allotted and issued in respect of the Rights Issue, being not less than 4,506,944,175 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including Record Date) and not more than 4,803,587,904 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company conditionally adopted by the Company on 31 January 2007
“Share Options”	the share options of the Company granted pursuant to the Share Option Scheme

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## DEFINITIONS

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“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.20 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriters”	Fame Select and VMS Securities
“Underwriting Agreement”	the underwriting agreement dated 20 September 2016 (as amended and supplemented by the extension letters dated 13 October 2016 and 25 October 2016 respectively) entered into between the Company and the Underwriters in relation to the Rights Issue
“Underwritten Shares”	the Rights Shares, other than the 2,583,146,526 Rights Shares undertaken to be taken up by Fame Select pursuant to the Irrevocable Undertaking
“Untaken Shares”	any of the Underwritten Shares not taken up by the Qualifying Shareholders under the Rights Issue on or before the Latest Time for Acceptance
“VMS Securities”	VMS Securities Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For ease of reference and unless otherwise specified in this circular, sums in HK\$ and RMB in this circular are translated at the exchange rate of RMB1 = HK\$1.17. This does not necessarily imply that HK\$ could be converted into RMB, or vice versa, at such exchange rate.*



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## EXPECTED TIMETABLE

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*All dates and times in this circular refer to Hong Kong date and time. The expected timetable for the Rights Issue set out below is indicative only. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.*

**Event** **2016**

Latest time for lodging transfers of the Shares in order  
to qualify for attendance and voting at the EGM. . . . . 4:30 p.m. on Thursday, 10 November

Closure of register of members for determination  
of the identity of the Shareholders entitled to attend  
and vote at the EGM (both dates inclusive) . . . . . From Friday, 11 November  
to Monday, 14 November

Latest time for lodging proxy forms for the EGM. . . . . 3:00 p.m. on Saturday, 12 November

Expected time and date of the EGM. . . . . 3:00 p.m. on Monday, 14 November

Announcement of poll results of the EGM. . . . . Monday, 14 November

Last day of dealings in the Shares on a cum-rights basis . . . . . Tuesday, 15 November

First day of dealings in the Shares on an ex-rights basis . . . . . Wednesday, 16 November

Latest time for lodging transfers of the Shares in order to  
qualify for the Rights Issue . . . . . 4:30 p.m. on Thursday, 17 November

Closure of register of members for determination  
of entitlements to the Rights Issue (both dates inclusive) . . . . . From Friday, 18 November  
to Monday, 21 November

Record Date for determination of entitlements to the Rights Issue. . . . . Monday, 21 November

Re-opening of the register of members of the Company . . . . . Tuesday, 22 November

Despatch of Prospectus Documents (in the case  
of the Non-Qualifying Shareholders, the Prospectus only). . . . . Tuesday, 22 November

First day of dealings in the nil-paid Rights Shares . . . . . Thursday, 24 November

Latest time for splitting of the nil-paid Rights Shares . . . . . 4:30 p.m. on Monday, 28 November

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## EXPECTED TIMETABLE

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2016

Last day of dealings in the nil-paid Rights Shares . . . . .	Thursday, 1 December
Latest Time for Acceptance and payment for the Rights Shares . . . . .	4:00 p.m. on Tuesday, 6 December
Latest Time for Termination and the Rights Issue becomes unconditional . . . . .	4:00 p.m. on Friday, 9 December
Announcement of the results of the Rights Issue . . . . .	Thursday, 15 December
Despatch of certificates for the fully-paid Rights Shares . . . . .	Friday, 16 December
Despatch of refund cheques for wholly or partly unsuccessful applications for excess Rights Shares or if the Rights Issue is terminated . . . . .	Friday, 16 December
Expected first day of dealings in the fully-paid Rights Shares . . . . .	9:00 a.m. on Monday, 19 December

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES**

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Tuesday, 6 December 2016, being the date of the Latest Time for Acceptance:

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

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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (iv) there is any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) there is any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (vi) the Announcement, this circular or the Prospectus Documents when published contain(s) information (either as to business prospects or the financial condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of any of the Underwriters is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements of Rights Shares under the Rights Issue; or
- (vii) there is any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the absolute opinion of any of the Underwriters, a material omission in the context of the Rights Issue; or
- (viii) there is any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, this circular or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (ix) there is any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

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

Any of the Underwriters shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of any of the Underwriters; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (ii) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of any of the Underwriters.

**Any such notice shall be served by any of the Underwriters prior to the Latest Time for Termination. If any of the Underwriters terminates the Underwriting Agreement, the Rights Issue will not proceed.**

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LETTER FROM THE BOARD

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**SUN CENTURY GROUP LIMITED**

**太陽世紀集團有限公司**

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

**(Stock Code: 1383)**

*Executive Directors:*

Mr. Chau Cheok Wa (*Chairman*)

Ms. Yeung So Mui

Ms. Cheng Mei Ching

Ms. Yeung So Lai

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Mr. Tou Kin Chuen

Dr. Wu Kam Fun, Roderick

Mr. Lo Wai Tung, John

*Principal place of business*

*in Hong Kong:*

Room 1201-1202, 12/F

China Merchants Tower

Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

28 October 2016

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE;  
(II) CONNECTED TRANSACTION IN RELATION TO DEBT  
RESTRUCTURING INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER  
SPECIFIC MANDATE; AND  
(III) CLOSURE OF REGISTER OF MEMBERS**

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## LETTER FROM THE BOARD

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### INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Debt Restructuring.

The Company proposed to raise gross proceeds of not less than approximately HK\$901.4 million and not more than approximately HK\$960.7 million by way of the Rights Issue. Fame Select has irrevocably undertaken to accept its entitlements and subscribe for 2,583,146,526 Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK\$892.9 million and not more than approximately HK\$952.3 million. The Rights Issue (subject to the Irrevocable Undertaking) will be fully underwritten by the Underwriters on the terms and conditions set out in the Underwriting Agreement.

Besides, on 20 September 2016, after trading hours, the Company entered into the CB Subscription Agreement with Fame Select, pursuant to which Fame Select has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$570,000,000. Pursuant to the CB Subscription Agreement, the subscription price payable by Fame Select in respect of the subscription of the Convertible Bonds shall be satisfied by setting off against the balance of the Loan on a dollar-for-dollar basis pursuant to the Deed of Set-Off to be entered into upon completion of the CB Subscription Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement; (iii) the letter from New Spring Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement; (iv) the financial information and other general information of the Group; and (v) the notice of the EGM.

### THE RIGHTS ISSUE

The Board proposed the Rights Issue, details of which are summarised below:

#### Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,502,314,725

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## LETTER FROM THE BOARD

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Number of Rights Shares	:	Not less than 4,506,944,175 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 4,803,587,904 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
Aggregate nominal value of the Rights Shares	:	Not less than HK\$450,694,417.5 and not more than HK\$480,358,790.4
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Not less than 6,009,258,900 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 6,404,783,872 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date)
Number of Underwritten Shares	:	Not less than 1,923,797,649 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 2,220,441,378 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date), being the total number of the Rights Shares less a total of 2,583,146,526 Rights Shares undertaken to be taken up by Fame Select pursuant to the Irrevocable Undertaking
Underwriters	:	(i) Fame Select; and (ii) VMS Securities



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 98,881,243 new Shares. Details of which are set out below:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price (HK\$)</b>	<b>Number of underlying Shares</b>
15 May 2007	15 November 2007 – 14 May 2017	4.78	5,520,001
10 October 2007	10 April 2008 – 9 October 2017	7.78	384,318
13 February 2008	13 August 2008 – 12 February 2018	4.42	3,076,924
12 December 2013	13 December 2013 – 11 December 2023	0.398	89,900,000
<b>Total</b>			<b>98,881,243</b>

To the best of the Directors' knowledge and information and belief having made all reasonable enquiries, each of the holders of the outstanding Share Options is an Independent Third Party.

Save for the Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not received any notice from the holders of the outstanding Share Options of their intention to exercise any Share Options.

Assuming no exercise of the outstanding Share Options and no issue of new Shares (other than the Rights Shares) or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date, the aggregate number of the Rights Shares represents (i) 300% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

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## LETTER FROM THE BOARD

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### The Subscription Price

The Subscription Price of HK\$0.20 per Rights Share will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment under the Rights Issue and, where applicable, application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares, which represents:

- (i) a discount of approximately 13.8% to the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of 20.0% to the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 20.6% to the average of the closing prices of HK\$0.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 22.2% to the average of the closing prices of HK\$0.257 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 25.1% to the average of the closing prices of approximately HK\$0.267 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 6.1% to the theoretical ex-rights price of approximately HK\$0.213 per Share based on the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 14.38 times over the unaudited consolidated net asset value per Share of approximately HK\$0.013 as at 30 June 2016 (which is calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately RMB16,814,000 (equivalent to approximately HK\$19,672,380) and 1,502,314,725 Shares in issue as at the Latest Practicable Date).

The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriters with reference to (i) the recent market prices of the Shares under the prevailing market and economic conditions; (ii) the net loss of the Group since the financial year ended 31 December 2013; and (iii) the funding needs of the Group as detailed in the section headed "Use of proceeds and reasons for the Rights Issue and the Debt Restructuring" below.

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## LETTER FROM THE BOARD

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Given that (i) the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date; (ii) the Subscription Price has been set at a discount to the recent closing prices of the Shares with a view to encourage the existing Shareholders to participate in the Rights Issue; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group, the Directors (including the independent non-executive Directors whose view are set out in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

**If the conditions of the Underwriting Agreement which include but not limited to, the Independent Shareholders' approval at the EGM, are not fulfilled, the Rights Issue will not proceed.**

For the avoidance of doubt, the Rights Issue is not conditional upon completion of the CB Subscription Agreement.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in their nil-paid form) for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

### **Status of the Rights Shares**

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

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders and Non-Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or instrument(s) of transfer) must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Thursday, 17 November 2016.

The Company will send the Prospectus Documents, including the Prospectus, the PAL and the EAF, to the Qualifying Shareholders on or before Tuesday, 22 November 2016. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus only, to the Non-Qualifying Shareholders (if any) for information purpose.

Arrangements will be made for the Rights Shares (in their nil-paid form) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day of dealings in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale will be paid pro rata to the Non-Qualifying Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-Qualifying Shareholders in the Rights Issue will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement. For the avoidance of doubt, the Non-Qualifying Shareholders (if any) will be entitled to vote on the resolution in relation to the Rights Issue at the EGM.

### **Rights of the Overseas Shareholders**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, the Company had one (1) Overseas Shareholder with registered address situated in the PRC.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Board had made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder. Based on the enquiries made to the Company's legal advisers as to the laws of the PRC, the Directors are of the view that it is expedient to extend the Rights Issue to the Overseas Shareholder located in the PRC as there are no legal restrictions prohibiting the making of the Rights Issue in such jurisdiction and no local legal or regulatory compliance is required to be made in such jurisdiction. As a result, there is no Non-Qualifying Shareholder for the purpose of the Rights Issue.

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## LETTER FROM THE BOARD

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**It is the responsibility of the Shareholders, including the Overseas Shareholders, to observe the local legal and regulatory requirements applicable to them for the taking up and onward sale (if applicable) of the Rights Shares.**

### **Fractional entitlement to the Rights Shares**

On the basis of provisional allotment of three (3) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Application for excess Rights Shares**

Qualifying Shareholders shall be entitled to apply for:

- (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders and which cannot be sold at a net premium; and
- (ii) any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders.

Application may be made by completing the EAF for the excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis as far as practicable based on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares being applied for by them.

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## LETTER FROM THE BOARD

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Shareholders with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:30 p.m. on Thursday, 17 November 2016.

### **Share certificates for the Rights Shares**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted by Friday, 16 December 2016 to those entitled thereto by ordinary post at their own risks.

### **Application for listing of the Rights Shares**

The Company has applied to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty and other applicable fees and charges in Hong Kong.

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## LETTER FROM THE BOARD

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### IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Fame Select was interested in 861,048,842 Shares, representing approximately 57.31% of the existing issued share capital of the Company, and was the Controlling Shareholder. Fame Select has irrevocably undertaken to the Company and to VMS Securities that, it will (i) not dispose of, or agree to dispose of, any Shares held by it from the date of the Irrevocable Undertaking up to the close of business on the Record Date; (ii) accept or procure the acceptance for the 2,583,146,526 Rights Shares to which Fame Select is entitled pursuant to the Rights Issue; and (iii) lodge the PAL in respect of the 2,583,146,526 Rights Shares and comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

### UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

#### Principal terms of the Underwriting Agreement

- Date** : 20 September 2016 (as amended and supplemented on 13 October 2016 and 25 October 2016)
- Parties** : (i) The Company;
- (ii) Fame Select, being one of the Underwriters; and
- (iii) VMS Securities, being one of the Underwriters.

Fame Select is a company incorporated in the BVI with limited liability and is owned as to 50% by Mr. Chau, the Chairman of the Company and an executive Director, and as to 50% by Mr. Cheng Ting Kong, the spouse of Ms. Yeung So Mui, an executive Director. As at the Latest Practicable Date, Fame Select was interested in 861,048,842 Shares, representing approximately 57.31% of the existing issued share capital of the Company, and was the Controlling Shareholder. The principal business of Fame Select does not include underwriting.

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## LETTER FROM THE BOARD

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VMS Securities is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, and its principal business includes underwriting. As at the Latest Practicable Date, VMS Securities did not hold any Shares. To the best of the Directors' knowledge and information and belief having made all reasonable enquiries, VMS Securities and its ultimate beneficial owner are Independent Third Parties.

**Number of the Underwritten Shares** : The Rights Issue is, subject to the Irrevocable Undertaking, fully underwritten by the Underwriters.

The total number of the Underwritten Shares shall be not less than 1,923,797,649 Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 2,220,441,378 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date), being the total number of the Rights Shares less a total of 2,583,146,526 Rights Shares undertaken to be taken up by Fame Select pursuant to the Irrevocable Undertaking.



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## LETTER FROM THE BOARD

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Pursuant to the Underwriting Agreement,

- (i) Fame Select shall have the priority to underwrite not less than 1,062,748,807 Underwritten Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 1,359,392,536 Underwritten Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) at the Subscription Price, provided that Fame Select together with its associates and parties acting in concert with any of them shall not in aggregate hold more than 75% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares) immediately upon completion of the Rights Issue; and
- (ii) VMS Securities shall underwrite the remaining Underwritten Shares, being 861,048,842 Underwritten Shares, at the Subscription Price.

Such allocation of underwriting commitment between the Underwriters can be modified by mutual agreement between the Underwriters, provided that (i) other obligations of the Underwriters and all other terms and conditions of the Underwriting Agreement shall remain unchanged; (ii) all the Underwriters shall notify the Company in writing such modification of underwriting commitment forthwith; and (iii) such allocation of underwriting commitment between the Underwriters will not trigger the obligations of any Underwriters pursuant to Rule 26.1 of the Takeovers Code.

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## LETTER FROM THE BOARD

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**Commission** : No underwriting commission will be payable by the Company to Fame Select under the Underwriting Agreement.

The Company will pay VMS Securities an underwriting commission of 3% of the aggregate subscription monies attributable to the portion of the Underwritten Shares underwritten by it.

The commission rate was determined after arm's length negotiation between the Company and VMS Securities with reference to, among other things, the Subscription Price, the underwriting obligation undertaken by it, the market condition, the historical financial performance of the Group and the prevailing market rate for the underwriting commission. The Directors (excluding the independent non-executive Directors who will form their views after considering the advice from New Spring Capital) consider the terms of the Underwriting Agreement, including the commission rate payable to VMS Securities, are fair and reasonable so far as the Company and the Shareholders are concerned.

Pursuant to the Underwriting Agreement, in the event that VMS Securities being called upon to subscribe for or procure subscribers to subscribe for the Untaken Shares, VMS Securities shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it shall be an Independent Third Party and each of such subscribers and itself shall not, together with any of his/her/its associates and any party acting in concert (within the meaning of the Takeovers Code) with him/her/it, hold 10% or more of the voting rights of the Company immediately upon completion of the Rights Issue. VMS Securities has subsequently entered into sub-underwriting agreements with certain sub-underwriters, pursuant to which (i) the sub-underwriting commitment of each sub-underwriter on the Untaken Shares is less than 5% of the voting right of the Company immediately upon completion of the Right Issue; and (ii) each of the sub-underwriters undertakes that each of them will not, and will procure each of the subscribers procured and nominated by each of them in respect of any or all of the relevant Untaken Shares and their respective associates will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue. On this basis, the Company will be able to satisfy the public float requirements under Rule 8.08(1) of the Listing Rules immediately upon completion of the Rights Issue, and will continue to comply with the public float requirements after completion of the Rights Issue.

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## LETTER FROM THE BOARD

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### Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon:

- (i) the passing by the Independent Shareholders at the relevant EGM of an ordinary resolution to approve the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Rights Shares, by no later than the Prospectus Posting Date;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one (1) copy of each of the Prospectus Documents duly signed by two (2) Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in both their nil-paid and fully-paid forms) by no later than the Business Day prior to the first day of their dealings;
- (v) the Underwriting Agreement is not being terminated by any of the Underwriters pursuant to the terms thereof at or before the Latest Time for Termination;
- (vi) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects; and
- (vii) compliance with and performance of all undertakings and obligations of Fame Select under the Irrevocable Undertaking.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the Latest Time for Termination (or such other time and date as the Company and the Underwriters may agree in writing) and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

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## LETTER FROM THE BOARD

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The above conditions (other than condition (vi) which can only be waived jointly by the Underwriters) are incapable of being waived. If the above conditions are not satisfied or waived (as the case may be) by the Latest Time for Termination or such other date as the Company and the Underwriters may agree, the Underwriting Agreement shall terminate (save and except clauses in relation to, among others, the underwriting commission payable by the Company to VMS Securities (if any), which shall remain in full force and effect) and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived (as the case may be).

### DEBT RESTRUCTURING

On 20 September 2016, after trading hours, the Company entered into the CB Subscription Agreement (as amended and supplemented by the extension letter dated 13 October 2016) with Fame Select, pursuant to which Fame Select has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$570,000,000.

As at the Latest Practicable Date, the Company was indebted to Fame Select the Loan, which included the principal amount of HK\$525,374,700 and the accrued interests of HK\$45,067,579. The Loan is unsecured, repayable on demand and bearing an interest at 2% per annum.

Pursuant to the CB Subscription Agreement, the subscription price payable by Fame Select in respect of the subscription of the Convertible Bonds shall be satisfied by setting off against the balance of the Loan on a dollar-for-dollar basis pursuant to the Deed of Set-Off to be entered into upon completion of the CB Subscription Agreement.

The principal terms of the Convertible Bonds are summarised as follows:

Issue price	:	100% of the principal amount of the Convertible Bonds.
Denomination	:	The Convertible Bonds shall be issued in authorised denomination of HK\$3,000,000 each and integral multiples thereof.
Interest rate	:	The Convertible Bonds shall not bear any interest.
Maturity Date	:	The date falling two (2) years from the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day (the “ <b>Maturity Date</b> ”).

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## LETTER FROM THE BOARD

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Redemption : Any amount of the Convertible Bonds which remains outstanding on the Maturity Date shall be redeemed at its then outstanding principal amount.

The Company may at any time before the Maturity Date by serving at least ten (10) days' prior written notice on the holder(s) of the Convertible Bonds with the total amount proposed to be redeemed from the holder(s) of the Convertible Bonds specified therein, redeem the Convertible Bonds (in whole or in part (in authorised denominations)) at 100% of the principal amount of such Convertible Bonds.

Any amount of the Convertible Bonds which is redeemed or converted will forthwith be cancelled. Certificate in respect of the Convertible Bonds cancelled will be forwarded to or to the order of the Company and such Convertible Bonds may not be reissued or resold.

Conversion period : Provided that any conversion of the Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company, the holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Convertible Bonds, have the right at any time during the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date to convert the whole or part (in authorised denominations) of the outstanding principal amount of Convertible Bonds registered in its name into Shares at the Conversion Price.

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## LETTER FROM THE BOARD

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- Conversion Price : The initial Conversion Price of HK\$0.26 per Conversion Share was determined after arm's length negotiations between the Company and Fame Select with reference to the prevailing market price of the Shares and the theoretical ex-rights price under the Rights Issue, and represents:
- (i) a premium of approximately 12.1% over the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
  - (ii) a premium of 4.0% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;
  - (iii) a premium of approximately 3.2% over the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
  - (iv) a premium of approximately 1.2% over the average closing price of HK\$0.257 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
  - (v) a premium of approximately 22.1% over the theoretical ex-rights price of approximately HK\$0.213 per Share based on the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day; and
  - (vi) a premium of approximately 19 times over the unaudited consolidated net asset value per Share of approximately HK\$0.013 as at 30 June 2016 (which is calculated based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2016 of approximately RMB16,814,000 (equivalent to approximately HK\$19,672,380) and 1,502,314,725 Shares in issue as at the Latest Practicable Date).

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## LETTER FROM THE BOARD

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The initial Conversion Price is subject to customary anti-dilution adjustment(s) contained in the terms of the Convertible Bonds upon the occurrence of any of the following events:

- (i) If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount.
- (ii) If and whenever the Company shall issue any Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund), other than an issue of Shares paid-up out of profits or reserves and issued in lieu of the whole or part of a specifically declared cash dividend, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the aggregate nominal amount of the issued Shares immediately before such issue and dividing the result by the sum of such aggregate nominal amount and the aggregate nominal amount of the Shares issued in such capitalisation.
- (iii) If and whenever the Company shall make any capital distribution to holders (in their capacity as such) of Shares (whether on a reduction of capital or otherwise) or shall grant to such holders rights to acquire for cash assets of the Company or any of its subsidiaries, the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{A - B}{A}$$

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## LETTER FROM THE BOARD

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where:

A = the Market Price (as defined below) on the date on which the capital distribution or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the capital distribution or, as the case may be, of the grant; and

B = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank or the auditors of the Company for the time being, of the portion of the capital distribution or of such rights which is attributable to one Share,

provided that:

(aa) if in the opinion of the relevant approved merchant bank or the auditors of the Company for the time being, the use of the fair market value as aforesaid produces a result which is significantly inequitable, it may instead determine (and in such event the above formula shall be construed as if B meant) the amount of the said Market Price which should properly be attributed to the value of the capital distribution or rights; and

(bb) the provisions of this sub-paragraph (iii) shall not apply in relation to the issue of Shares paid out of profits or reserves and issued in lieu of a cash dividend.



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## LETTER FROM THE BOARD

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Market Price is defined as the average of the closing prices of one Share on the Stock Exchange for each of the last five (5) Stock Exchange dealing days on which dealings in the Shares on the Stock Exchange took place ending on the last such dealing day preceding the day on or as of which the Market Price is to be ascertained.

- (iv) Save for the Rights Issue, if and whenever the Company shall offer to holders of Shares new Shares for subscription by way of rights, or shall grant to holders of Shares any options or warrants to subscribe for new Shares, at a price which is less than 80% of the Market Price at the date of the announcement of the terms of the offer or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants. Provided however that no such adjustment shall be made if the Company shall make a like offer or grant (as the case may be) at the same time to the holder of the Convertible Bonds (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong) as if it had exercised the conversion rights under the Convertible Bonds registered in its name in full on the day immediately preceding the record date for such offer or grant.

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## LETTER FROM THE BOARD

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- (v) (aa) If and whenever the Company shall issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 80% of the Market Price at the date of the announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the total effective consideration receivable for the securities issued would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

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## LETTER FROM THE BOARD

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- (bb) If and whenever the rights of conversion or exchange or subscription attached to any such securities as are mentioned in section (aa) of this sub-paragraph (v) are modified so that the total effective consideration per Share initially receivable for such securities shall be less than 80% of the Market Price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by a fraction of which the numerator is the number of Shares in issue immediately before the date of such modification plus the number of Shares which the total effective consideration receivable for the securities issued at the modified conversion or exchange price would purchase at such Market Price and of which the denominator is the number of Shares in issue immediately before such date of modification plus the number of Shares to be issued upon conversion or exchange of or the exercise of the subscription rights conferred by such securities at the modified conversion or exchange rate or subscription price. A right of conversion or exchange or subscription shall not be treated as modified for the foregoing purposes where it is adjusted to take account of rights or capitalisation issues and other events normally giving rise to adjustment of conversion or exchange terms.

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## LETTER FROM THE BOARD

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- (vi) If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 80% of the Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such Market Price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued.
- (vii) If and whenever the Company shall issue Shares for the acquisition of asset at a total effective consideration per Share which is less than 80% of the Market Price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying it by a fraction of which the numerator shall be the total effective consideration per Share and the denominator shall be such Market Price.

Any adjustment to the Conversion Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up. In addition to any determination which may be made by the Directors every adjustment to the Conversion Price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

Conversion Shares : Based on the initial Conversion Price of HK\$0.26 per Conversion Share (subject to adjustments), a total of 2,192,307,692 Conversion Shares will be issued upon full conversion of the Convertible Bonds.

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## LETTER FROM THE BOARD

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The Conversion Shares represent:

- (i) approximately 145.93% of the existing issued share capital of the Company as at the Latest Practicable Date (assuming no change in the issued share capital of the Company between the Latest Practicable Date and the date of allotment and issue of the Conversion Shares);
- (ii) approximately 59.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming the Rights Issue does not proceed while the conversion rights attaching to the Convertible Bonds are exercised in full);
- (iii) approximately 36.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares (other than the Rights Shares) or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date); and
- (iv) approximately 26.73% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares and the Conversion Shares (assuming full exercise of the conversion rights attaching to the Convertible Bonds, no exercise of the outstanding Share Options and no issue of new Shares (other than the Rights Shares) or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date).

The Conversion Shares will be allotted and issued pursuant to a specific mandate to be sought from the Independent Shareholders at the EGM.

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## LETTER FROM THE BOARD

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- Ranking of the Conversion Shares : The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall be entitled to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.
- Voting : The holder(s) of the Convertible Bonds shall not be entitled to attend or vote at any meeting of the Company by reason only it/them being the holder(s) of the Convertible Bonds.
- Transferability : The holder(s) of the Convertible Bonds may freely assign or transfer the Convertible Bonds to the transferee (who is not a restricted holder) subject to not less than five (5) Business Days' prior notification to the Company. The Convertible Bonds may not be assigned or transferred, in whole or in part, to any connected person of the Company without prior written consent of the Company. The Convertible Bonds may be assigned or transferred in whole or in part (in authorised denominations) of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bond, including making any necessary applications to the Stock Exchange for the said approval (if required).

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## LETTER FROM THE BOARD

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Notwithstanding the above, the holder(s) of the Convertible Bonds shall be permitted at any time to transfer the Convertible Bonds to a transferee who is a wholly-owned subsidiary of such holder(s) of the Convertible Bonds or a holding company of such holder(s) of the Convertible Bonds who owns the entire issued share capital of such holder(s) of the Convertible Bonds provided that the Convertible Bonds will be re-transferred to such holder(s) of the Convertible Bonds immediately upon the transferee ceasing to be a wholly-owned subsidiary of such holder(s) of the Convertible Bonds or a holding company of the holder(s) of the Convertible Bonds who owns the entire issued share capital of such holder(s) of the Convertible Bonds.

- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Events of default : If any of the events of default set out in the terms and conditions of the Convertible Bonds occurs, the Company shall within ten days of such event occurring give notice to the holder(s) of the Convertible Bonds. Within ten days after the Company despatches the notice, the holder(s) of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable, whereupon they shall become immediately due and payable.

### **Conditions precedent to the CB Subscription Agreement**

Completion of the CB Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the passing by the Independent Shareholders of relevant resolutions at the EGM in compliance with the requirements of the Listing Rules approving:
  - (a) the CB Subscription Agreement and the transactions contemplated hereunder; and

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## LETTER FROM THE BOARD

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- (b) the allotment and issue of the Conversion Shares to Fame Select in accordance with the terms of the CB Subscription Agreement;
- (ii) all necessary consents and approvals required to be obtained on the part of the Company in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) all necessary consents and approvals required to be obtained on the part of Fame Select in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares;
- (v) none of the warranties given by the Company under the CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, having not been remedied), or having been misleading or untrue in any material respect; and
- (vi) none of the warranties given by Fame Select under the CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, having not been remedied), or having been misleading or untrue in any material respect.

Fame Select may at any time by notice in writing to the Company to waive the condition (v). The Company may at any time by notice in writing to Fame Select to waive the condition (vi). The conditions (i), (ii), (iii) and (iv) are incapable of being waived. If the above conditions are not fulfilled (or waived) on or before 30 November 2016 or such other date as may be agreed by the Company and Fame Select, the CB Subscription Agreement (save and except the clauses, among others, relating to confidentiality) shall cease and determine and no party shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the CB Subscription Agreement save in respect of any antecedent breach of any obligation thereof.

For the avoidance of doubt, the CB Subscription Agreement is not conditional upon completion of the Rights Issue.

### **Completion**

Completion of the CB Subscription Agreement shall take place within ten (10) Business Days after the fulfillment or waiver (as the case may be) of conditions mentioned above (or such other date as shall be agreed in writing between the Company and Fame Select).



## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

*Scenario 1 – Assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date*

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iii) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Fame Select) under the Rights Issue	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fame Select (Note 1)	861,048,842	57.31	3,444,195,368	57.31	4,506,944,175	75.00
VMS Securities and subscribers procured by it	–	–	–	–	861,048,842	14.33
Other public Shareholders	641,265,883	42.69	2,565,063,532	42.69	641,265,883	10.67
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>6,009,258,900</b>	<b>100.00</b>	<b>6,009,258,900</b>	<b>100.00</b>

*Scenario 2 – Assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date*

	(i) As at the Latest Practicable Date		(ii) Immediately upon full exercise of all outstanding Share Options before the Record Date		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iv) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Fame Select) under the Rights Issue	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fame Select (Note 1)	861,048,842	57.31	861,048,842	53.78	3,444,195,368	53.78	4,803,587,904	75.00
The holders of the Share Options	–	–	98,881,243	6.18	395,524,972	6.18	98,881,243	1.54
VMS Securities and subscribers procured by it	–	–	–	–	–	–	861,048,842	13.44
Other public Shareholders	641,265,883	42.69	641,265,883	40.04	2,565,063,532	40.04	641,265,883	10.02
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>1,601,195,968</b>	<b>100.00</b>	<b>6,404,783,872</b>	<b>100.00</b>	<b>6,404,783,872</b>	<b>100.00</b>

## LETTER FROM THE BOARD

### *Scenario 3 – The shareholding structure of the Company immediately before and after the allotment and issue of the Conversion Shares*

	(i) As at the Latest Practicable Date		(ii) Assuming the Rights Issue does not proceed and the conversion rights under the Convertible Bonds are exercised subject to the conversion restrictions thereof		(iii) Immediately upon completion of Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue, and that the conversion rights under the Convertible Bonds are exercised in full		(iv) Immediately upon full exercise of all outstanding Share Options before the Record Date		(v) Assuming the Rights Issue does not proceed but all outstanding Share Options are exercised in full and the conversion rights under the Convertible Bonds are exercised subject to the conversion restrictions thereof		(vi) Immediately upon completion of Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue, and assuming all outstanding Share Options and the conversion rights under the Convertible Bonds are exercised in full	
	Number of Shares	% Number of Shares	Number of Shares	% Number of Shares	Number of Shares	% Number of Shares	Number of Shares	% Number of Shares	Number of Shares	% Number of Shares	Number of Shares	% Number of Shares
Fame Select (Note 1)	861,048,842	57.31	1,923,797,649	75.00	5,636,503,060	68.72	861,048,842	53.78	2,220,441,378	75.00	5,636,503,060	65.56
The holders of the Share Options	-	-	-	-	-	-	98,881,243	6.18	98,881,243	3.34	395,524,972	4.60
VMS Securities and subscribers procured by it	-	-	-	-	-	-	-	-	-	-	-	-
Other public Shareholders	641,265,883	42.69	641,265,883	25.00	2,565,063,532	31.28	641,265,883	40.04	641,265,883	21.66	2,565,063,532	29.84
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>2,565,063,532</b>	<b>100.00</b>	<b>8,201,566,592</b>	<b>100.00</b>	<b>1,601,195,968</b>	<b>100.00</b>	<b>2,960,588,504</b>	<b>100.00</b>	<b>8,597,091,564</b>	<b>100.00</b>

*Notes:*

- Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. Ms. Yeung So Mui, an executive Director, is the spouse of Mr. Cheng Ting Kong. Mr. Chau, Mr. Cheng Ting Kong and Ms. Yeung So Mui are therefore deemed to be interested in the 861,048,842 Shares held by Fame Select.*
- Pursuant to the terms of the Convertible Bonds, no conversion of the Convertible Bonds shall be allowed if such conversion will result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company.*
- The above shareholding structure is for illustrative purpose only.*

As illustrated above, if no Qualifying Shareholders take up the Rights Shares, the shareholding of the existing public Shareholders will be reduced from approximately 42.69% as at the Latest Practicable Date to approximately 10.67% upon completion of the Rights Issue (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date). Moreover, taking into account the monetary effect of the Rights Issue, if a Qualifying Shareholder does not take up the Rights Shares entitled to him/her/it, the dilution impact on his/her/its shareholding will be approximately 14.8%, estimated based on the closing price of HK\$0.250 per Share on the Last Trading Day and the corresponding theoretical ex-rights price of approximately HK\$0.213 per Share.

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

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## LETTER FROM THE BOARD

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### USE OF PROCEEDS AND REASONS FOR THE RIGHTS ISSUE AND THE DEBT RESTRUCTURING

The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and hotel and integrated resort management and consultancy services.

Based on the management accounts of the Group, as at the Latest Practicable Date, the Group had total outstanding borrowings in the current liabilities of approximately HK\$1,419.2 million, which include the principal amounts of (i) the Loan (denominated in Hong Kong dollars) of approximately HK\$525.4 million due to Fame Select; (ii) loans (denominated in Hong Kong dollars) in an aggregate amount of approximately HK\$535.5 million and loans (denominated in RMB) in an aggregate amount of approximately RMB65 million (equivalent to approximately HK\$76 million) due to several Independent Third Parties which carry interest rates of 14% to 18% (the “**Third Parties Loans**”); and (iii) bank and other borrowings (denominated in RMB) of approximately RMB241.3 million (equivalent to approximately HK\$282.3 million) which carry interest rates of 5.635% to 8%. The Loan and the Third Parties Loans are already due and repayable on demand. Due to the outstanding borrowings, the Group has been incurring substantial finance costs which have seriously eroded the profitability of the Group since the year ended 31 December 2014 (“**FY2014**”). The finance costs totaled approximately RMB347.1 million (equivalent to approximately HK\$406.1 million) and RMB296.4 million (equivalent to approximately HK\$346.8 million) for FY2014 and the year ended 31 December 2015 (“**FY2015**”) respectively. While the profits from operations for FY2014 and FY2015 were approximately RMB430.6 million (equivalent to approximately HK\$503.8 million) and RMB209.5 million (equivalent to approximately HK\$245.1 million) respectively, the Group recorded net loss of approximately RMB144.6 million (equivalent to approximately HK\$169.2 million) and RMB245.9 million (equivalent to approximately HK\$287.7 million) for FY2014 and FY2015 respectively. Without the finance costs, the Group would have recorded net profit of approximately RMB202.5 million (equivalent to approximately HK\$236.9 million) and RMB50.5 million (equivalent to approximately HK\$59.1 million) for FY2014 and FY2015 respectively. The total finance costs continued to be high for the six months ended 30 June 2016 (“**1H2016**”) at approximately RMB115.2 million (equivalent to approximately HK\$134.8 million). If the finance costs were not incurred, the Group would have recorded net profit of approximately RMB50.3 million (equivalent to approximately HK\$58.9 million), instead of net loss of approximately RMB64.9 million (equivalent to approximately HK\$75.9 million) recorded for 1H2016.

Further, as disclosed in the announcement of the Company dated 31 August 2016, the Group has acquired the entire issued share capital of Suncity Group Tourism Limited with the intention of diversifying its business to the tourism-related service business in Macau. Suncity Group Tourism Limited was incorporated in Macau on 13 January 2014 with limited liability and is principally engaged in the provision of travel-related products and services. The aggregate consideration for the acquisition was approximately HK\$5,584,242 which was settled by the Company issuing a promissory note in the principal amount of HK\$5,584,242 to the vendor thereof. No variation of the remuneration payable to and benefits in kind receivable by the directors of Suncity Group Tourism Limited in consequence of the acquisition. The Group intends to further expand the newly planned

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## LETTER FROM THE BOARD

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tourism-related business to other countries in the Asian markets, such as Vietnam and South Korea. The Group also plans to integrate its existing hotels and integrated resort management and consultancy service business with its new tourism-related service business, and provide consultancy, advisory, technical services for hotels or integrated resorts in places with rapid growth in the tourism industry. The services will include work relating to the building, equipping and fitting-out of resorts and/or gaming and entertainment facilities and the preparation and organisation of their marketing activities. The Company has already set up a subsidiary in association with its expansion plan and is identifying potential projects/targets that may suit the Company's objective. As at the Latest Practicable Date, no formal or definitive agreement had been entered into in relation to these expansion plans.

In view of the imminent funding need for repayment of the aforesaid loans and in order to reduce the finance costs attributable thereto and improve the Group's gearing level and the Group's overall profitability, as well as to equip the Group with capital flexibility for its future development and to fund the business development plan of the Group's tourism-related service business, the Group contemplated the Rights Issue and the Debt Restructuring.

The gross proceeds from the Rights Issue are expected to be not less than approximately HK\$901.4 million and not more than approximately HK\$960.7 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK\$892.9 million and not more than approximately HK\$952.3 million. The net Subscription Price per Rights Share is expected to be approximately HK\$0.198. Assuming the Company has raised the minimum proceeds, the Company intends to apply as to (i) approximately HK\$803.7 million for repayment of such part of the Third Parties Loans which are denominated in Hong Kong dollars with the principal amount of approximately HK\$535.5 million together with the interests of approximately HK\$268.2 million accrued thereon; (ii) approximately HK\$50.0 million for the Group's business development plan in respect of its tourism-related service business and hotel and integrated resort management and consultancy service business; and (iii) approximately HK\$39.2 million as the Group's general working capital for its existing business. In the event that the Company has raised the maximum proceeds, the Company will apply the additional amount of net proceeds of approximately HK\$59.4 million as general working capital for its business development plan as well as its existing business.

Besides, the Loan is repayable on demand and bearing an interest of 2% per annum. As mentioned above, the Group's performance has been substantially affected by the finance costs, which include the interest expenses associated with the Loan. Through the Debt Restructuring, a substantial portion of the Loan, comprising the principal amount and the interest accrued thereon under current liabilities, will be restructured as non-current liabilities repayable in two years, and no further interests will be paid by the Company in respect of the Loan as the Convertible Bonds bear zero interest. Together with the repayment of such part of the Third Parties Loans, the Group could be able to turn from a net current liabilities position to a net current assets position. Further, if the holder(s) of the Convertible Bonds decide to exercise the conversion rights attaching thereto and convert them into Shares, it will further reduce the gearing ratio of the Group.

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## LETTER FROM THE BOARD

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After applying the proceeds of the Rights Issue for the repayment, assuming no change to the outstanding balance of the Third Parties Loans from the Latest Practicable Date up to completion of the Rights Issue, the Third Parties Loans will be reduced to approximately RMB65 million (equivalent to approximately HK\$76 million), which consist of only the loans denominated in RMB, and having considered the effect of the Debt Restructuring, the total outstanding borrowings in the current liabilities will be reduced to approximately RMB306.3 million (equivalent to approximately HK\$358.3 million), which consist of only the remaining Third Parties Loans and the bank and other borrowings.

The Board has also considered other fund raising alternatives before resolving to the Rights Issue such as bank borrowing, placing of new shares and open offer. The Directors believe that it would be in the best interests of the Company and the Shareholders as a whole to raise long-term equity capital through the Rights Issue having considered that (i) the Rights Issue will provide an equal opportunity to all Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the growth and development of the Company; (ii) additional bank borrowings will be difficult in view of the unsatisfactory financial performance and the financial position of the Group as well as the purpose of the fund-raising exercise is partly for repayment of borrowings and improve the financial position of the Group; (iii) placing of new shares will preclude existing Shareholders from participating in the capital raising exercise which inevitably will result in dilution to the equity interest of the existing Shareholders; and (iv) open offer will not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their entitled nil-paid Rights Shares and those Qualifying Shareholders who wish to increase their shareholding interests in the Company to acquire additional nil-paid Rights Shares in the market.

The Company had approached several financial institutions (including VMS Securities) which are Independent Third Parties and are licensed corporations under the SFO for provision of underwriting service in relation to the Rights Issue before entering into the Underwriting Agreement. However, none of these financial institutions was interested in the Company's fund raising exercise except VMS Securities indicated that it could only act as a joint underwriter. The Company then approached Fame Select to see if it was interested in participating in the underwriting arrangement for the Rights Issue. After negotiations between the Company and the Underwriters, the parties could finally agree on the terms of the Underwriting Agreement as set out in the section headed "Principal terms of the Underwriting Agreement". Having considered (i) the feedback of the financial institutions approached by the Company in respect of the underwriting arrangement for the Rights Issue; (ii) the terms and conditions of the Underwriting Agreement; (iii) the imminent funding need of the Group to repay such part of the outstanding borrowings which are repayment on demand; (iv) that Fame Select, being the Controlling Shareholder, acting as one of the Underwriters can demonstrate to the public its confidence and support in the Group and its long-term development; and (v) that Fame Select agreed not to receive any underwriting commission so that the cost of the Rights Issue could be reduced, the Company considers that it has obtained the best available terms for the Rights Issue.

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## LETTER FROM THE BOARD

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The Board considers that the Rights Issue and the Debt Restructuring will enable the Group to strengthen the capital base of the Group, reduce its liabilities and finance costs and enhance its financial position to a net current assets position, and with the proceeds from the Rights Issue and the Debt Restructuring, the Directors consider that the Company's expected funding needs for the next twelve (12) months following the date of this circular could be satisfied. The Company and the Controlling Shareholder intend to continue the Group's existing business while at the same time will explore business opportunities in relation to the tourism-related business, including the provision of consultancy, advisory, technical and marketing services to resort and/or gaming and entertainment facilities. As at the Latest Practicable Date, no formal or definitive agreement had been entered into in this regard.

If the Qualifying Shareholders (other than Fame Select) do not take up the Rights Shares, their shareholding will be diluted from approximately 42.69% as at the Latest Practicable Date to approximately 10.67% upon completion of the Rights Issue (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date). Notwithstanding such potential dilution impact of the Rights Issue and the Debt Restructuring, having balanced against the following factors:

- (i) the financial position of the Group could be improved and turned to a net current assets position upon repayment of a substantial portion of the outstanding borrowings in the current liabilities through the Rights Issue and the Debt Restructuring;
- (ii) the Independent Shareholders are offered a chance to express their view on the terms of the Rights Issue and the Debt Restructuring through their votes at the EGM;
- (iii) the Qualifying Shareholders have their choice whether to accept the Rights Shares or not;
- (iv) the Qualifying Shareholders have been given a chance to apply for the Rights Shares in excess of their entitlements under the Rights Issue at the Subscription Price; and
- (v) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the prevailing market prices of Shares,

the Directors (including the independent non-executive Directors whose view are set out in the letter from the Independent Board Committee) consider that the terms and conditions of the Rights Issue and the Underwriting Agreement, as well as the Debt Restructuring, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **FUND RAISING EXERCISE IN THE PRECEDING TWELVE-MONTH PERIOD**

The Company had not conducted any fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 11 November 2016 to Monday, 14 November 2016 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Friday, 18 November 2016 to Monday, 21 November 2016 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS**

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 98,881,243 new Shares. As a result of the Rights Issue and the issue of the Convertible Bonds, there may be adjustments to the exercise prices and/or the number of Shares to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme. The Company will appoint its auditor to certify in writing the adjustments to the Share Options and that such adjustments are in accordance with the terms and conditions of the Share Option Scheme. Further announcement(s) will be made by the Company in relation thereof as and when appropriate.

### **WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES**

**The Rights Issue is conditional on the Underwriting Agreement having become unconditional and not having been terminated in accordance with the terms thereof (see the paragraph headed “Termination of the Underwriting Agreement” under the section headed “Underwriting arrangements for the Rights Issue” in this circular above). Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in Shares.**

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Wednesday, 9 November 2016 and that dealings in the Shares will take place while the conditions to which the Rights Issue is subject remain unfulfilled. Any dealings by the Shareholders and other persons in the Shares between the Latest Practicable Date and the date on which the Rights Issue becomes unconditional (which is expected to be at 4:00 p.m. on Friday, 9 December 2016), and any dealings in the Rights Shares in their nil-paid form from Thursday, 24 November 2016 to Thursday, 1 December 2016 (both dates inclusive), will be at their own risk and if they are in any doubt about their position, they should consult their own professional advisers.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Fame Select was interested in 861,048,842 Shares, representing approximately 57.31% of the existing issued share capital of the Company, and was therefore the Controlling Shareholder. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. Ms. Yeung So Mui, an executive Director, is the spouse of Mr. Cheng Ting Kong. Accordingly, Mr. Chau, Mr. Cheng Ting Kong and Ms. Yeung So Mui are deemed to be interested in the 861,048,842 Shares held by Fame Select. Save as disclosed above, none of Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui and their respective associates held any other Shares as at the Latest Practicable Date.

As Fame Select is the Controlling Shareholder, the allotment and issue of the Underwritten Shares (if any) to Fame Select in its capacity as one of the Underwriters pursuant to the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules. As the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the underwriting obligations of Fame Select under the Underwriting Agreement is exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.92(2) of the Listing Rules.

As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders at the EGM and any Controlling Shareholders and their associates, or where there is no Controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the resolution relating to the Rights Issue. Accordingly, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui, and their respective associates shall abstain from voting in favour of the resolution to the Rights Issue to be proposed at the EGM.

The Debt Restructuring involves the issue of the Convertible Bonds to Fame Select, the Controlling Shareholder, and therefore will constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Conversion Shares (upon exercise of the conversion rights attaching to the Convertible Bonds) will be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM. By virtue of Fame Select's interest in the CB Subscription Agreement, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui, and their respective associates will abstain from voting on the resolution in relation to the CB Subscription Agreement and the transactions contemplated thereunder to be proposed at the EGM.



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## LETTER FROM THE BOARD

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### EGM

The EGM will be convened and held to consider, and, if thought fit, to approve, the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement.

A notice convening the EGM to be held at Lecture Room B, The Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen's Road Central, Hong Kong at 3:00 p.m. on Monday, 14 November 2016 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM (i.e. 3:00 p.m. on Saturday, 12 November 2016) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

Upon the approval of the Rights Issue and the Underwriting Agreement by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable, and only the Prospectus, will be despatched to the Non-Qualifying Shareholders (if any) for their information only.

### RECOMMENDATION

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. New Spring Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 49 to 50 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, and the letter from New Spring Capital set out on pages 51 to 90 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) believe that the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole despite the issue of the Convertible Bonds is not conducted in the ordinary and usual course of business of the Company. Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement.

### ADDITIONAL INFORMATION

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

On behalf of the Board  
**Sun Century Group Limited**  
**Chau Cheok Wa**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement.*



### SUN CENTURY GROUP LIMITED

太陽世紀集團有限公司

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

**(Stock Code: 1383)**

28 October 2016

*To the Independent Shareholders*

Dear Sir or Madam,

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE AT HK\$0.20 PER RIGHTS SHARE;**
- (II) CONNECTED TRANSACTION IN RELATION TO DEBT RESTRUCTURING  
INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;  
AND**
- (III) CLOSURE OF REGISTER OF MEMBERS**

We refer to the circular of the Company dated 28 October 2016 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Independent Shareholders as a whole. New Spring Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, as well as the principal reasons and factors considered by, and the advice of, New Spring Capital, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole despite the issue of the Convertible Bonds is not conducted in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Tou Kin Chuen**  
*Independent non-executive  
Director*

**Dr. Wu Kam Fun, Roderick**  
*Independent non-executive  
Director*

**Mr. Lo Wai Tung, John**  
*Independent non-executive  
Director*

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## LETTER FROM NEW SPRING CAPITAL

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*The following is the text of the letter of advice from New Spring Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, which has been prepared for the purpose of inclusion in this circular.*



**NEW SPRING**  
CAPITAL LIMITED

Unit 2108, China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

28 October 2016

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE; AND  
(II) CONNECTED TRANSACTION IN RELATION TO DEBT  
RESTRUCTURING INVOLVING ISSUE OF CONVERTIBLE BONDS UNDER  
SPECIFIC MANDATE**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 28 October 2016 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

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## LETTER FROM NEW SPRING CAPITAL

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### Rights Issue

The Company proposed to raise gross proceeds of not less than approximately HK\$901.4 million and not more than approximately HK\$960.7 million by way of the Rights Issue at the Subscription Price of HK\$0.20 per Rights Share, on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date, which will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment under the Rights Issue and, where applicable, application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK\$892.9 million and not more than approximately HK\$952.3 million. The Rights Issue (subject to the Irrevocable Undertaking) will be fully underwritten by the Underwriters on the terms and conditions set out in the Underwriting Agreement.

Fame Select has irrevocably undertaken to the Company and to VMS Securities (being one of the Underwriters) that, it will (i) not dispose of, or agree to dispose of, any Shares held by it from the date of the Irrevocable Undertaking up to the close of business on the Record Date; (ii) accept or procure the acceptance for the 2,583,146,526 Rights Shares to which Fame Select is entitled pursuant to the Rights Issue; and (iii) lodge the PAL in respect of the 2,583,146,526 Rights Shares and comply with the procedures for such acceptance and application as described in the Prospectus Documents prior to the Latest Time for Acceptance.

As at the Latest Practicable Date, Fame Select, being the Controlling Shareholder, was interested in 861,048,842 Shares, representing approximately 57.31% of the existing issued share capital of the Company, and is one of the Underwriters. Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. Ms. Yeung So Mui, an executive Director, is the spouse of Mr. Cheng Ting Kong. Accordingly, Mr. Chau, Mr. Cheng Ting Kong and Ms. Yeung So Mui are deemed to be interested in the 861,048,842 Shares held by Fame Select. Save as disclosed above, none of Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui and their respective associates held any other Shares as at the Latest Practicable Date.

As Fame Select is the Controlling Shareholder, the allotment and issue of the Underwritten Shares (if any) to Fame Select in its capacity as one of the Underwriters pursuant to the Underwriting Agreement constitutes a connected transaction of the Company under the Listing Rules. As the Company has made arrangements for the Qualifying Shareholders to apply for the Rights Shares in excess of their entitlements under the Rights Issue in compliance with Rule 7.21(1) of the Listing Rules, the underwriting obligations of Fame Select under the Underwriting Agreement is exempted from the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.92(2) of the Listing Rules.

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## LETTER FROM NEW SPRING CAPITAL

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As the Rights Issue will increase the number of issued Shares by more than 50%, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders at the EGM and any Controlling Shareholders and their associates, or where there is no Controlling Shareholder, the Directors (other than the independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the resolution relating to the Rights Issue. Accordingly, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui, and their respective associates shall abstain from voting in favour of the resolution to the Rights Issue to be proposed at the EGM.

### **Debt Restructuring**

On 20 September 2016, after trading hours, the Company entered into the CB Subscription Agreement with Fame Select, pursuant to which Fame Select has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$570,000,000. Based on the initial Conversion Price of HK\$0.26 per Conversion Share (subject to adjustments), a total of 2,192,307,692 Conversion Shares will be issued upon full conversion of the Convertible Bonds. The subscription price payable by Fame Select in respect of the subscription of the Convertible Bonds shall be satisfied by setting off against the balance of the Loan on a dollar-for-dollar basis pursuant to the Deed of Set-Off to be entered into upon completion of the CB Subscription Agreement.

The Debt Restructuring involves the issue of the Convertible Bonds to Fame Select, the Controlling Shareholder, and therefore will constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. The Conversion Shares (upon exercise of the conversion rights attaching to the Convertible Bonds) will be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM. By virtue of Fame Select's interest in the CB Subscription Agreement, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui, and their respective associates will abstain from voting on the resolution in relation to the CB Subscription Agreement and the transactions contemplated thereunder to be proposed at the EGM.

For avoidance of doubt, completions of the Rights Issue and the CB Subscription Agreement are not inter-conditional to each other.

### **Independent Board Committee and our engagement**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John, has been established to make recommendations to the Independent Shareholders as to (i) the fairness and reasonableness of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement and whether they are in the interests of the Company and the Shareholders as a whole; and (ii) how to vote at the EGM.

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## LETTER FROM NEW SPRING CAPITAL

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In this connection, we, New Spring Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the above matters. We do not, by this letter, warrant the merits of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, other than to form an opinion for the purpose of the Listing Rules. We are not associated with the Company, Fame Select, Mr. Chau, Mr. Cheng Ting Kong, Ms. Yeung So Mui, VMS Securities, and any of their respective associates who are interested or involved in the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, and accordingly, are considered eligible to give independent advice in this regard. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned.

### **BASIS OF OUR OPINION**

In formulating our opinions and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors) are reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (or otherwise provided to us by the Directors) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (or otherwise provided to us by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions including, among other things:



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## LETTER FROM NEW SPRING CAPITAL

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- (a) reviewed the Announcement, the Letter from the Board, the annual reports of the Company for the years ended 31 December 2014 and 2015 (“**Annual Report 2014**” and “**Annual Report 2015**” respectively) and its interim report for the six months ended 30 June 2016 (“**Interim Report 2016**”);
- (b) reviewed the Underwriting Agreement, the CB Subscription Agreement and other relevant information;
- (c) conducted comparable researches to analyse the major terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement; and
- (d) had discussions with the Directors related to the Rights Issue and the Debt Restructuring.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses or future prospects of the Group. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the CB Subscription Agreement, we have considered the following principal factors and reasons:

#### **1. Background and financial information of the Group**

The Company is an investment holding company. The Group is principally engaged in the development of residential and commercial properties as well as leasing of commercial properties in Guangdong, Liaoning and Anhui Provinces, the PRC, and hotel and integrated resort management and consultancy services.

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## LETTER FROM NEW SPRING CAPITAL

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The following table summarises the results of operations and financial positions of the Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2015 and 2016 (“**FY2014**”, “**FY2015**”, “**1H2015**” and “**1H2016**” respectively):

	For the year ended		For the six months ended	
	31 December		30 June	
	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Summary of results of operations</b>				
<b>Turnover</b>				
– Income from sales of properties (under property development segment)	863,691	667,510	66,000	173,814
– Rental and management fee income (under property leasing segment)	53,569	58,032	28,665	31,710
– Hotel consultancy services income (under hotel and integrated resort management and consultancy services segment) <sup>(Note 1)</sup>	198	546	372	–
	<b>917,458</b>	<b>726,088</b>	<b>95,037</b>	<b>205,524</b>
<b>Profit from operations</b>	<b>430,602</b>	<b>209,486</b>	<b>43,034</b>	<b>71,811</b>
Finance costs	(347,102)	(296,431)	(152,680)	(115,244)
<b>Loss attributable to owners of the Company</b>	<b>(143,727)</b>	<b>(245,007)</b>	<b>(140,647)</b>	<b>(64,844)</b>

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## LETTER FROM NEW SPRING CAPITAL

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	As at 31 December		As at 30 June
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
<b>Summary of financial positions</b>			
Current assets	2,566,096	1,991,888	2,022,143
Non-current assets	1,602,547	1,695,060	1,734,343
	<u>4,168,643</u>	<u>3,686,948</u>	<u>3,756,486</u>
<b>Total assets</b>			
Current liabilities	2,453,482	2,789,114	2,916,800
Non-current liabilities	1,403,529	821,393	823,545
	<u>3,857,011</u>	<u>3,610,507</u>	<u>3,740,345</u>
<b>Total liabilities</b>			
<b>Net current assets/(liabilities)</b>	<b>112,614</b>	<b>(797,226)</b>	<b>(894,657)</b>
<b>Net assets</b>	<b>311,632</b>	<b>76,441</b>	<b>16,141</b>
Bank and cash balances	127,988	27,768	63,988
Total bank and other borrowings	2,742,537	2,038,261	1,833,323
Gearing ratio <sup>(Note 2)</sup>	8.8 times	26.7 times	113.6 times

*Source: Annual Report 2014, Annual Report 2015 and Interim Report 2016 published by the Company on the website of the Stock Exchange*

*Notes:*

1. *Referring to the Interim Report 2016, the Group acquired a subsidiary group in 2014 which is principally engaged in operating hotel consultancy service in the PRC. For the years of 2014, 2015 and the first six months of 2016, the subsidiary group recorded a loss of approximately of RMB4.62 million, RMB1.4 million and RMB0.02 million respectively. As mentioned in the Letter from the Board, the Company has set up a subsidiary in association with its expansion of hotels and integrated resorts in the Asian markets, such as Vietnam and South Korea.*
2. *Gearing ratio = Total debts (being the total bank and other borrowings)/Total equity x 100%*

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## LETTER FROM NEW SPRING CAPITAL

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(a) *Financial results for FY2015 compared with FY2014*

*Turnover*

The Group recorded audited consolidated turnover of approximately RMB726.1 million for FY2015. According to the Annual Report 2015, the decrease in turnover from FY2014 to FY2015 was primarily attributable to decrease in the delivery of residential units where the Group delivered approximately 18,842m<sup>2</sup> gross floor areas in FY2015 in comparing with approximately 33,316m<sup>2</sup> gross floor areas in FY2014.

The Group's turnover derived as (i) income from sales of properties decreased from approximately RMB863.7 million for FY2014 to approximately RMB667.5 million for FY2015 which represented a decrease of approximately 22.7%; (ii) rental and management fee income increased from approximately RMB53.6 million for FY2014 to approximately RMB58.0 million for FY2015, which represented an increase of approximately 8.3%; and (iii) hotel consultancy services income increased from approximately RMB0.2 million for FY2014 to approximately RMB0.5 million for FY2015.

*Loss attributable to the equity owners*

According to the Annual Report 2015, the profit from operations of the Group decreased from approximately RMB430.6 million in FY2014 to approximately RMB209.5 million in FY2015, which represented a decrease of approximately 51.4%. Finance costs of the Group in FY2015 decreased to approximately RMB296.4 million from approximately RMB347.1 million in FY2014, which was mainly due to decrease in the total bank and other borrowings by approximately RMB704.3 million in FY2015. Due to the profit from operations of the Group in FY2015 of approximately RMB209.5 million was unable to fully cover the finance costs, the Group recorded a loss before tax in approximately RMB86.9 million in FY2015. The loss attributable to owners of the Company increased from approximately RMB143.7 million for FY2014 to approximately RMB245.0 million for FY2015.

*Liquidity position*

As stated in the Annual Report 2015, as at 31 December 2015, the Group recorded net current liabilities of approximately RMB797.2 million, which consisted of (i) current assets of approximately RMB1,991.9 million comprising (a) approximately RMB1,324.5 million of inventories; (b) approximately RMB637.0 million of trade and other receivables; and (c) approximately RMB30.4 million in bank and cash balances and pledged deposits; and (ii) current liabilities of approximately RMB2,789.1 million, where more than half was bank and other borrowings due within one year. As at 31 December 2015, the current ratio and the ratio of total liabilities to total assets of the Group was approximately 71.4% and 97.9% respectively.

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## LETTER FROM NEW SPRING CAPITAL

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### *Gearing ratio*

As illustrated in the table above, the gearing ratio of the Group increased from approximately 8.8 times for FY2014 to approximately 26.7 times for FY2015. It was mainly due to the substantial decrease of total equity of the Group from approximately RMB311.6 million in FY2014 to approximately RMB76.4 million in FY2015, principally as a result of the record of loss attributable to owners of the Company in amount of approximately RMB245.0 million in FY2015.

### **(b) *Financial results for 1H2016 compared with 1H2015***

#### *Turnover*

The Group recorded unaudited consolidated turnover of approximately RMB95.0 million and RMB205.5 million for 1H2015 and 1H2016 respectively. According to the Interim Report 2016, the increase in revenue for 1H2016 was primarily attributable to the substantial rise in the sale proceeds from the properties delivered as the Group delivered residential units of approximately 5,152m<sup>2</sup> in 1H2016, which represented an increase of 118.09%, compared to the delivery of residential units of approximately 2,350m<sup>2</sup> in 1H2015.

The Group's turnover of (i) property development segment increased from approximately RMB66.0 million for 1H2015 to approximately RMB173.8 million for 1H2016, representing an increase of approximately 1.6 times; (ii) property leasing segment recorded a slight increase from approximately RMB28.7 million for 1H2015 to approximately RMB31.7 million for 1H2016, which represented an increase of approximately 10.6%; and (iii) hotel and integrated resort management and consultancy services segment had a decrease from approximately RMB0.4 million for 1H2015 to nil for 1H2016.

#### *Loss attributable to the equity owners*

According to the Annual Reports, the profit from operations of the Group increased from approximately RMB43.0 million in 1H2015 to approximately RMB71.8 million in 1H2016, which represented an increase of approximately 66.9%, while the loss attributable to owners of the Company decreased from approximately RMB140.6 million for 1H2015 to approximately RMB64.8 million for 1H2016, which represents a decrease in approximately 53.9%. According to the Interim Report 2016, the improvement was mainly due to the increase in turnover of the Group from approximately RMB95.0 million for 1H2015 to approximately RMB205.5 million in 1H2016, the decrease in finance costs from approximately RMB152.7 million for 1H2015 to approximately RMB115.2 million for 1H2016, which represented a decrease of approximately 24.5% because of the decrease of interest-bearing loans in 1H2016, and the gain on disposal of subsidiaries of approximately RMB1.1 million for 1H2016 whereas there was no such gain in 1H2015.

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## LETTER FROM NEW SPRING CAPITAL

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### *Liquidity position*

As stated in the Interim Report 2016, as at 30 June 2016, the Group recorded net current liabilities of approximately RMB894.7 million, which consisted of (i) current assets of approximately RMB2,022.1 million comprising (a) approximately RMB1,262.0 million of inventories; (b) approximately RMB693.5 million of trade and other receivables; and (c) approximately RMB66.7 million in bank and cash balances and pledged deposits; and (ii) current liabilities of approximately RMB2,916.8 million, where about 46.7% was bank and other borrowings due within one year. As at 30 June 2016, the current ratio and the ratio of total liabilities to total assets of the Group were approximately 69.3% and 99.6% respectively.

### *Gearing ratio*

As illustrated in the table above, the gearing ratio of the Group increased from approximately 26.7 times for FY2015 to approximately 113.6 times for 1H2016. It was mainly due to the substantial decrease of total equity of the Group from approximately RMB76.4 million in FY2015 to approximately RMB16.1 million in 1H2016, principally as a result of the record of loss attributable to owners of the Company in amount of approximately RMB64.8 million in 1H2016.

### **(c) Conclusion**

Referring to the Letter from the Board, the Directors consider that the indebtedness of the Group has been incurring substantial finance costs which have seriously eroded the profitability of the Group since FY2014. For illustration purpose, excluding the impact of the finance costs, the Group would have recorded net profit of approximately RMB202.5 million (equivalent to approximately HK\$236.9 million), RMB50.5 million (equivalent to approximately HK\$59.1 million) and RMB50.3 million (equivalent to approximately HK\$58.9 million) for FY2014, FY2015 and 1H2016 respectively.

In view of (i) the net current liabilities of approximately RMB894.7 million as at 30 June 2016, where approximately RMB1,363.3 million of bank and other borrowings would be due within one year and bank and cash balances and pledged deposits were only approximately RMB66.7 million; and (ii) the finance costs impact to the Group's profitability as illustrated above, we agree with the Directors that there is an imminent need to raise funds or restructure its debt for repayment of borrowings already due or to be due within one year, reducing the finance costs attributable thereto and improvement of the Group's gearing and the Group's overall profitability.

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## LETTER FROM NEW SPRING CAPITAL

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### 2. Reasons for the Rights Issue and the Debt Restructuring and use of proceeds

#### (a) *Reasons for the Rights Issue and the Debt Restructuring*

According to the Letter from the Board, as at the Latest Practicable Date, the Group had total outstanding borrowings in the current liabilities of approximately HK\$1,419.2 million, which include the principal amounts of (i) the Loan (denominated in Hong Kong dollars) of approximately HK\$525.4 million due to Fame Select, being the Controlling Shareholder, which is repayable on demand and bearing an interest of 2% per annum; (ii) the Third Parties Loans (as defined in the Letter from the Board), comprising loans (denominated in Hong Kong dollars) in an aggregate amount of approximately HK\$535.5 million and loans (denominated in RMB) in an aggregate amount of approximately RMB65 million (equivalent to approximately HK\$76 million), due to several Independent Third Parties which carries interest rates of 14% to 18%; and (iii) bank and other borrowings (denominated in RMB) of approximately RMB241.3 million (equivalent to approximately HK\$282.3 million) which carries interest rates of 5.635% to 8%. We are advised by the Company that, the accrued interests of the Loan, the Third Parties Loans and the bank and other borrowings aforementioned were approximately HK\$45.1 million, HK\$287.1 million and nil, as at the Latest Practicable Date respectively. We understand from the Company that the Loan and the Third Parties Loans are already due and repayable on demand.

It is also noted that, as disclosed in the announcement of the Company dated 31 August 2016, the Group has acquired the entire issued share capital of Suncity Group Tourism Limited with the intention of diversifying its business to the tourism-related service business in Macau. We understand from the Company that the expansion plan of the tourism-related service business includes (i) further business expansion to other countries in the Asian markets, such as Vietnam and South Korea and (ii) integration of the Group's existing hotels and integrated resort management and consultancy service business with its new tourism-related service business, which targets to provide consultancy, advisory, technical services for hotels or integrated resorts in places with rapid growth in the tourism industry. The services will include work relating to the building, equipping and fitting-out of resorts and/or gaming and entertainment facilities and the preparation and organisation of their marketing activities. We understand that the Company has already set up a subsidiary in association with its expansion plan and is identifying potential projects/targets that may suit the Company's objective; however no formal or definitive agreement had been entered into in relation to these expansion plans as at the Latest Practicable Date.

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## LETTER FROM NEW SPRING CAPITAL

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In order to fulfill the repayment obligation of its borrowings and to equip the Group with capital flexibility for its future development of the Group's tourism-related service business aforementioned, the Group contemplated the Rights Issue and the Debt Restructuring. According to the Letter from the Board, the gross proceeds from the Rights Issue are expected to be not less than approximately HK\$901.4 million and not more than approximately HK\$960.7 million. The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK\$892.9 million and not more than approximately HK\$952.3 million. Assuming the Company has raised the minimum proceeds, the Company intends to apply as to (i) approximately HK\$803.7 million for repayment of such part of the Third Parties Loans which are denominated in Hong Kong dollars with the principal amount of approximately HK\$535.5 million together with the interests of approximately HK\$268.2 million accrued thereon; (ii) approximately HK\$50.0 million for the Group's business development plan in respect of its tourism-related service business and hotel and integrated resort management and consultancy service business; and (iii) approximately HK\$39.2 million as the Group's general working capital for its existing business. In the event that the Company has raised the maximum proceeds, the Company will apply the additional amount of net proceeds of approximately HK\$59.4 million as general working capital for its business development plan as well as its existing business. With respect to the Debt Restructuring, we note from the Letter from the Board that a substantial portion of the Loan, comprising the principal amount and the interest accrued thereon under current liabilities, will be restructured as non-current liabilities repayable in two years, and no further interests will be paid by the Company in respect of the Loan as the Convertible Bonds bear zero interest.

***(b) Financial impact from the Rights Issue and the Debt Restructuring***

Based on the aforementioned use of proceeds from the Rights Issue intended to be applied by the Company and the arrangement under the Debt Restructuring, the financial impacts thereto are illustrated as below:

- (i) after applying the proceeds of the Rights Issue for the repayment, assuming no change to the outstanding balance of the Third Parties Loans from the Latest Practicable Date up to completion of the Rights Issue, the Third Parties Loans will be reduced to approximately RMB65 million (equivalent to approximately HK\$76 million), which consist of only the loans denominated in RMB, and having considered the effect of the Debt Restructuring (by which a substantial portion of the Loan will be restructured as non-current liabilities repayable in two years), the total outstanding borrowings in the current liabilities will be reduced from approximately RMB1,213.0 million (equivalent to approximately HK\$1,419.2 million) as at the Latest Practicable Date to approximately RMB306.3 million (equivalent to approximately HK\$358.3 million) which consist of only the remaining Third Parties Loans and the bank and other borrowings, as illustrated in the Letter from the Board;



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- (ii) as illustrated above under the section headed “Background and financial information of the Group”, the Group had net current liabilities of approximately RMB894.7 million and gearing ratio of around 113.6 times as at 30 June 2016. We are given to understand from the Company that, for illustration purpose, had the Rights Issue and the Debt Restructuring been completed as at 30 June 2016, the Group would have recorded (a) net current assets of approximately RMB207.6 million and gearing ratio of approximately 1.6 times, assuming no exercise of the outstanding Share Options; or (b) net current assets of approximately RMB325.6 million and gearing ratio of approximately 1.4 times, assuming all outstanding Share Options are fully exercised; and
- (iii) as advised by the Company, taking the combined effect of the Rights Issue and the Debt Restructuring, the annual interest saving would amount to approximately RMB86.2 million (equivalent to approximately HK\$100.8 million) based on respective interest rate as at the Latest Practicable Date.

(c) *Fund raising alternatives*

After discussion with the Directors, we note that the Board has considered other alternative fund raising methods before resolving to the Rights Issue including the followings:

(i) *Debt financing*

As advised by the Company, the Group had total outstanding borrowings of approximately RMB1,678.0 million (including current and non-current portions) as at the Latest Practicable Date, and the related interest expenses was approximately RMB11.9 million per month. The Company advised that (i) additional bank borrowings will be difficult in view of the unsatisfactory financial performance and the financial position of the Group as well as the purpose of the fund-raising exercise is partly for repayment of borrowings and improve the financial position of the Group; (ii) debt financing will also incur extra interest burden to the Group, where substantial finance costs during the past years had adversely affected the financial results of the Group; and (iii) it is in the interests of the Company and the Shareholders as a whole to improve the financial position of the Group, reduce its finance costs and strengthen its capital base. Accordingly, the Board considers that debt financing is not an appropriate option for raising such amount of funds.

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*(ii) Placing of new shares and open offer*

We are given to understand that the Board considered (i) placing of new shares would only be available to certain placees who were not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; and (ii) an open offer will not offer an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their entitled nil-paid Rights Shares and those Qualifying Shareholders who wish to increase their shareholding interests in the Company to acquire additional nil-paid Rights Shares in the market.

Having considered that (i) the Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion, or when they do not wish to take up their entitlements, they can sell the nil-paid Rights Shares in the market; (ii) the Rights Issue offers all Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so; and (iii) the view of the Board regarding debt financing, placing of new shares and open offer as alternative fund raising methods abovementioned, we consider that the Rights Issue is an appropriate financing means for the Company and concur with the view of the Directors that the Rights Issue is fair and reasonable and in the interests of the Company and Shareholders as a whole.

*(d) Conclusion*

Given the reasons stated above, including (i) the financial information of the Group as mentioned in the section headed “Background and financial information of the Group”, in particular the view we draw thereon; (ii) the reasons for and the positive financial impact of the Rights Issue and the Debt Restructuring as illustrated above; and (iii) fund raising alternatives available to the Group as analysed above, we agree with the Board that the Rights Issue and the Debt Restructuring will enable the Group to strengthen the capital base of the Group, reduce its liabilities and finance costs and turnaround its financial position to a net current asset position. As such, we consider the Rights Issue and the Debt Restructuring are justifiable and in the interests of the Company and the Shareholders as a whole.

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### 3. Historical Share price performance and trading volume

#### (a) Historical Share price performance

We have reviewed the daily closing price of the Shares (the “Closing Price”) for the period from 21 September 2015, being the commencement date of one year period prior to the date of the Underwriting Agreement and the CB Subscription Agreement (the “Review Period”). It is considered that the Review Period is a reasonable timeframe given that it covers a period encompassing one full calendar year prior to the date of the Underwriting Agreement and the CB Subscription Agreement. Such period is also sufficient for us to carry out our analysis on the historical Share price performance of the Company and the trading volume of the Shares as it avoids any short term fluctuation which may distort our analysis and that one year also reflects the recent Share price performance of the Company as well as the recent trading volume of the Shares. Set out below is the Closing Price as quoted from the website of the Stock Exchange during the Review Period:



Source: the website of the Stock Exchange

As illustrated in the graph above, throughout the Review Period, the Closing Price ranged from the highest of HK\$0.385 per Share on 7 October 2015 to the lowest of HK\$0.175 per Share on 26 January 2016, with an average of approximately HK\$0.276 per Share. As shown in the table above, the Closing Price had been trending down since June 2016.

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### *The Subscription Price per Rights Share*

We note that the Subscription Price of HK\$0.20 per Rights Share represents a discount of approximately 48.1% to the highest Closing Price, a premium of approximately 14.3% over the lowest Closing Price and a discount of approximately 27.7% to the average Closing Price during the Review Period respectively.

Under our review, there were total 246 trading days in the Review Period. 235 trading days out of 246 trading days in total had the Closing Price higher than the Subscription Price of HK\$0.20 per Rights Share, representing approximately 95.5% of the total number of the trading days. There were 11 trading days with the Closing Price lower than/equal to the Subscription Price, which represents approximately 4.5% of the total number of the trading days in the Review Period.

As stated in the Letter from the Board and advised by the Company, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriters with reference to (i) the recent market prices of the Shares under the prevailing market and economic conditions; (ii) the net loss of the Group since the financial year ended 31 December 2013; and (iii) the funding needs of the Group as detailed in the section headed "Reasons for the Rights Issue and the Debt Restructuring and use of proceeds" above in this letter and as detailed in the Letter from the Board.

### *The Conversion Price per Conversion Share*

We note that the Conversion Price of HK\$0.26 per Conversion Share represents a discount of approximately 32.5% to the highest Closing Price, a premium of approximately 48.6% over the lowest Closing Price and a discount of approximately 6.0% to the average Closing Price during the Review Period respectively.

Under our review, there were 133 out of 246 trading days recorded the Closing price higher than the Conversion Price of HK\$0.26 per Conversion Share, which represents approximately 54.1% of the total number of the trading days. There were 113 out of 246 trading days with the Closing Price lower than/equal to the Conversion Price, which represents approximately 45.9% of the total number of trading days in the Review Period.

As stated in the Letter from the Board and advised by the Company, the Conversion Price was determined after arm's length negotiations between the Company and Fame Select with reference to the prevailing market prices of the Shares and the theoretical ex-rights price under the Rights Issues, which is HK\$0.213 per Share.

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**(b) Historical trading volume of the Shares**

The following table sets out the trading volume of the Shares during the Review Period:

Year/Month	Monthly total trading volume of the Shares	Average daily trading volume of the Shares (the “Average Daily Trading Volume”) <small>(Note 1)</small> <i>(approximately)</i>	Average Daily Trading Volume to total number of issued Shares as at the Latest Practicable Date <small>(Note 2)</small> <i>(approximately)</i>
<b>2015</b>			
September (from 21 September 2015)	3,920,000	560,000	0.04
October	33,115,400	1,655,770	0.11
November	37,791,612	1,799,601	0.12
December	26,157,200	1,188,964	0.08
<b>2016</b>			
January	55,138,000	2,756,900	0.18
February	20,339,923	1,129,996	0.08
March	13,967,900	665,138	0.04
April	10,253,400	512,670	0.03
May	99,580,297	4,741,919	0.32
June	40,422,576	1,924,885	0.13
July	17,558,720	877,936	0.06
August	55,563,600	2,525,618	0.17
September (up to the date of the Underwriting Agreement)	25,702,400	1,977,108	0.13

*Source: the website of the Stock Exchange*

*Notes:*

1. *Average Trading Volume = Monthly total trading volume of the Shares/number of trading days in the respective month.*
2. *As at the Latest Practicable Date, 1,502,314,725 Shares were issued by the Company.*

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As illustrated in the table above, during the Review Period, the Average Daily Trading Volume was low at approximately 0.5 million Shares in April 2016 and high at approximately 4.7 million Shares in May 2016, which represented approximately 0.03% to 0.32% of the total number of issued Shares as at the Latest Practicable Date respectively with an average of approximately 0.11%. We have reviewed the “HKEx Monthly Market Highlights” from September 2015 to September 2016 available on the website of the Stock Exchange and noted that the average ratio of average daily trading turnover to total market capitalisation of listed securities (including Main Board and GEM listed issuers) during such period was of around 0.3%. In view of the above, we consider that the liquidity of the Shares as represented by their trading volume during the Review Period was relatively low.

**(c) Conclusion**

Having considered (i) the funding requirement and debt restructuring needs for reducing the indebtedness and finance costs of the Group; (ii) the use of proceeds from the Rights Issue and arrangement of the Debt Restructuring will improve the financial position, gearing ratio and financial performance of the Group as stated in the section headed “Reasons for the Rights Issue and the Debt Restructuring and use of proceeds” above in this letter; (iii) the Rights Issue is an appropriate fund raising method as compared with other alternatives such as debt financing, placing of new Shares and open offer as stated in the section headed “Reasons for the Rights Issue and the Debt Restructuring and use of proceeds” above in this letter; (iv) the need to encourage Qualifying Shareholders to participate in the Rights Issue based on the fluctuation of the trading price of the Shares as stated in the paragraph above; (v) the equal opportunity in participating in the Rights Issue to be offered to all of the Qualifying Shareholders at the same price in proportion to his/her/its shareholding of the Company held on the Record Date; (vi) the relevant discounts of the Subscription Price to the market price of the Share are within the range and less than the average of the RI Comparables (as defined below) as stated in the sub-paragraph headed “RI Comparable analysis”; (vii) the premium of the Conversion Price to the market price of the Share on the Last Trading Day is within the range and more favourable than the average of the CB Comparables (as defined below) as stated in the sub-paragraph headed “CB Comparable analysis”; (viii) among the total trading days during Review Period, almost half of the trading days recorded the Closing Price lower than/equal to the Conversion Price; and (ix) the liquidity of the Shares during the Review Period was generally low, we are of the view that the Subscription Price and the Conversion Price are fair and reasonable so far as the Independent Shareholders are concerned.

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### 4. Principal terms of the Rights Issue and the Underwriting Agreement

#### (a) *Basis of the Rights Issue*

As stated in the Letter from the Board, the Company proposed to raise gross proceeds of not less than approximately HK\$901.4 million and not more than approximately HK\$960.7 million by way of the Rights Issue. Fame Select has irrevocably undertaken to accept its entitlements and subscribe for 2,583,146,526 Rights Shares under the Rights Issue pursuant to the Irrevocable Undertaking. Under the Rights Issue, the Company shall allot and issue not less than 4,506,944,175 Shares (assuming no exercise of the outstanding Share Options and no issue of new Share or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 4,803,587,904 Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) at the Subscription Price of HK\$0.20 per Rights Shares, on the basis of three (3) Rights Shares for every one (1) existing Share in issue held on the Record Date.

The Rights Issue are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company on the Record Date. Qualifying Shareholders shall be entitled to apply for excess Rights Shares as detailed set under the paragraph headed “Application for excess Rights Shares” below in this letter.

#### (b) *Subscription Price*

The Subscription Price is HK\$0.20 per Rights Share, which will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment under the Rights Issue and, where applicable, application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 13.8% to the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of 20.0% to the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 20.6% to the average of the closing prices of HK\$0.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 22.2% to the average of the closing prices of HK\$0.257 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 25.1% to the average of the closing prices of approximately HK\$0.267 per Share as quoted on the Stock Exchange for the last thirty consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 6.1% to the theoretical ex-rights price of approximately HK\$0.213 per Share based on the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vii) a premium of approximately 14.38 times over the unaudited consolidated net asset value per Share of approximately HK\$0.013 as at 30 June 2016 (which is calculated based on the unaudited consolidated net assets attributable to owners of the Company as at 30 June 2016 of approximately RMB16,814,000 (equivalent to approximately HK\$19,672,380) and 1,502,314,725 Shares in issue as at the Latest Practicable Date).

(c) *Comparable analysis in relation to the Rights Issue*

In order to assess the fairness and reasonableness of the major terms in relation to the Rights Issue, we have reviewed the transactions announced by companies listed on the Stock Exchange, in which the transactions involved rights issues that have subscription ratios above 1-for-2 and therefore would be subject to shareholders' approval which is the case of the Rights Issue, but no bonus shares or bonus warrants were involved in the transactions (the "**RI Comparables**"), during a six months' period from the date of the Underwriting Agreement (the "**RI Review Period**"). Based on the aforesaid criteria, we have identified fourteen RI Comparables and we consider that such list is exhaustive.



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We consider the selection criteria of the RI Comparables set forth above are reasonable and appropriate, taking into account that (i) the type and nature of the RI Comparables are comparable to that of the Rights Issue with the subscription ratio triggers the shareholders' approval requirement under the Listing Rules; and (ii) the RI Comparables in the RI Review Period were transacted under similar market conditions and sentiment as that of the Rights Issue. We note that the scale of the RI Comparables may be different from that of the Rights Issue since they were subject to the respective actual circumstances of the listed companies or their fund raising purpose. The table below summarises the details of the RI Comparables:

No.	Date of relevant announcement	Name of company	Stock code	Basis of entitlement	(Discount)/premium of subscription price (to)/over the average closing price for the last five consecutive trading days immediately to the closing price on last trading day or the date of the relevant underwriting agreement			Excess application (Y/N)	Underwriting commission	Maximum dilution <sup>(Note 1)</sup>
					underwriting agreement	underwriting agreement	underwriting agreement			
1	24 March 2016	Ngai Shun Holdings Limited	1246	11 for 2	(58.8%)	(58.8%)	(18.0%)	Y	2.5%	84.6%
2	18 April 2016	Pacific Basin Shipping Limited	2343	1 for 1	(58.3%)	(55.6%)	(41.2%)	Y	0.4% and 3.6% <sup>(Note 2)</sup>	50.0%
3	20 April 2016	South China Financial Holdings Limited	619	1 for 1	(58.2%)	(52.4%)	(41.1%)	Y	2.0%	50.0%
4	21 April 2016	Huge China Holdings Limited	428	1 for 1	(15.3%)	(15.0%)	(8.3%)	Y	2.0%	50.0%
5	11 May 2016	Time2U International Holding Limited	1327	2 for 1	(49.1%)	(49.1%)	(24.3%)	Y	1.5%	66.7%
6	23 May 2016	Unity Investments Holdings Limited	913	2 for 1	(25.4%)	(28.6%)	(10.1%)	N	1.5%	66.7%
7	10 June 2016	GT Group Holdings Limited	263	2 for 1	(49.0%)	(51.6%)	(24.2%)	Y	3.0%	66.7%
8	29 June 2016	Lerado Financial Group Company Limited	1225	2 for 1	(63.6%)	(65.7%)	(36.9%)	N	1.5%	66.7%
9	8 July 2016	Wai Yuen Tong Medicine Holdings Limited	897	3 for 1	(48.8%)	(49.4%)	(18.9%)	Y	2.5%	75.0%
10	12 July 2016	Universe International Holdings Limited	1046	2 for 1	(25.0%)	(24.2%)	(10.0%)	Y	3.0%	66.7%

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No.	Date of relevant announcement	Name of company	Stock code	Basis of entitlement	(Discount)/premium of subscription			Excess application (Y/N)	Underwriting commission	Maximum dilution <sup>(Note 1)</sup>
					the closing price on last trading day or the date of the relevant underwriting agreement	price (to)/over the average closing price for the last five consecutive trading days immediately to and including the last trading day or the date of the relevant underwriting agreement	the theoretical ex-rights price based on the closing price on last trading day or the date of the relevant underwriting agreement			
11	12 August 2016	Enterprise Development Holdings Limited	1808	3 for 1	(56.0%)	(55.6%)	(24.1%)	Y	3.0%	75.0%
12	19 August 2016	Chinese Food and Beverage Group Limited	8272	9 for 1	(45.8%)	(46.1%)	(7.8%)	Y	2.5%	90.0%
13	2 September 2016	Tai United Holdings Limited	718	2 for 1	(4.8%)	(4.2%)	(3.2%)	Y	2.0%	66.7%
14	7 September 2016	Chinlink International Holdings Limited	997	5 for 1	(76.2%)	(75.6%)	(34.8%)	Y	2.0%	83.3%
		<i>Maximum</i>			(76.2%)	(75.6%)	(41.2%)		3.6%	90.0%
		<i>Minimum</i>			(4.8%)	(4.2%)	(3.2%)		0.4%	50.0%
		<i>Average</i>			(45.3%)	(45.1%)	(21.6%)		2.2%	68.4%
	20 September 2016	The Company	1383	3 for 1	(20.0%)	(20.6%)	(6.1%)	Y	Nil and 3.0%	75.0%

Source: the website of the Stock Exchange

Notes:

- For illustration purpose, the maximum dilution effect of the RI Comparables is calculated as: (number of rights shares of the RI Comparables)/(number of shares held for the entitlement for the rights shares of the RI Comparables under the respective basis of entitlement + number of rights shares of the RI Comparables) x 100%);
- It is disclosed in the relevant announcement that the underwriting commissions of 0.4% and 3.6% were payable to two third party underwriters respectively in relation to the RI Comparable. Details please refer to the relevant announcement dated 18 April 2016 in relation to the RI Comparable.

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### *Subscription price*

We note that it is a common market practice to enhance the attractiveness of a rights issue and encourage the existing shareholders to participate in the rights issue by setting the subscription price of the rights issue at a discount to the prevailing or recent share prices of the relevant company. As illustrated in the table above, the subscription prices of the RI Comparables are all set at a discount, which ranged from (i) a discount of approximately 4.8% to approximately 76.2% to the respective closing prices of their shares on the last trading day or the date of the relevant underwriting agreement, with an average of approximately 45.3% discount; (ii) a discount of approximately 4.2% to approximately 75.6% to the respective average closing prices of their shares on the last five consecutive trading days immediately to and including the last trading day or the date of the relevant underwriting agreement, with an average of approximately 45.1% discount; and (iii) a discount of approximately 3.2% to approximately 41.2% to the respective theoretical ex-rights prices of their shares on the last trading day or the date of the relevant underwriting agreement, with average of approximately 21.6% discount. We note that the discounts of the Subscription Price (a) fall within each of the respective aforesaid market ranges and (b) are less than each of the respective aforesaid market averages. We therefore consider that the Subscription Price is fair and reasonable, and that the discount rate of the Subscription Price would encourage the Shareholders to participate in the Rights Issue.

### *Underwriting commissions*

As illustrated in the table above, the underwriting commissions agreed to be paid by the respective companies to their underwriters in the RI Comparables ranged from 0.4% to 3.6%, with an average commission rate of approximately 2.2%. It is noted that the underwriting commissions agreed to be given by the Company to Fame Select and VMS Securities are nil and 3% respectively, which are within the aforesaid market range of the RI Comparables. It is further noted that, among the fourteen RI Comparables, four of them have the underwriting commission equals to or more than 3% and none of them has nil underwriting commission. We therefore consider that the underwriting commissions agreed to be paid by the Company to the Underwriters are fair and reasonable.

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### *Dilution effect*

As illustrated in the table above, the maximum dilution effect from the RI Comparables to the issued shares of the respective companies ranged from 50.0% to 90.0%, with an average maximum dilution of approximately 68.4%. It is noted that the maximum dilution of the Rights Issue, which is 75.0% falls within the aforesaid range, where we consider that such dilution is justifiable. Further discussion on the possible dilution effect is illustrated under the section headed “Possible dilution to the shareholding of the Shareholders” in this letter.

### **(d) *Underwriting arrangement***

Pursuant to the Underwriting Agreement, Fame Select shall have the priority to underwrite not less than 1,062,748,807 Underwritten Shares (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) and not more than 1,359,392,536 Underwritten Shares (assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date) at the Subscription Price, provided that Fame Select together with its associates and parties acting in concert with any of them shall not in aggregate hold more than 75% of the issued share capital of the Company (as enlarged by the allotment and issue of the Rights Shares) immediately upon completion of the Rights Issue; and VMS Securities shall underwrite the remaining Underwritten Shares, being 861,048,842 Underwritten Shares, at the Subscription Price.

The Company has agreed to pay VMS Securities, who is the independent Underwriter of the Company, an underwriting commission of 3.0% of the aggregate subscription monies attributable to the portion of the Underwritten Shares underwritten by it. No underwriting commission will be payable by the Company to Fame Select. We are given to understand from the Company that, the terms of the Underwriting Agreement including the commission rate were determined after arm’s length negotiations between the Company and VMS Securities, while the commission rate was determined with reference to, among other things, the Subscription Price, the underwriting obligation undertaken by it, the market condition, the historical financial performance of the Group and the prevailing market rate for the underwriting commission. As shown in the table regarding the RI Comparables above, the underwriting commission of 3.0% to be charged by VMS Securities under the Underwriting Agreement is within the range of the RI Comparables of 0.4% to 3.6%.

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Having considered that (i) the underwriting commission of the Rights Issue of 3.0% is within the range of that of the RI Comparables as illustrated under the paragraph headed “Comparable analysis in relation to the Rights Issue – Underwriting commissions” above; (ii) the underwriting commission was determined after arm’s length negotiations between the Company and VMS Securities; and (iii) as advised by the Company, VMS Securities is the only one interested in underwriting the Rights Issue among several independent financial institutions approached by Company, we are of the view and concur with the view of the Directors that the underwriting commission under the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Pursuant to the Underwriting Agreement, in the event that VMS Securities being called upon to subscribe for or procure subscribers to subscribe for the Untaken Shares, VMS Securities shall use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it shall be an Independent Third Party and each of such subscribers and itself shall not, together with any of his/her/its associates and any party acting in concert (within the meaning of the Takeovers Code) with him/her/it, hold 10% or more of the voting rights of the Company immediately upon completion of the Rights Issue. As stated in the Letter from the Board, VMS Securities has subsequently entered into sub-underwriting agreements with certain sub-underwriters, pursuant to which each of the sub-underwriters undertakes that each of them will not, and will procure each of the subscribers procured and nominated by each of them in respect of any or all of the relevant Untaken Shares and their respective associates will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue.

***(e) Application for excess Rights Shares***

As stated in the Letter from the Board, Qualifying Shareholders shall be entitled to apply for, (i) the Rights Shares representing the entitlement of the Non-Qualifying Shareholders which cannot be sold at a new premium; (ii) and any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders.

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Application may be made by completing the EAF for the excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. The Board will allocate the excess Rights Shares at its discretion, but on a fair and equitable basis. Subject to availability of the excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the number of excess Rights Shares being applied for by them. No preference will be given to applications for topping-up odd lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result. No fractional entitlements to the Rights Shares will arise under the Rights Shares. Any unsold entitlements of the Non-Qualifying Shareholders in the Rights Shares will be taken up by the Underwriters.

### 5. Principal terms of the Debt Restructuring

#### (a) *Principal terms of the CB Subscription Agreement*

The principal terms of the Convertible Bonds are summarised as follows:

- Principal amount : HK\$570,000,000
- Interest rate : the Convertible Bonds shall not bear any interest.
- Maturity date : the date falling two (2) years from the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day (the “**Maturity Date**”).
- Conversion period : provided that any conversion of the Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company, the holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions of the Convertible Bonds, have the right at any time during the period commencing from the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date to convert the whole or part (in authorised denominations) of the outstanding principal amount of Convertible Bonds registered in its name into Shares at the Conversion Price.

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## LETTER FROM NEW SPRING CAPITAL

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Conversion Price and Conversion Shares : Based on the initial Conversion Price of HK\$0.26 per Conversion Share (subject to adjustments), a total of 2,192,307,692 Conversion Shares will be issued upon full conversion of the Convertible Bonds.

We are given to understand from the Company that, the principal terms of the Convertible Bonds including the Conversion Price were arrived at after arm's length negotiations between the Company and Fame Select. For further details of the major terms of the Convertible Bonds, please refer to the Letter from the Board.

**(b) Evaluation of the Conversion Price**

The initial Conversion Price of HK\$0.26 per Conversion Share represents:

- (i) a premium of approximately 12.1% over the closing price of HK\$0.232 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of 4.0% over the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 3.2% over the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 1.2% over the average closing price of HK\$0.257 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 22.1% over the theoretical ex-rights price of approximately HK\$0.213 per Share based on the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the Last Trading Day.; and
- (vi) a premium of approximately 19 times over the unaudited consolidated net asset value per Share of approximately HK\$0.013 as at 30 June 2016 (which is calculated based on the unaudited consolidated net assets attributable to owners of the Company as at 30 June 2016 of approximately RMB16,814,000 (equivalent to approximately HK\$19,672,380) and 1,502,314,725 Shares in issue as at the Latest Practicable Date).

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## LETTER FROM NEW SPRING CAPITAL

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As stated in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiations between the Company and Fame Select with reference to the prevailing market price of the Shares and the theoretical ex-rights price under the Rights Issue. We are given to understand that the Directors considered the Conversion Price and the terms and conditions of the CB Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

*(c) Comparable analysis in relation to the Convertible Bonds*

In order to assess the fairness and reasonableness of the major principal terms of the CB Subscription Agreement, we have reviewed the transactions announced by companies listed on the Stock Exchange, in which the transactions involved issue or subscription of convertible bonds or convertible notes by the listed companies under specific mandate for fund raising purpose but excluded those issuing or subscribing convertible bonds or convertible notes as a mean of consideration in acquisitions or those issued as part of a rescue plan for shares due to prolonged suspension of trading (the “**CB Comparables**”) during a six months’ period from the date of the CB Subscription Agreement (the “**CB Review Period**”). Based on the aforesaid criteria, we have identified twelve CB Comparables and we consider that such list is exhaustive.

We consider the selection criteria of the CB Comparables set forth above are reasonable and appropriate, taking into account that (i) the type and nature of the CB Comparables are comparable to that of the Convertible Bonds which are to be issued under specific mandate for fund raising purpose; and (ii) the CB Comparables in the CB Review Period were transacted under similar market conditions and sentiment as that of the Convertible Bonds. We note that the scale of the CB Comparables may be different from that of the Convertible Bonds since they were subject to the respective actual circumstances of the listed companies or their fund raising purpose. The table below summarises the details of the CB Comparables:



## LETTER FROM NEW SPRING CAPITAL

No.	Date of relevant announcement	Name of company	Stock code	(Discount)/premium of conversion price (to)/over			Interest rate (per annum)	Maturity date (in year)
				the closing price on the last trading day or the date of the relevant subscription agreement	the average closing price for the last five consecutive trading days immediately to and including the last trading day or the date of the relevant subscription agreement	the average closing price for the last ten consecutive trading days immediately to and including the last trading day or the date of the relevant subscription agreement		
1	20 May 2016	China Green (Holdings) Limited	904	(38.5)%	(39.7)%	N/A <sup>(Note 1)</sup>	12.0%	1.0
2	30 May 2016	HNA International Investment Holdings Limited	521	(14.0)%	(12.3)%	(10.7)%	8.0%	2.0
3	31 May 2016	Sino oil and Gas Holdings Limited	702	17.0%	15.0%	17.0%	8.0%	3.0
4	31 May 2016	Prosten Technology Holdings Limited	8026	(18.4)%	(19.5)%	(20.3)%	6.0%	1.0
5	6 June 2016	China Everbright Bank Company Limited	6818	17.8%	17.8%	N/A <sup>(Note 1)</sup>	N/A <sup>(Note 2)</sup>	6.0
6	30 June 2016	China Zenith Chemical Group Limited	362	53.8%	57.5%	N/A <sup>(Note 1)</sup>	0.0%	3.0
7	5 August 2016	Ground Properties Company Limited	989	(18.0)%	(17.1)%	N/A <sup>(Note 1)</sup>	8.0%	2.0
8	8 August 2016	SMI Holdings Group Limited, and SMI Culture Group Holdings Limited	198 and 2366	8.9%	24.1%	N/A <sup>(Note 1)</sup>	5.0%	1.0
9	23 August 2016	China Agri-Products Exchange Limited, and Easy One Financial Group Limited	149 and 221	9.6%	9.3%	N/A <sup>(Note 1)</sup>	7.5% <sup>(Note 3)</sup>	5.0 <sup>(Note 3)</sup>
10	31 August 2016	Sino Energy International Holdings Group Limited	1096	11.4%	12.8%	10.0%	7.5%	2.0
11	7 September 2016	Fullshare Holdings Limited	607	(32.1)%	(30.6)%	(26.1)%	0.0%	1.0
12	18 September 2016	Lee & Man Handbags Holding Limited	1488	(5.6)%	(6.8)%	(7.9)%	3.0%	5.0
		<b>Maximum</b>		<b>53.8%</b>	<b>57.5%</b>	<b>17.0%</b>	<b>12.0%</b>	<b>6.0</b>
		<b>Minimum</b>		<b>(38.5)%</b>	<b>(39.7)%</b>	<b>(26.1)%</b>	<b>0.0%</b>	<b>1.0</b>
		<b>Average</b>		<b>(0.7)%</b>	<b>0.9%</b>	<b>(6.3)%</b>	<b>5.9%</b>	<b>2.7</b>
	20 September 2016	The Company	1383	4.0%	3.2%	1.2%	0.0%	2.0

Source: the website of the Stock Exchange

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## LETTER FROM NEW SPRING CAPITAL

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*Notes:*

1. *Such information is not available in the relevant announcement.*
2. *It is disclosed in the relevant announcement that the manner of determining the interest rate of the convertible bonds and the final interest rate of each interest accrual year shall be determined by the board of the company with reference to the government policies, market conditions and the actual conditions of the company before the issue, according to the authorisation by its shareholders at the general meeting and shareholders class meetings. Details please refer to the relevant announcement dated 6 June 2016 in relation to the CB Comparable.*
3. *It is disclosed in the relevant announcement that the CB Comparable involved (i) the issue and placing of convertible notes and (ii) the subscription of convertible notes with the same conversion price, interest rate and maturity date. Details please refer to the relevant announcement dated 23 August 2016 in relation to the CB Comparable.*

### *Conversion Price*

As illustrated in the table above, the conversion prices of the CB Comparables ranged from (i) a discount of approximately 38.5% to a premium of approximately 53.8% to the respective closing prices of their shares on the last trading day or the date of the relevant subscription agreement, with an average of approximately 0.7% discount; (ii) a discount of approximately 39.7% to a premium of approximately 57.5% to the respective average closing prices of their shares on the last five consecutive trading days immediately to and including the last trading day or the date of the relevant subscription agreement, with an average of approximately 0.9% premium; and (iii) a discount of approximately 26.1% to a premium of approximately 17.0% to the respective average closing prices of their shares on the last ten consecutive trading days immediately to and including the last trading day or the date of the relevant subscription agreement, with an average of approximately 6.3% discount. We note that the premiums of the Conversion Price (a) fall within each of the respective aforesaid market ranges and (b) are more favourable than each of the respective aforesaid market averages. We therefore consider that the Conversion Price is fair and reasonable.

### *Interest rate*

As illustrated in the table above, the CB Comparables bear interest rates from nil to 12% per annum, with an average interest rate of approximately 5.9% per annum. The Convertible Bonds bear nil interest rate, which falls within the market range and is favourable than the market average. We therefore consider that the interest rate of nil of the Convertible Bonds is fair and reasonable.

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## LETTER FROM NEW SPRING CAPITAL

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### *Maturity*

As illustrated in the table above, the CB Comparables have the maturity ranged from one year to six years, with an average maturity of around 2.7 years. The Convertible Bonds with a maturity of two years falls within such market range and is close to the market average. We therefore consider that the maturity of the Convertible Bonds is fair and reasonable.

### 6. Possible dilution to the shareholding of the Shareholders

(a) *Scenario 1 – Assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date*

	(i) As at the Latest Practicable Date		(ii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iii) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Fame Select) under the Rights Issue	
	Number of Shares		Number of Shares		Number of Shares	
		%		%		%
Fame Select <sup>(Note 1)</sup>	861,048,842	57.31	3,444,195,368	57.31	4,506,944,175	75.00
VMS Securities and subscribers procured by it	-	-	-	-	861,048,842	14.33
Other public Shareholders	641,265,883	42.69	2,565,063,532	42.69	641,265,883	10.67
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>6,009,258,900</b>	<b>100.00</b>	<b>6,009,258,900</b>	<b>100.00</b>

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**LETTER FROM NEW SPRING CAPITAL**

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**(b) Scenario 2 – Assuming full exercise of all outstanding Share Options but no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date**

	(i) As at the Latest Practicable Date		(ii) Immediately upon full exercise of all outstanding Share Options before the Record Date		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		(iv) Immediately upon completion of Rights Issue assuming no acceptance by the Qualifying Shareholders (other than Fame Select) under the Rights Issue	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fame Select <sup>(Note 1)</sup>	861,048,842	57.31	861,048,842	53.78	3,444,195,368	53.78	4,803,587,904	75.00
The holders of the Share Options	-	-	98,881,243	6.18	395,524,972	6.18	98,881,243	1.54
VMS Securities and subscribers procured by it	-	-	-	-	-	-	861,048,842	13.44
Other public Shareholders	641,265,883	42.69	641,265,883	40.04	2,565,063,532	40.04	641,265,883	10.02
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>1,601,195,968</b>	<b>100.00</b>	<b>6,404,783,872</b>	<b>100.00</b>	<b>6,404,783,872</b>	<b>100.00</b>

## LETTER FROM NEW SPRING CAPITAL

(c) *Scenario 3 – The shareholding structure of the Company immediately before and after the allotment and issue of the Conversion Shares*

	(i) As at the Latest Practicable Date		(ii) Assuming the Rights Issue does not proceed and the conversion rights under the Convertible Bonds are exercised subject to the conversion restrictions thereof <sup>(Note 2)</sup>		(iii) Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue, and that the conversion rights under the Convertible Bonds are exercised in full		(iv) Immediately upon full exercise of all outstanding Share Options before the Record Date		(v) Assuming the Rights Issue does not proceed but all outstanding Share Options are exercised in full and the conversion rights under the Convertible Bonds are exercised subject to the conversion restrictions thereof <sup>(Note 2)</sup>		(iv) Immediately upon completion of Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue, and assuming all outstanding Share Options and the conversion rights under the Convertible Bonds are exercised in full	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Fame Select <sup>(Note 1)</sup>	861,048,842	57.31	1,923,797,649	75.00	5,636,053,060	68.72	861,048,842	53.78	2,220,441,378	75.00	5,636,503,060	65.56
The holders of the Share Options	-	-	-	-	-	-	98,881,243	6.18	98,881,243	3.34	395,524,972	4.60
VMS Securities and subscribers procured by it	-	-	-	-	-	-	-	-	-	-	-	-
Other public Shareholders	641,265,883	42.69	641,265,883	25.00	2,565,063,532	31.28	641,265,883	40.04	641,265,883	21.66	2,565,063,532	29.84
<b>Total</b>	<b>1,502,314,725</b>	<b>100.00</b>	<b>2,565,063,532</b>	<b>100.00</b>	<b>8,201,566,592</b>	<b>100.00</b>	<b>1,601,195,968</b>	<b>100.00</b>	<b>2,960,588,504</b>	<b>100.00</b>	<b>8,597,091,564</b>	<b>100.00</b>

*Notes:*

- Fame Select is owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. Ms. Yeung So Mui, an executive Director, is the spouse of Mr. Cheng Ting Kong. Mr. Chau, Mr. Cheng Ting Kong and Ms. Yeung So Mui are therefore deemed to be interested in the 861,048,842 Shares held by Fame Select.*
- Pursuant to the terms of the Convertible Bonds, no conversion of the Convertible Bonds shall be allowed if such conversion will result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company.*
- The above shareholding structure is for illustrative purpose only.*

All Qualifying Shareholders are entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will have the opportunity to maintain after the completion of the Rights Issue.

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## LETTER FROM NEW SPRING CAPITAL

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Qualifying Shareholders who do not accept the Rights Issue and thus the Underwriters are obligated to take up the unsubscribed Rights Shares, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be 75.00%. As illustrated above, if no Qualifying Shareholders (other than Fame Select) take up the Rights Shares, the shareholding of the existing public Shareholders will be reduced from approximately 42.69% as at the Latest Practicable Date to approximately 10.67% upon completion of the Rights Issue (assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to and including the Record Date).

Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may subject to availability, (i) acquire additional nil-paid Rights Shares in the market; and (ii) apply for excess Rights Shares. Since the Qualifying Shareholders are given the right to subscribe for additional Rights Shares before the Underwriters take up the Untaken Shares, we are of the view that the arrangement of excess application is fair and reasonable and in the interests of the Company and Shareholders as a whole.

We are aware of the aforementioned potential dilution to the Independent Shareholders' shareholding interests in the Company. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- (i) the Rights Issue, the Underwriting Agreement, the CB Subscription Agreement and the transactions contemplated thereunder are subject to approvals by the Independent Shareholders at the EGM;
- (ii) the Qualifying Shareholders can choose whether to accept the Rights Issue or not;
- (iii) the Subscription Price is on normal commercial terms and is fair and reasonable;
- (iv) the Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares in the market for economic benefit, and/or to apply for excess Rights Shares, subject to availability;
- (v) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a price discounted to the historical and prevailing market prices of the Shares and allows the Qualifying Shareholders to participate in the future development of the Company; and

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## LETTER FROM NEW SPRING CAPITAL

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- (vi) the positive financial effect as a result of the Rights Issue as detailed in the sub-section “Financial effects of the Rights Issue and the Debt Restructuring” below.

In addition, we note from the RI Comparables as detailed in the table under the paragraph headed “Comparable analysis in relation to the Rights Issue” above in this letter that the maximum dilution to the respective shareholders of the listed companies as a result of the RI Comparables ranged from a minimum of 50.0% to a maximum of 90.0% with an average of approximately 68.4%. As such, although the maximum dilution of 75.0% to the existing public Shareholders as a result of the Rights Issue is above the average maximum dilution of the RI Comparables, it still falls within the said market range. Further, we note that there were five RI Comparables with maximum dilution that were higher than or equal to the Rights Issue.

In view of (i) the positive financial effect as a result of the Rights Issue; and (ii) the maximum dilution of 75.0% as illustrated in the above tables is still within range of the maximum dilution of the RI Comparables, we consider the potential dilution effect on the shareholding interests of the Independent Shareholders, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, to be acceptable.

### **7. Financial effects of the Rights Issue and the Debt Restructuring**

Based on our discussion with and the representation from the Directors, we understand from the Directors that they have taken into account the following factors when they considered the potential impact of the Rights Issue and the Debt Restructuring on the financial positions of the Group respectively upon completions:

#### **(a) *Earnings, working capital and gearing***

##### *Rights Issue*

The net proceeds from the Rights Issue after deducting related expenses are estimated to be not less than approximately HK\$892.9 million (equivalent to approximately RMB763.2 million and based on the minimum number of 4,506,944,175 Rights Shares to be issued) and not more than approximately HK\$952.3 million (equivalent to approximately RMB813.9 million and based on the maximum number of 4,803,587,904 to be issued), assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company up to and including the Record Date. Accordingly immediately upon completion of the Rights Issue, the Group will have cash inflows of the aforesaid amount.

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## LETTER FROM NEW SPRING CAPITAL

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As illustrated in the Letter from the Board, it is the Company's intention to apply approximately HK\$803.7 million (equivalent to approximately RMB686.9 million) of the net proceeds from the Rights Issue (no matter in the case that the minimum or the maximum proceeds indicated above will be raised) for repayment of borrowings where (i) approximately HK\$535.5 million will be applied to repay the outstanding principal amount of the Third Parties Loans (recognised as bank and other borrowings); and (ii) approximately HK\$268.2 million will be applied to settle the interests accrued thereon (recognised as other payables and accruals). As at 30 June 2016, the Group had total debts (being the total bank and other borrowings) of approximately RMB1,833.3 million. The repayment of borrowings using the net proceeds from the Rights Issue will decrease the Group's total debts by approximately HK\$535.5 million (equivalent to approximately RMB457.7 million). With respect to the remaining amount of net proceeds from the Rights Issue, as illustrated in the Letter from the Board, the Company intends to apply such proceeds to the Group's business development of its tourism-related services and as the general working capital purpose.

Upon the net proceeds from the Rights Issue are received and applied, the Directors are of the view that the Rights Issue will have positive effects to the Group on (i) its gearing by significantly reducing its total debts; (ii) its earnings by saving the finance costs to be arisen from the Third Parties Loans, which carry interest rates of 14% to 18%, after repayment; and (iii) its working capital as a matter of the combined effects from the cash inflows of the remaining amount of proceeds for business development and general working capital and the reduction in future cash outflows in repaying loan interests from the Third Parties Loans.

### *Debt Restructuring*

As mentioned in the Letter from the Board, the subscription of the Convertible Bonds in the principal amount of HK\$570 million by Fame Select shall be satisfied by setting off against the balance of the Loan on a dollar-for-dollar basis. As at the Latest Practicable Date, the Company was indebted to Fame Select the Loan, comparing principal amount of HK\$525,374,700 and accrued interests of HK\$45,067,579, which carries an interest at 2% per annum. As advised by the Directors, immediately after the subscription of the Convertible Bonds, the Group's total debts will be reduced by such amount of the outstanding principal balance of the Convertible Bonds, which is approximately HK\$525.4 million. The recognition of the Convertible Bonds will constitute a derivative component under current liability and a liability component under non-current liability in the Group's financial statements. Without taking into account the derivative component, the Convertible Bonds will still have positive effect on the Group's gearing upon recognition.



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## LETTER FROM NEW SPRING CAPITAL

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At the time of initial recognition, the carrying amount of the Convertible Bonds will be recorded at its initial value and therefore no gain or loss will be arisen. As advised by the Directors, for the subsequent reporting periods, the liability portion of the Convertible Bonds will be carried at amortised cost using effective interest method, while the effective interest expenses of the Convertible Bonds will be charged to the Group's consolidated statement of profit or loss and other comprehensive income subsequent to the completion of the subscription of the Convertible Bonds until their conversion in full or at their maturity date. Gain or loss from the re-measurement of fair value of the derivative component of the Convertible Bonds will be recognised in the Group's consolidated statement of profit or loss and other comprehensive income as at the end of each subsequent financial year. However, the Directors considered that the above impact on gain or loss from effective interest method and the re-measurement will be determined in the subsequent reporting periods, whilst no further interests will be paid by the Company in respect of the Convertible Bonds.

In the event that the conversion rights attaching to the Convertible Bonds are to be exercised, we are advised by the Directors that there may be a financial impact to the Group's consolidated statement of profit or loss and other comprehensive income due to the difference between the fair value and the carrying value of the derivative component of the Convertible Bonds being converted. In addition, there will be a positive impact to the Group's gearing attributable to an increase in the Group's total equity, by the value of the Conversion Shares being converted at the Conversion Price and simultaneously a decrease in the Group's liability with a corresponding amount.

Based on the above, we are advised by the Directors that the Rights Issue and the Debt Restructuring are expected to provide positive effects to the Group's earnings, working capital and gearing immediately upon completion of each and in the forthcoming as described above generally.

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## LETTER FROM NEW SPRING CAPITAL

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(b) *Net asset value*

*Rights Issue*

As referred to the Interim Report 2016, the Group had net assets of approximately RMB16.1 million as at 30 June 2016. Immediately after completion of the Rights Issue, the Group's net assets will increase by the amount of net proceeds from the Rights Issue, which is estimated to be not less than approximately HK\$892.9 million (equivalent to approximately RMB763.2 million and based on the minimum number of 4,506,944,175 Rights Shares to be issued) and not more than approximately HK\$952.3 million (equivalent to approximately RMB813.9 million and based on the maximum number of 4,803,587,904 to be issued), from approximately RMB16.1 million to not less than approximately RMB779.8 million and not more than approximately RMB830.5 million respectively, assuming no exercise of the outstanding Share Options and no issue of new Shares or repurchase of Shares by the Company up to and including the Record Date. Its total equity will also increase with the same amount meanwhile. Subsequently when the Company applies approximately HK\$803.7 million of the proceeds in repaying the Third Parties Loans and related interests accrued, cash balance of the Group will be reduced while its total bank and other borrowings will be reduced by the same amount. The Directors are therefore of the view that the Rights Issue will provide positive effect to the Group's position of net asset value immediately upon its completion and also improvement in the Group's financial position after repayment of borrowings using the proceeds.

*Debt Restructuring*

As referred to the Interim Report 2016, the Group had net assets of approximately RMB16.1 million as at 30 June 2016. As advised by the Director, the subscription of the Convertible Bonds will constitute a decrease in the Group's total liabilities of approximately HK\$570 million, by setting off the subscription of the Convertible Bonds against the Loan; meanwhile an increase with the same amount in the Group's total liabilities comprising a derivative component (under current liability) and a liability component (under non-current liability). We are advised by the Directors that the final actual amounts allocating to the derivative and liability components of the Convertible Bonds could not be determined at the current stage but until reliable estimations of their values are made at the issue date of the Convertible Bonds. It is therefore the Directors are of the view that the subscription of the Convertible Bonds will have no material effect to the Group's net asset value.

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## LETTER FROM NEW SPRING CAPITAL

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In the event that the conversion rights attaching to the Convertible Bonds are to be exercised, the Directors advised that such conversion will constitute an increase in the Group's total equity, by the value of the Conversion Shares being converted at the Conversion Price and simultaneously a decrease in the Group's liability with a corresponding amount. Under such event of conversion, it is therefore expected that the Group's net assets will be increased.

Based on the above, we are advised by the Directors that the Rights Issue and the Debt Restructuring are expected to provide position effects to the Group's net asset value or the net asset value as described above generally.

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 of the Rights Issue or the Debt Restructuring.

### OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons as mentioned under the section headed "Principal factors and reasons considered" in this letter, which are summarised as:

- (i) the financial information of the Group, in particular, the net losses of the Group for FY2014, FY2015 and 1H2016 were substantially affected by respective finance costs, as described under the section headed "Background and financial information of the Group" above in this letter;
- (ii) the Group has the need to raise funds or restructure its existing debts for reducing the indebtedness and finance costs and fulfilling repayment obligation of the Group, while the Rights Issue and the Debt Restructuring and the use of proceeds from the Rights Issue are in line with the Company's needs and can improve the gearing and financial position, as described under the section headed "Reasons for the Rights Issue and the Debt Restructuring and use of proceeds" above in this letter;



**1. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for the years ended 31 December 2013, 31 December 2014 and 31 December 2015, and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2016, together with the accompanying notes have been included in the annual report of the Company for the year ended 31 December 2013 (pages 40 to 140), the annual report of the Company for the year ended 31 December 2014 (pages 41 to 144), the annual report of the Company for the year ended 31 December 2015 (pages 41 to 144), and the interim report of the Company for the six months ended 30 June 2016 (pages 14 to 34), respectively.

The said annual reports and interim report of the Company are available on the Company's website at [www.sun1383.com](http://www.sun1383.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2. STATEMENT OF INDEBTEDNESS****Borrowings**

As at 31 August 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding borrowings of approximately RMB1,678.0 million (equivalent to approximately HK\$1,963.2 million), which included borrowings of approximately RMB771.2 million (equivalent to approximately HK\$902.3 million) and RMB906.8 million (equivalent to approximately HK\$1,060.9 million) denominated in RMB and HK\$ respectively. The Group had secured or guaranteed borrowings of approximately RMB706.2 million (equivalent to approximately HK\$826.3 million) and had unsecured and unguaranteed borrowings of approximately RMB971.8 million (equivalent to approximately HK\$1,136.9 million).

The secured borrowings are secured by certain investment properties and inventories at RMB1,732.0 million (equivalent to approximately HK\$2,026.4 million) and RMB915.0 million (equivalent to approximately HK\$1,070.6 million) respectively.

The interest rate of the Third Parties Loans ranges from 14% to 18% per annum. The interest rate of banking facilities ranges from 5.635% to 8% per annum. There was no unutilised facilities as at 31 August 2016. There was no material adverse change in indebtedness of the Group from 31 August 2016 up to the Latest Practicable Date.

**Contingent Liabilities**

As at close of business on 31 August 2016, the Group had total contingent liabilities of RMB3,701.6 million (equivalent to approximately HK\$4,330.9 million), including RMB3,435.0 million (equivalent to approximately HK\$4,019.0 million) representing guarantees given to certain banks for the mortgage facilities granted to purchasers of the Group's properties and RMB266.6 million (equivalent to approximately HK\$311.9 million) representing various litigation claims against to the Group.

**Disclaimers**

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 August, 2016, the Group did not have any outstanding loan capital, debt securities, and term loan issued and outstanding or agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the internally generated funds of the Group from its existing operating activities and the estimated net proceeds from the Rights Issue, as well as the Debt Restructuring, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

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

**5. TRADING AND FINANCIAL PROSPECTS OF THE GROUP**

The Group is principally engaged in (i) properties development; (ii) properties leasing and management; (iii) hotel and integrated resort management and consultancy services; and (iv) tourism-related service business.

As mentioned in the interim report of the Company for the six months ended 30 June 2016, the Group has started to deliver Le Paysage to buyers since the fourth quarter of 2014. With the heating up of Shenzhen property market and the Group began to deliver the boutique high-rise building residential units, the gross profit margin in property development segment had increased significantly from 23.08% in the first half of 2015 to 41.36% in the first half of 2016. Looking ahead, the Company expects the government policies will remain unchanged and the local government will fine-tune and introduce targeted policies based on growth properties stock, properties prices and land prices. Given that the accumulated properties stock in the first and second-tier cities in China have fallen to the ideal range, the Company remains optimistic to the market conditions in the second half of 2016 and expect that there is still room for increase in properties prices and land prices. In the meantime, the Group will actively examine the developing real estate markets outside China. Asian countries, such as Korea, Malaysia and Vietnam are among the initial target markets of the Group.

Further, as disclosed in the announcement of the Company dated 31 August 2016, the Group has acquired the entire issued share capital of Suncity Group Tourism Limited with the intention of diversifying its business to the tourism-related service business in Macau. The Group intends to further expand the newly planned tourism-related business to other countries in the Asian markets, such as Vietnam and South Korea. The Group also plans to integrate its existing hotels and integrated resort management and consultancy service business with its new tourism-related service business, and provide consultancy, advisory, technical services for hotels or integrated resorts in places with rapid growth in the tourism industry. The services will include work relating to the building, equipping and fitting-out of resorts and/or gaming and entertainment facilities and the preparation and organisation of their marketing activities. The Company has already set up a subsidiary in association with its expansion plan and is identifying potential projects/targets that may suit the Company's objective. As at the Latest Practicable Date, no formal or definitive agreement had been entered into in relation to these expansion plans.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

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**A.      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

**1.      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following is an illustrative and unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company which has been prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Rights Issue as if it had taken place on 30 June 2016. This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 June 2016 or at any future date.

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2016 <i>RMB'000</i> <i>(note 1)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after completion of the Rights Issue <i>RMB'000</i>	Unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 June 2016 <i>RMB Cents</i> <i>(note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after completion of the Rights Issue <i>RMB Cents</i> <i>(note 4)</i>
Rights Issue of minimum number of Rights Shares of 4,506,944,175 Rights Shares to be issued at subscription price of HK\$0.20 per Rights Share	16,621	763,181	779,802	1.11	12.98
Rights Issue of maximum number of Rights Shares of 4,803,587,904 Rights Shares to be issued at subscription price of HK\$0.20 per Rights Share	16,621	813,889	830,510	1.11	12.97



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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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Notes:

1. The consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2016 is based on the unaudited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2016 of RMB16,814,000 with adjustments excluded deferred tax assets RMB193,000 as extracted from the published interim report of the Group for the period ended 30 June 2016.
2. The estimated net proceeds from the Rights Issue are based on (i) minimum number of Rights Shares of 4,506,944,175 Rights Shares to be issued and (ii) maximum number of Rights Shares of 4,803,587,904 to be issued as defined in this Circular at the subscription price of HK\$0.20 per Rights Share, after deduction of the related expenses of approximately HK\$892.9 million (equivalent to approximately RMB763.2 million) and HK\$952.3 million (equivalent to approximately RMB813.9 million) respectively.
3. The unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 June 2016 was RMB1.11 cents, which was based on the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2016 of RMB16,621,000 and 1,502,314,725 Shares in issue as at 30 June 2016.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after completion of the Rights Issue is arrived at after aggregating the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2016 of RMB16,621,000 (Note 1) and the estimated net proceeds of (i) approximately RMB763,181,000 from the Rights Issue (Note 2) and on the basis that 1,502,314,725 Shares were in issue as at 30 June 2016 and minimum number of Rights Shares of 4,506,944,175 Rights Shares to be issued, and (ii) approximately RMB813,889,000 from the Rights Issue (Note 2) and on the basis that 1,502,314,725 Shares were in issue as at 30 June 2016, 98,881,243 Shares to be issued to the holders of outstanding Share Options as at Latest Practicable Date assuming rights attaching to the outstanding Share Options are exercised in full before the Record Date and maximum number of Rights Shares of 4,803,587,904 Rights Shares to be issued, pursuant to the Rights Issue, were in issue assuming that the Rights Issue had been completed on 30 June 2016.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

**B.    REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**



**Andes Glacier CPA Limited**

CERTIFIED PUBLIC ACCOUNTANTS

思捷會計師行有限公司

28 October, 2016

The Board of Directors  
Sun Century Group Limited  
Room 1201-1202, 12th Floor  
China Merchants Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Sheung Wan, Hong Kong

**Independent reporting accountant’s assurance report on the compilation of  
unaudited pro forma financial information included in the circular –  
proposed rights issue on the basis of three (3) rights shares  
for every one (1) share held on the record date**

**To the directors of Sun Century Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sun Century Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma net tangible asset statement as at 30 June, 2016 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 28 October 2016 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the Group’s financial position as at 30 June, 2016 as if the transaction had taken place at 30 June, 2016. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s unaudited financial statements for the six months ended 30 June, 2016, on which an interim result has been published.

**Directors' responsibility for the unaudited pro forma financial information**

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

**Our independence and quality control**

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

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountant's responsibilities**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420, Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Circulars issued by the HKICPA.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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

The purpose of unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June, 2016 would have been presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

**Opinion**

In our opinion:

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

**Andes Glacier CPA Limited**

**Certified Public Accountants**

Ng Sung Hau

Practising Certificate Number: P06122

**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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL****(I) The authorised and issued share capital of the Company***(i) As at the Latest Practicable Date*

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares of HK\$0.10 each	<u>5,000,000,000.00</u>
<i>Issued and fully paid:</i>		
<u>1,502,314,725</u>	Shares of HK\$0.10 each	<u>150,231,472.50</u>

(ii) *Immediately following the allotment and issue of the Rights Shares and the Conversion Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue and the CB Subscription Agreement and the conversion rights attaching to the Convertible Bonds were exercised in full at the initial Conversion Price of HK\$0.26 per Conversion Share)*

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares of HK\$0.10 each	<u>5,000,000,000.00</u>
 <i>Issued and fully paid:</i>		
1,502,314,725	Shares as at the Latest Practicable Date	150,231,472.50
4,506,944,175	Rights Shares to be allotted and issued under the Rights Issue	450,694,417.50
<u>2,192,307,692</u>	Conversion Shares to be allotted and issued upon conversion of the Convertible Bonds in full	<u>219,230,769.20</u>
<u>8,201,566,592</u>	Shares in issue immediately upon the allotment and issue of the Rights Shares and the Conversion Shares	<u>820,156,659.20</u>

(iii) *Immediately following the allotment and issue of the Rights Shares and the Conversion Shares (assuming full exercise of all outstanding Share Options but no other change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue and the CB Subscription Agreement and the conversion rights attaching to the Convertible Bonds were exercised in full at the initial Conversion Price of HK\$0.26 per Conversion Share)*

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares of HK\$0.10 each	<u>5,000,000,000.00</u>
 <i>Issued and fully paid:</i>		
1,502,314,725	Shares as at the Latest Practicable Date	150,231,472.50
98,881,243	Shares to be allotted and issued upon full exercise of all outstanding Share Options	9,888,124.30
4,803,587,904	Rights Shares to be allotted and issued under the Rights Issue	480,358,790.40
<u>2,192,307,692</u>	Conversion Shares to be allotted and issued upon conversion of the Convertible Bonds in full	<u>219,230,769.20</u>
<u>8,597,091,564</u>	Shares in issue immediately upon the allotment and issue of the Rights Shares and the Conversion Shares	<u>859,709,156.40</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares and the Conversion Shares (as the case may be), when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of fully-paid Rights Shares and the Conversion Shares (as the case may be) will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the Rights Shares (in this nil-paid form) and the Conversion Shares (as the case may be).

The issued Shares are listed on the Stock Exchange. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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



**(II) The Share Option Scheme**

As at the Latest Practicable Date, the Company had outstanding Share Options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 98,881,243 new Shares. Details of which are set out below:

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price (HK\$)</b>	<b>Number of underlying Shares</b>
15 May 2007	15 November 2007 – 14 May 2017	4.78	5,520,001
10 October 2007	10 April 2008 – 9 October 2017	7.78	384,318
13 February 2008	13 August 2008 – 12 February 2018	4.42	3,076,924
12 December 2013	13 December 2013 – 11 December 2023	0.398	89,900,000
<b>Total</b>			<b>98,881,243</b>

Save for the Share Options, the Company had no other outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

Save for the outstanding Share Options, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

**3. DISCLOSURE OF INTERESTS***(i) Directors' and chief executive's interests in shares, underlying shares or debentures*

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (the “**Associated Corporations**”) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

Long position in the shares of the company

Name of director	Capacity in which Shares are held	Number of Shares held	Number of Underlying Shares held under equity derivatives	Total	Percentage of aggregate interest to total number of Shares in issue %
Mr. Chau	Interest of controlled corporation	4,803,587,904 <sup>1</sup>	2,192,307,692 <sup>2</sup>	6,995,895,596	109.23% <sup>4</sup>
Ms. Yeung So Mui <sup>3</sup>	Interest of spouse	4,803,587,904	2,192,307,692	6,995,895,596	109.23% <sup>4</sup>

*Notes:*

- This represents interests held by Mr. Chau through Fame Select, which (i) holds 861,048,842 Shares; (ii) is interested in 2,583,146,526 Rights Shares to which Fame Select has undertaken to accept or procure acceptance pursuant to the Irrevocable Undertaking; and (iii) is interested in the 1,359,392,536 Underwritten Shares underwritten by Fame Select pursuant to the Underwriting Agreement. Mr. Chau has 50% interests in Fame Select, he is therefore deemed to be interested in 4,803,587,904 Shares.
- This represents the maximum of 2,192,307,692 Conversion Shares to be issued upon the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.26. Mr. Chau has 50% interests in Fame Select, he is therefore deemed to be interest in 2,192,307,692 underlying Shares.
- This represents interests held by Mr. Cheng Ting Kong through Fame Select, which is interested in 4,803,587,904 Shares and 2,192,307,692 underlying Shares. Mr. Cheng Ting Kong has 50% interests in Fame Select. Ms. Yeung So Mui is the spouse of Mr. Cheng Ting Kong and she is therefore deemed to be interest in the Shares.
- The percentage stated represents the percentage of share capital of the Company as stated in the relevant disclosure of interests forms.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under provisions of the SFO) or the Model Code.

(ii) *Substantial interests in the share capital of the company*

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long position in the shares of the company

Name	Capacity in which Shares were held	Number of Shares held	Number of underlying Shares held under equity derivatives	Total	Percentage of aggregate interest Shares to total number of Shares in issue
Fame Select <sup>1</sup>	Beneficial owner	4,803,587,904	2,192,307,692 <sup>2</sup>	6,995,895,596	109.23% <sup>4</sup>
Mr. Cheng Ting Kong <sup>1</sup>	Interest of controlled corporation	4,803,587,904	2,192,307,692 <sup>2</sup>	6,995,895,596	109.23% <sup>4</sup>
Magicmount Holdings Limited (“Magicmount”) <sup>3</sup>	Beneficial owner	84,429,967	–	84,429,967	5.62% <sup>4</sup>

*Notes:*

1. Fame Select owned as to 50% by Mr. Chau and 50% by Mr. Cheng Ting Kong. As such, Mr. Chau and Mr. Cheng Ting Kong were deemed to be interested in (i) the 861,048,842 Shares held by Fame Select; (ii) the 2,583,146,526 Rights Shares undertaken to accept or procure acceptance pursuant to the Irrevocable Undertaking; and (iii) a maximum of 1,359,392,536 Underwritten Shares underwritten by Fame Select pursuant to the Underwriting Agreement.
2. This represents the maximum of 2,192,307,692 Conversion Shares to be issued upon the full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.26.
3. Magicmount was wholly owned by Mr. Kwan Tat Ming. As such, Mr. Kwan Tat Ming was deemed to be interested in 84,429,967 Shares held by Magicmount.
4. The percentage stated represents the percentage of share capital of the Company as stated in the relevant disclosure of interests forms.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

#### 4. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

Save that Mr. Chau, an executive Director, was one of the vendors in relation to the acquisition of Suncity Group Tourism Limited by the Group on 31 August 2016, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 5. LITIGATION

As at the Latest Practicable Date, the Group had been in litigation in relation to various claims in the aggregate amount of approximately RMB266,589,000 (equivalent to approximately HK\$311,909,130). Based on the legal advice obtained, the Directors believe that the Group has reasonable good chances of successfully defending those claims. Save as disclosed, there was no other litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

#### 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

#### 7. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts in the ordinary course of business of the Company) which have been entered into by members of the Group within two years immediately preceding the Latest Practicable Date:

- (i) the settlement deed dated 4 February 2016 entered into between the Company, CCB International Asset Management Limited (“**CCBI**”), Grand Prosperity Limited (“**Grand Prosperity**”), Mr. Zeng Yunshu and Mr. Zeng Sheng pursuant to which, among others, each of Grand Prosperity, Mr. Zeng Yunshu and Mr. Zeng Sheng shall jointly and severally pay a total sum of HK\$25 million to CCBI and CCBI shall transfer 8 million Shares to Grand Prosperity (or its nominee) for a full and final settlement of the dispute in the legal action (the “**Action**”) taken by CCBI against the Company (including legal costs incurred by CCBI in connection with the Action and interest);

- (ii) the sale and purchase agreement dated 14 July 2016 entered into between the Jumpers Action Limited and Kingdom Rich Holdings Limited, both being wholly-owned subsidiaries of the Company, and Mr. Chau and Ms. Chau Sui Heng in respect of the acquisition of the entire issued share capital of Suncity Group Tourism Limited (the “**Sale Shares**”) and the assignment of its shareholder’s loan (the “**Sale Loan**”) at a maximum consideration of MOP9,500,000 (comprising MOP1,500,000 for the Sale Shares and the Sale Loan on a dollar-for-dollar basis);
- (iii) the Termination Agreement dated 11 August 2016 entered into between the Company and 深圳必應投資諮詢有限公司 in relation to the termination of the agreement of intent dated 19 July 2012;
- (iv) the Underwriting Agreement (as amended and supplemented by the extension letters dated 13 October 2016 and 25 October 2016 respectively); and
- (v) the CB Subscription Agreement (as amended and supplemented by the extension letter dated 13 October 2016).

## 8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

## 9. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have given opinions, letters or advice in this circular:

<b>Name</b>	<b>Qualification</b>
Andes Glacier CPA Limited	Certified Public Accountants
New Spring Capital	a corporation licensed by the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

#### 10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Registered office</b>	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Room 1201-1202, 12/F China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
<b>Underwriters</b>	Fame Select Limited P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola British Virgin Islands  VMS Securities Limited 49/F, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Financial adviser to the Company</b>	Optima Capital Limited Suite 1501, 15th Floor Jardine House 1 Connaught Place Central Hong Kong
<b>Legal advisers to the Company as to Hong Kong laws</b>	Michael Li & Co. 19/F, Prosperity Tower 39 Queen's Road Central Central Hong Kong

<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	New Spring Capital Limited Unit 2108, China Merchants Tower Shun Tak Centre 168-200 Connaught Road Central Hong Kong
<b>Reporting accountants and auditors</b>	Andes Glacier CPA Limited Unit 1, 20/F, Malaysia Building 50 Gloucester Road Wanchai Hong Kong
<b>Principal bankers</b>	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Central Hong Kong  Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Central Hong Kong
<b>Principal share registrar and transfer office</b>	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong

**Authorised representatives** Ms. Yeung So Lai  
Flat G, 37/F., Block 1, Tseung Kwan O Plaza,  
1 Tong Tak Street  
Tseung Kwan O,  
New Territories,  
Hong Kong

Mr. Luk Chi Keung  
Flat 3210, 32/F., Kwong Sui House,  
Kwong Ming Court,  
Tseung Kwan O,  
New Territories,  
Hong Kong

**Company secretary** Mr. Luk Chi Keung

## 11. PROFILES OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

### (i) Business addresses of Directors, senior management and company secretary of the Company

The business address of the Directors, senior management and the company secretary of the Company is the same as the principal place of business of the Company in Hong Kong at Room 1201-1202, 12/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

### (ii) Profiles of Directors, senior management and company secretary of the Company

#### *Executive Directors*

**Mr. Chau Cheok Wa**, aged 42, was born in Macau. He joined the Company on 2 September 2011 as an executive Director and acted as the Chairman of the Company on 8 November 2011. He engaged in the business of operating and managing V.I.P. clubs in hotels. Mr. Chau was previously an executive director and the chairman of Sun International Resources Group Limited (Stock Code: 8029) (“**Sun International**”), a company listed on the Growth Enterprises Market of the Stock Exchange and resigned on 5 July 2013. Mr. Chau is also a Committee Member of China Overseas Friendship Association.

**Ms. Yeung So Mui**, aged 40, joined the Company on 5 October 2010 as an executive Director. Ms. Yeung is the founder and a director of Sparkle Life Charity Fund Limited. Ms. Yeung was appointed as a director of Yan Oi Tong Limited on 1 April 2013. Ms. Yeung has been appointed as an executive director and chairlady of JF Household Furnishings Limited (Stock Code: 0776) (“**JF Household**”), a company listed on the Main Board of the Stock Exchange on 1 September 2016. Ms. Yeung is experienced in corporate management. Ms. Yeung So Lai, an executive Director, is the sister of Ms. Yeung So Mui.



**Ms. Cheng Mei Ching**, aged 35, joined the Company on 2 September 2011 as an executive Director. Ms. Cheng holds a bachelor degree in commerce (marketing and advertising) from Curtin University of Technology in Perth, Western Australia. Ms. Cheng is experienced in various areas including corporate management and internal control. Ms. Cheng works at a subsidiary of Sun International since her graduation and has been appointed as an executive director of Sun International since June 2008. Ms. Yeung So Mui, an executive Director, is the sister-in-law of Ms. Cheng.

**Ms. Yeung So Lai**, aged 38, joined the Company on 2 September 2011 as an executive Director and acted as the chief executive officer of the Company on 1 February 2012. Ms. Yeung is experienced in corporate management. Ms. Yeung was previously an executive director of Sun International and resigned on 13 August 2013. Ms. Yeung was previously an executive director and chief executive officer of JF Household and resigned on 1 August 2016. Ms. Yeung So Mui, an executive Director, is the sister of Ms. Yeung So Lai.

*Independent Non-executive Directors*

**Mr. Tou Kin Chuen**, aged 40, joined the Company on 26 April 2012 as an independent non-executive Director, the chairman of audit committee and the members of remuneration committee and nomination committee. Mr. Tou is the principal of Roger K.C. Tou & Co. Mr. Tou graduated from the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) with a Honours Diploma in Accounting in 2001. He is experienced in audit, taxation, company secretarial, insolvency and finance for over 19 years. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. Mr. Tou has been the independent non-executive director of Sun International and Milan Station Holdings Limited (Stock Code: 1150), a company listed on the Main Board of the Stock Exchange since 14 March 2011 and 22 July 2015 respectively.

**Dr. Wu Kam Fun Roderick**, aged 78, joined the Company on 26 April 2012 as an independent non-executive Director, the chairman of nomination committee and the members of audit committee and remuneration committee. Dr. Wu obtained his Bachelor of Laws degree and Honorary Doctorate of the University from the University of Buckingham, United Kingdom. Dr. Wu is also an Associate of Chartered Institute of Arbitrators and a Barrister of the Inner Temple, the Victorian Bar, Australia and the Singapore Bar. Dr. Wu was awarded Diploma in Chinese Law by the then University of East Asia, Macau, currently known as the University of Macau. Dr. Wu has been at the Hong Kong Bar for over 35 years. He is a practising member of the Hong Kong Bar Association.

**Mr. Lo Wai Tung John**, aged 48, joined the Company on 10 October 2012 as an independent non-executive Director, the chairman of remuneration committee and the members of audit committee and nomination committee. Mr. Lo graduated from the Chinese University of Hong Kong with a bachelor's degree of Science (with honours) in Computer Science in 1991. Mr. Lo is experienced in securities and finance industry for over 20 years. He is currently the managing director (equities) and head of institutional sales of SBI China Capital Financial Services Limited.

*Company Secretary*

**Mr. Luk Chi Keung**, aged 43, joined the Company on 15 April 2007 as the financial controller and acted as the company secretary of the Company on 19 June 2012. Mr. Luk holds a bachelor's degree in business administration. He is currently a fellow member of the Association of Chartered Certified Accountants and as associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Luk has over 15 years of experience in auditing, finance and accounting.

**13. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at Room 1201-1202, 12/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the memorandum of association and the articles of association of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 December 2015;
- (iii) the interim report of the Company for the six months ended 30 June 2016;
- (iv) the report from Andes Glacier CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in section B of Appendix II to this circular;
- (v) the letter from New Spring Capital, the text of which is set out on pages 51 to 90 of this circular;
- (vi) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 49 to 50 of this circular;
- (vii) the written consents as referred to under the section headed "Experts and consents" in this appendix;
- (viii) the material contracts referred to under the section headed "Material contracts" in this appendix; and
- (ix) this circular.

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## NOTICE OF EGM

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### SUN CENTURY GROUP LIMITED

### 太陽世紀集團有限公司

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

**(Stock Code: 1383)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the “EGM”) of Sun Century Group Limited (the “Company”) to be held at Lecture Room B, The Joint Professional Centre, Unit 1, G/F, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 14 November 2016, at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “THAT:

- (a) subject to the fulfilment of the conditions of the Underwriting Agreement (as defined below), the Rights Issues (as defined below) and the transactions contemplated thereunder by and are hereby approved;
- (b) the underwriting agreement (the “Underwriting Agreement”) dated 20 September 2016 (as amended and supplemented by the extension letters dated 13 October 2016 and 25 October 2016) and entered into among the Company, Fame Select Limited (“Fame Select”) and VMS Securities Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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## NOTICE OF EGM

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- (c) subject to the fulfilment of the conditions set out in the Underwriting Agreement, the issue by way of rights issue (the “**Rights Issue**”) of not less than 4,506,944,175 shares (the “**Rights Shares**”) of HK\$0.1 each in the share capital of the Company and not more than 4,803,587,904 Rights Shares to the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the “**Record Date**”) (excluding those shareholders (the “**Non-Qualifying Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the board (the “**Board**”) of directors (the “**Directors**”) of the Company consider it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places) on the basis of three Rights Shares for every existing share of HK\$0.1 each in the share capital of the Company then held is hereby approved, confirmed and ratified;
- (d) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company; and
- (e) any Director be and is hereby authorised to sign and execute such documents and do all such acts and things in connection with the Rights Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

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## NOTICE OF EGM

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2. **“THAT:**

- (a) the conditional subscription agreement (the **“Subscription Agreement”**) dated 20 September 2016 (as amended and supplemented by the extension letter dated 13 October 2016) and entered into between the Company as issuer and Fame Select as subscriber in relation to, among others, the subscription (the **“Subscription”**) by Fame Select of the zero coupon unlisted convertible bonds in the aggregate principal amount of HK\$570,000,000 (the **“Convertible Bonds”**) to be issued by the Company which entitles the holder(s) thereof to convert the Convertible Bonds into conversion shares (the **“Conversion Shares”**) of HK\$0.1 each in the share capital of the Company at the initial conversion price of HK\$0.26 per Conversion Share (subject to adjustments and reset) (a copy of which is produced to the EGM marked “B” and signed by the Chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the creation and issue of the Convertible Bonds in accordance with the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the conversion of the Convertible Bonds, the allotment and issue of the Conversion Shares to the relevant holder(s) of the Convertible Bonds be and is hereby approved and the Board be and are hereby granted a specific mandate to allot and issue the Conversion Shares to the relevant holder(s) of the Convertible Bond(s) in accordance with the terms of the Convertible Bonds; and
- (d) any Director be and is hereby authorised to do all such things and acts as he/she may consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Convertible Bonds, and the allotment and issue of Conversion Share(s) of which may fall to be issued upon exercise of the subscription rights attaching to the Convertible Bonds.”

By order of the Board  
**Sun Century Group Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 28 October 2016

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## NOTICE OF EGM

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*Notes:*

- (i) A Shareholder entitled to attend and vote at the EGM is entitled to appoint another person as proxy to attend and, on a poll, vote in accordance with the articles of association of the Company. A proxy need not be a Shareholder.
- (ii) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s); and for this purpose seniority shall be determined as the person 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.
- (iii) In order to be valid, a form of proxy must be deposited at the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude members of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
- (iv) The Company's register of members will be closed during the period from Friday, 11 November 2016 to Monday, 14 November 2016, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the EGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 10 November 2016.

*As at the date of this notice, the executive Directors are Mr. Chau Cheok Wa, Ms. Yeung So Mui, Ms. Cheng Mei Ching, and Ms. Yeung So Lai; and the independent non-executive Directors are Mr. Tou Kin Chuen, Dr. Wu Kam Fun Roderick and Mr. Lo Wai Tung John.*