THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in First Natural Foods Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

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

FIRST NATURAL FOODS HOLDINGS LIMITED
第 一 天 然 食 品 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

(I) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE NOTES ACQUISITION OF PROFIT STREAM FROM MACAU GAMING BUSINESS (II) INCREASE IN AUTHORISED SHARE CAPITAL AND (III) NOTICE OF SGM

Joint independent financial advisers to the Independent Board Committee and the Independent Shareholders

South China Capital Limited

Investec

A letter from the Board is set out from pages 6 to 29 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out from page 30 of this circular. A letter from the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders is set out from pages 31 to 60 of this circular. A notice convening an SGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 24 January 2014 at 10:30 a.m. is set out on pages 90 to 92 of this circular.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person, at the SGM or any adjournment thereof should you so wish.

* *For identification purposes only*

8 January 2014

CONTENTS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

"Acquisition"	the proposed acquisition of the Sale Share and the Shareholder's Loan by the Company pursuant to the Sale and Purchase Agreement
"associate(s)"	shall have the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
"Company"	First Natural Foods Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement
"Completion Date"	the fifth (5th) Business Day subsequent to the satisfaction of all conditions of the Sale and Purchase Agreement or the waiver thereof
"connected person(s)"	shall have the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable for the Sale Share and the Shareholder's Loan under the Sale and Purchase Agreement
"Conversion Period"	at any time on or after one year from the date of issuance of the Convertible Notes up to the close of business on the date falling on the Maturity Date
"Conversion Price"	the price at which Conversion Shares will be issued upon conversion of the Convertible Notes
"Conversion Share(s)"	Share(s) to be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes or otherwise pursuant to the terms and conditions of the Convertible Notes

"Convertible Note(s)"	means the zero coupon convertible note(s) in the aggregate principal amount of HK$400 million due on the sixteenth (16th) anniversary of the Completion Date and issued at Completion to the Vendor or her nominee(s) by the Company
"DICJ"	the Macau Government Gaming Inspection and Coordination Bureau
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Company upon Completion
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of the Company from HK$8,000,000 (divided into 800,000,000 Shares) to HK$16,000,000 (divided into 1,600,000,000 Shares) by the creation of an additional 800,000,000 Shares
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
"Independent Financial Advisers"	Investec and South China, the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder
"Independent Shareholder(s)"	Shareholders other than those who are required under the Listing Rules to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Acquisition, the Increase in Authorised Share Capital, and the respective transactions contemplated thereunder
"Independent Third Party(ies)"	third parties who are independent of, and not connected with, the Company and its connected persons

"Investec"	Investec Capital Asia Limited, a corporation licensed 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 as defined under the SFO
"Junket"	Hang Seng Sociedade Unipessoal Limitada, a single shareholder private company with limited liability duly incorporated under the laws of Macau and wholly-owned by the Vendor
"Junket Profit"	the distributable profit of the Junket in respect of a fiscal year, which is equal to the aggregate gross income (loss) of the Junket minus the aggregate amount of the commissions payable by the Junket to the collaborators and administrative costs; provided, however, that if such net amount is less than zero, the Junket Profit shall be zero
"Latest Practicable Date"	3 January 2014, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Agreement"	the cooperation and loan agreement dated 8 July 2013 (as varied and supplemented by a supplemental agreement dated 20 November 2013) made between the Target Company and the Junket
"Long Stop Date"	30 June 2014 or such later date as the parties to the Sale and Purchase Agreement may agree in writing
"Macau"	Macau Special Administrative Region of the PRC
"Material Adverse Change (or Effect)"	any change (or effect) or any development involving a change (or effect) which has, or is or could reasonably be expected to have, a material and adverse effect on the financial position, business or property, results of operations or prospects of the Junket as a whole
"Maturity Date"	192 months from the date of issuance of the Convertible Notes
"Noteholder(s)"	holder(s) of the Convertible Notes

"Offer"	the mandatory unconditional cash offer for all the issued Shares (other than those already acquired by or agreed to be acquired by the Offeror and parties acting in concert with it) being made by Yu Ming Investment Management Limited on behalf of the Offeror, details of which were set out in the composite document of the Company dated 24 October 2013
"Offeror" or "Inventive Star"	Inventive Star Limited, a company wholly owned by Ms. Cui Lijie, which was the offeror to the Offer
"PRC"	the People's Republic of China, which for the purpose of this circular excludes Hong Kong, Macau and Taiwan
"Profit Guarantee"	the irrevocable profit guarantee provided by the Vendor to the Company for the amount to be shared and receivable by the Target Company from the Junket under and pursuant to the Profit Transfer for the period commencing from 1 January 2014 and ending on 31 December 2029
"Profit Stream"	the amount to be shared and receivable by the Target Company from the Junket under and pursuant to the Profit Transfer
"Profit Transfer"	the transfer of five percent (5%) of the Junket Profit for each twelve-month period pursuant to the terms and conditions of the Profit Transfer Agreement and subject to the annual approval by DICJ
"Profit Transfer Agreement"	the profit transfer agreement dated 8 July 2013 made between the Target Company and the Junket in relation to the Profit Transfer
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition dated 27 November 2013 entered into between the Company and the Vendor
"Sale Share"	one (1) ordinary share of US$1.00 each fully paid in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong

"SGM"	a special general meeting of the Company to be convened on 24 January 2014 and held for the Independent Shareholders to consider and, if thought fit, approving the Acquisition, the Increase in Authorised Share Capital, and the respective transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholder's Loan"	the interest-free demand loan in the principal amount of HK$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement
"South China"	South China Capital Limited, a corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers of the Securities and Futures Commission of Hong Kong
"Target Company"	Excel Earth Limited, a company incorporated in the British Virgin Islands with limited liability, with one (1) ordinary share of US$1.00 being issued and fully paid up as at the date of the Sale and Purchase Agreement
"US$"	U.S. dollar, the lawful currency of the United States of America
"Vendor"	Ms. Cui Limei, the legal and beneficial owner of the entire issued share capital of the Target Company and the Shareholder's Loan
"%"	per cent

FIRST NATURAL FOODS HOLDINGS LIMITED
第一天然食品有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

Executive Directors:
Ms. Cai Lingli
Ms. Xia Yuki Yu

Independent Non-executive Directors:
Mr. Ng Hoi Yue
Mr. Tso Hon Sai Bosco
Mr. Lee Kwok Leung

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business:
14/F, Bangkok Bank Building
490–492 Nathan Road
Yaumatei, Kowloon
Hong Kong

8 January 2014

To the Shareholders

Dear Sir or Madam,

**(I) MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ISSUE OF CONVERTIBLE NOTES
ACQUISITION OF PROFIT STREAM
FROM MACAU GAMING BUSINESS
(II) INCREASE IN AUTHORISED SHARE CAPITAL
AND
(III) NOTICE OF SGM**

INTRODUCTION

On 27 November 2013, the Board announced that the Company entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Vendor has conditionally agreed to sell and transfer, and the Company has conditionally agreed to acquire and accept, the entire issued share capital of the Target Company and the Shareholder's Loan.

* *For identification purposes only*

The total Consideration payable for the Sale Share and the Shareholder's Loan under the Sale and Purchase Agreement is HK$400,000,001. The Consideration will be settled as to HK$1 by means of cash and the remaining HK$400 million by the issuance of the Convertible Notes.

As at the Latest Practicable Date, the principal asset of the Target Company is its interests under, and entitlements to, the Profit Transfer from the Junket. The Junket is one of the leading gaming promoters in Macau which has been rapidly expanding since its incorporation. It currently operates seven VIP rooms across major casinos in Macau, including StarWorld Casino, Wynn Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino, and Venetian Casino. Based on the information provided by the Vendor, the unaudited net profit of the Junket for the ten months ended 31 October 2013 amounted to approximately HK$462,080,000.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

In addition, the Board proposes to increase the authorised share capital of the Company from HK$8,000,000 (divided into 800,000,000 Shares) to HK$16,000,000 (divided into 1,600,000,000 Shares) by the creation of an additional 800,000,000 Shares.

THE SALE AND PURCHASE AGREEMENT

Date:	27 November 2013
Parties:	the Company (as the Purchaser); and
	Ms. Cui Limei (as the Vendor)
	Ms. Cui Limei is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be acquired

The Sale Share, being one (1) share of US$1.00 in the share capital of the Target Company, representing the entire issued share capital of Target Company; and the Shareholder's Loan, in the amount of HK$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement.

As at the Latest Practicable Date, the principal asset of the Target Company is its interests under, and entitlements to, the Profit Transfer. Subject to and upon Completion, the Company will, through the Target Company, be entitled to receive the Profit Stream under the Profit Transfer.

Consideration

The consideration for the sale and purchase of the Sale Share and the assignment and transfer of the Shareholder's Loan is Hong Kong Dollars Four Hundred Million only (HK$400,000,000) and Hong Kong Dollar One only (HK$1) respectively, which shall be payable in full on Completion in the following manner:

(i) as to HK$1 by means of cash; and

(ii) as to HK$400 million by issuing to the Vendor or her nominee(s) the Convertible Notes.

The Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to the Profit Transfer, the Profit Guarantee, the prospect of the Junket which may affect the Junket Profit and thus the Profit Stream to be received by the Target Company, and the price-to-earnings ratio of listed companies that are mainly engaged in the gaming and hospitality business in Macau which ranged from 4.80 to 67.29 with an average of 27.49 as at the date of the Sale and Purchase Agreement.

Conditions

Completion is subject to the satisfaction (or waiver) of all of the following conditions:

(i) the Company being satisfied in reliance on the representations, warranties and undertakings given by the Vendor to the Company and upon inspection and investigation as to:

(a) the financial, contractual, taxation and trading positions of the Target Company; and

(b) the entitlement under the Profit Transfer pursuant to the Profit Transfer Agreement, the Loan Agreement and other arrangements (contractual or otherwise) in relation thereto;

(ii) the Vendor having complied fully with the obligations under all pre-completion matters and otherwise having performed all of the covenants and agreements required to be performed by her prior to Completion under the Sale and Purchase Agreement;

(iii) the Company having received a legal opinion in form and substance satisfactory to the Company from a firm of Macau legal advisers appointed by the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder in relation to such matters as it may require, including in relation to the legality of the Profit Transfer;

(iv) the representations, warranties and undertakings given by the Vendor to the Company remaining true and correct as at the Completion Date with respect to facts and circumstances as at the Completion Date;

(v) the passing of the necessary resolutions by the Shareholders at the SGM to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereby, including but not limited to the issue of the Convertible Notes, the allotment and issue of the Conversion Shares, and all other consents and acts required under the Listing Rules and other applicable laws and regulations having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange;

(vi) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares;

(vii) Bermuda Monetary Authority granting necessary approvals for the allotment and issue of the Conversions Shares and all other necessary approval being obtained, if necessary;

(viii) the Company being satisfied that there has not been any Material Adverse Change (or Effect) in respect of the Junket since the date of the Sale and Purchase Agreement;

(ix) DICJ having approved the Profit Transfer for the 12-month period ending on 31 December 2014;

(x) the Target Company and the Junket having agreed upon the commencement date of the Profit Transfer which shall not be later than 1 January 2014; and

(xi) all other necessary consents, licences and approvals required to be obtained on the part of the Company and/or the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect.

The Sale and Purchase Agreement shall be terminated automatically if any of the above conditions is not satisfied or waived (by the Company as to the above conditions (i) to (iv) and conditions (vii) to (xi) (so far as it relates to the Vendor) or by the Vendor as to the condition (xi) (so far as it relates to the Company)) on or before the Long Stop Date and none of the parties shall have any claim against the other save in respect of any antecedent breaches of the Sale and Purchase Agreement. Conditions (v) and (vi) above shall not be waivable. As at the Latest Practicable Date, the Company had no intention to waive any of the above conditions.

Completion

Completion will take place on the 5th Business Day after the last of the above conditions is satisfied (or waived as the case may be).

Profit Guarantee

Subject to Completion, the Vendor irrevocably and unconditionally guarantees to the Company that the aggregated Profit Stream for each guaranteed period mentioned below (each a "**Guaranteed Period**") commencing from 1 January 2014 and ending on 31 December 2029 shall not be less than the amount set opposite to the relevant Guaranteed Period in the table below (each the "**Guaranteed Profit Share**"):

Guaranteed Period	Guaranteed Profit Share in aggregate for each Guaranteed Period
1 January 2014–31 December 2014	HK$24,000,000
1 January 2015–31 December 2017	HK$72,000,000
1 January 2018–31 December 2021	HK$100,000,000
1 January 2022–31 December 2025	HK$102,000,000
1 January 2026–31 December 2029	HK$102,000,000

If the aggregate actual Profit Stream received by the Company for one or more Guaranteed Periods shall be equal to or more than HK$400,000,000, the Profit Guarantee shall forthwith terminate and cease to have further force and effect.

If the actual Profit Stream received by the Company in a relevant Guaranteed Period plus the surplus amount of the actual Profit Stream of all previous Guaranteed Periods over and above the applicable Guaranteed Profit Share, is less than the amount of relevant Guaranteed Profit Share, the Vendor shall pay to the Company in cash the difference between such actual Profit Stream and the Guaranteed Profit Share (the "**Shortfall**") within ten Business Days after the relevant profit sharing date.

If at any time during the subsistence of the Profit Guarantee, in the reasonable opinion of the Company, there shall have occurred any Material Adverse Change (or Effect) or any development involving a prospective Material Adverse Change (or Effect), the Company shall be entitled by giving the Vendor not less than fourteen days' written notice to demand for the payment of the total Guaranteed Profit Share for the remaining Guaranteed Period.

As security for the Profit Guarantee, the Convertible Notes, when issued, will be deposited with and retained by the Company. If the Vendor shall at any time have failed to pay (a) the Shortfall or (b) the Guaranteed Profit Share for the remaining Guaranteed Period, the Company shall be entitled to repurchase and the Vendor shall sell to the Purchaser at the consideration of HK$1 for such principal amount of the Convertible Notes and/or forfeit such part of the Cash Security (as defined below) which together will be equal to the amount of Shortfall or the Guaranteed Profit Share for the remaining Guaranteed Period (as the case may be) due and owing from the Vendor within three Business Days after serving a written notice thereof to the Vendor as compensation for the Vendor's said default. The Convertible Notes will only be released to the Vendor in the following manner:

(a) if the Vendor shall have deposited cash (the "**Cash Security**") to the Company as alternative security for the Profit Guarantee, the Company will release an equivalent principal amount of the Convertible Notes to the Vendor provided that such right may only be exercisable by the Vendor after 12 months from the issue of the Convertible Notes; and/or

(b) if the actual Profit Stream received by the Target Company for a particular Guaranteed Period shall have reached or exceeded the relevant Guaranteed Profit Share, the Company will release to the Vendor such Convertible Notes in the principal amount equivalent to the actual Profit Stream of that Guaranteed Period and/or Cash Security (without interest), which together will be equal to the amount of the relevant Guaranteed Profit Share; and/or

(c) if the aggregate actual Profit Stream received by the Target Company from the Junket shall be equal to or more than HK$400 million, the Profit Guarantee shall terminate and cease to have further force and effect, and the Company will release to the Vendor the whole of the Convertible Notes that are still outstanding together with all the remaining Cash Security (without interest) (if any).

The Profit Guarantee was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net profit of the Junket for the ten months ended 30 October 2013 of approximately HK$462 million; (ii) the prospect of the Junket and the Target Company; (iii) the guaranteed period of 16 years as agreed by the Vendor; (iv) the price-to-earnings ratio of listed companies that are mainly engaged in gaming and hospitality business in Macau which ranged from 4.80 to 67.29 with an average of 27.49 as at the date of the Sale and Purchase Agreement; and (v) the assumption that the Profit Stream will be at least HK$24 million per year with certain conservative growth in the coming 16 years.

The Directors consider that the Profit Guarantee, which will be 100% secured by the Convertible Notes, will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK$25 million per year on average (representing approximately a guaranteed effective yield of 6.25% per annum) over a period of 16 years. Further analysis is discussed in the section headed "Reasons and benefits for the Acquisition" below.

The Company will publish an announcement in accordance with the Listing Rules should the actual Profit Stream received by the Company be less than the relevant Guaranteed Profit Share and will include details in the next published annual report and accounts of the Company. The independent non-executive Directors will also provide an opinion in the Company's next published annual report and accounts as to whether the Vendor fulfilled her obligations under the Profit Guarantee.

THE CONVERTIBLE NOTES

Pursuant to the Sale and Purchase Agreement, the Company will issue to the Vendor or her nominee(s) the Convertible Notes in the principal amount of HK$400 million upon Completion as partial settlement of the Consideration. The principal terms of the Convertible Notes are summarized as follows:

Issuer:	the Company
Noteholder(s):	the Vendor (or her nominee(s))
Principal Amount:	HK$400 million
Interest:	Nil
Maturity:	192 months from the date of issuance of the Convertible Notes To the extent not previously converted, purchased or cancelled, the Convertible Notes outstanding on the Maturity Date shall be mandatorily converted into Conversion Shares at the Conversion Price in effect on the Maturity Date in accordance with the terms of the Convertible Notes and subject to the conversion restrictions as set out therein.
Early Redemption:	The Company may not redeem the Convertible Notes at its option.
Conversion Price:	The initial Conversion Price will be HK$1 per Conversion Share, which represents: (a) a discount of approximately 73.89% to the closing price of HK$3.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (b) a discount of approximately 77.68% to the closing price of HK$4.48 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement;

(c) a discount of approximately 77.83% to the average closing price of HK$4.51 per Share as quoted on the Stock Exchange for five (5) consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement;

(d) a discount of approximately 48.98% to the average closing price of HK$1.96 per Share as quoted on the Stock Exchange for one hundred and eighty (180) consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement; and

(e) a premium of 150% over the unaudited net asset value of approximately HK$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK$0.40 per Share as at 31 December 2012.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net asset value of HK$0.40 per Share as at 30 June 2013; (ii) the audited net asset value of HK$0.40 per Share as at 31 December 2012; (iii) the offer price of HK$1 per Share under the Offer; (iv) the thin liquidity of the Shares; and (v) the future business prospects of the Group after the completion of the Acquisition. Further analysis is discussed in the section headed "Reasons and benefits for the Acquisition" below.

The Conversion Price is subject to adjustments upon the occurrence of consolidation, reclassification or subdivision of Shares, capitalization of profits or reserves, capital distributions, rights issues of or options over Shares or other securities, modification of rights of conversion, other offers to Shareholders, or issue of Shares or other securities at less than the then market price. The then market price means on a particular date, the average of the closing prices for one Share for the five consecutive trading days ending on and including the trading day immediately preceding such date.

In any of the abovementioned events, the Company may appoint a licensed financial adviser to consider whether the adjustments to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, including but not limited to the holders of the Convertible Notes.

Conversion rights:	Subject to the conversion restriction, each Convertible Note shall entitle the holder to convert such Convertible Notes into Shares credited as fully paid at any time during the Conversion Period.
Conversion restriction:	Conversion at the option of a Noteholder provided that the conversion rights shall only be exercisable: (a) so long as the minimum public float of the issued share capital of the Company as enlarged by the issue of the Conversion Shares can be maintained in accordance with the Listing Rules; and (b) provided that any exercise by the Noteholder and parties acting in concert (within the meaning ascribed to it under the Takeovers Code) with it does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the Noteholder and parties acting in concert with it.
Ranking of Conversion Shares:	The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with all other Shares in issue as at the relevant date of conversion.
Voting:	Noteholder(s) will not be entitled to attend or vote at any meetings of the Company by reason only of it(they) being the holder(s) of the Convertible Notes.
Transferability:	Except with the written consent of the Company, the Convertible Notes shall not be transferrable during a period of one year from the date of issuance of the Convertible Notes ("**Lock Up Period**"). The Convertible Notes or interests in such Convertible Notes (and any part thereof) shall then be freely transferrable provided that they may not be transferred by the Noteholders to any connected person of the Company without written consent of the Company and compliance of any applicable Listing Rules.
Conversion Share:	Assuming the issue of the Convertible Notes is completed and based on the initial Conversion Price of HK$1 per Conversion Share, a number of 400,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 99.94% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.99% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full.

The Conversion Shares will be issued and allotted under the specific mandate of the Company. The Directors proposed to seek approval from the Independent Shareholders at the SGM to issue the Conversion Shares.

Listing: No application will be made for the listing of, or permission to deal in, the Convertible Notes on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Lock Up: During the Lock Up Period, the Convertible Notes shall not be transferrable except with the written consent of the Company and any conversion rights attaching to the Convertible Notes may not be exercised.

EFFECT OF THE ISSUE OF THE CONVERTIBLE NOTES ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the allotment and issue of the Conversion Shares is set out below (assuming no further Shares are issued before the allotment and issue of the Conversion Shares):

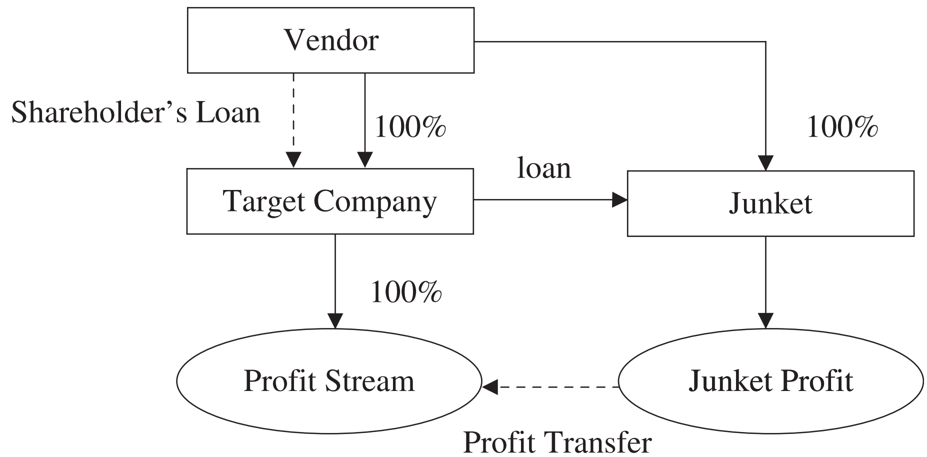
Shareholders	**As at the Latest Practicable Date**		**After allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes** *(Note)*	
	Number of Shares	*%*	*Number of Shares*	*%*
Inventive Star	300,182,154	75.00	300,182,154	37.51
Ms. Cui Limei (the Vendor)	—	—	400,000,000	49.99
Public Shareholders	100,064,120	25.00	100,064,120	12.50
Total	**400,246,274**	**100.00**	**800,246,274**	**100.00**

Note: The above scenario is set out for illustrative purpose only and will never occur. The conversion of the Convertible Notes is subject to the conversion restrictions under the Convertible Notes regarding Takeovers Code implications and public float requirements under the Listing Rules.

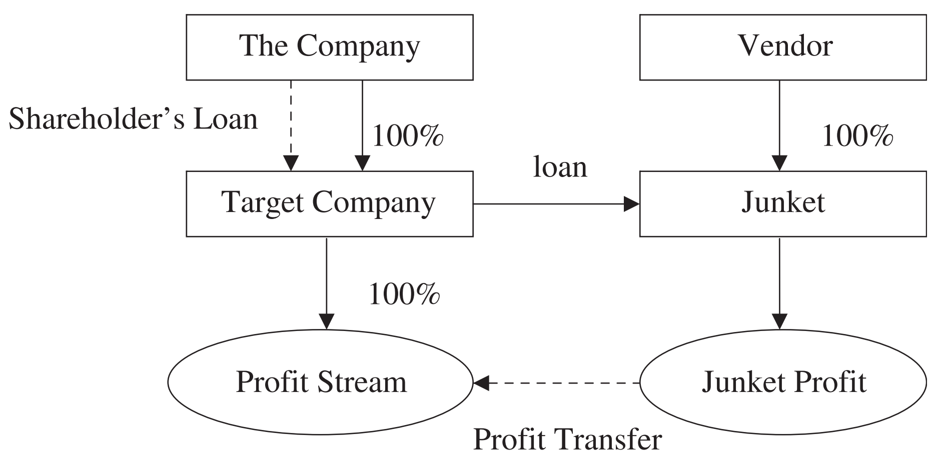
As at the Latest Practicable Date, the Company has no outstanding convertible securities or options which are convertible or exchangeable into Shares. The Acquisition and the issue of the Convertible Notes will not result in a change in control of the Company.

GROUP STRUCTURE BEFORE AND AFTER COMPLETION OF THE ACQUISITION

The diagram below shows the shareholding structure of the Target Company immediately before Completion:



The diagram below shows the shareholding structure of the Target Company immediately after Completion:



POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial statements.

Based on the present valuation on the Convertible Notes as stated in the pro forma financial information as set out in Appendix IV, assuming Completion had taken place on 30 June 2013, the total assets of the Group would have been increased from approximately HK$180,674,000 to approximately HK$512,674,000, and the total liabilities of the Group would have remained unchanged at HK$22,081,000. However, it should be noted that as the value of the Consideration to be reflected in the Group's financial statements will depend on the fair value of the Convertible Notes as of the Completion Date, certain financial impacts on the profit or loss and the financial position of the Group arising from the Acquisition can only be ascertained on or after the Completion Date.

The Acquisition does not require any material cash outlay as the consideration for the Sale Share is to be satisfied by the issuance of Convertible Notes with principal amount of HK$400 million which shall be mandatorily converted into Conversion Shares on the Maturity Date while the Consideration for the Shareholder's Loan of HK$1 will be settled by cash. In view of the aforesaid and the steady cash flow to be derived from the Profit Stream, which will be amounted to at least HK$25 million per year on average for a period of 16 years, it is expected that the Acquisition would result in a positive effect to the trading and liquidity positions and cash flow of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated on 30 May 2013 and is an investment holding company. Its issued share capital is US$1.00 which is fully paid up by the Vendor.

Since its incorporation, the Target Company has not conducted any business or undertaken any activity except the entering into of the Loan Agreement and the Profit Transfer Agreement. The Company has no present intention to conduct any other business through the Target Company after Completion save for receiving the Profit Stream.

The Profit Transfer

On 8 July 2013, the Target Company entered into the Profit Transfer Agreement and the Loan Agreement with the Junket, pursuant to which the Target Company has agreed to keep available to the Junket an unsecured, interest-free loan facility of up to the maximum aggregate amount of HK$18 million (or such other amount as may be agreed by the parties thereto in writing) and to provide consultancy service to the Junket to support the operation of its VIP rooms, which may include the marketing and publicity within gaming expertise and knowledge; fundraising activities; financial, analytical and business processes; customer relationship management; procedural and regulatory compliance; and any other commercial and business services required from time to time. The executive Directors, namely Ms. Cai Lingli and Ms. Xia Yuki Yu, who have the relevant experience in the gaming industry, shall be responsible for overseeing the operation of the Target Company. The relevant expenses attributable to the said consultancy service, if any, is expected to be minimal. In the unlikely event that such expenses constitute a continuing connected transaction of the Company, the Company shall comply with all relevant requirements under the Listing Rules.

In return, the Junket has agreed to transfer the Profit Stream, being 5% (five percent) of the Junket Profit, to the Target Company with effect from a date to be mutually agreed by the Junket and the Target Company. Although DICJ has approved the Profit Transfer for the period ended 31 December 2013, the Target Company and the Junket have not yet agreed on the commencement date of the Profit Transfer.

As a safeguard for the Target Company against any understatement of the Junket Profit, pursuant to the Loan Agreement, the Junket is obliged to furnish the Target Company, within the first seven (7) days of each month, with financial information of the VIP rooms, including a statement on (i) a net profit or loss; (ii) rolling chips turnover; (iii) cash position; and (iv) administrative expenses, for the preceding calendar month and a director's certificate to the effect that such furnished financial information does not contain any untrue statement of a material fact or will omit any material fact which would make the statements and information contained therein misleading. At the request of the Target Company, the Junket is also obliged to provide it with full access to the operating data on any selected day(s) and/or period(s) within a profit sharing period. The Target Company will also be entitled to audit the books and records of the Junket and will have the right to claim compensation if the result of such audit differs in a material way from the financial information provided by the Junket.

In the event that any of the VIP rooms operated by the Junket are terminated by the relevant covered casino or have otherwise changed in a materially adverse manner during the term of the Loan Agreement, the Target Company shall have the option to require the Junket to repay all or a portion of the outstanding principal amount of the loan facility based on the affected operating revenue.

The Profit Transfer Agreement will be automatically renewed on a yearly basis until terminated by the parties pursuant to the terms thereof and the Profit Transfer is subject to the annual approval of DICJ. Pursuant to the Profit Transfer Agreement, the parties have agreed to make the necessary applications and promptly provide all relevant documents and information to DICJ or other competent authorities in Macau (where applicable) in order to allow, make effect and legalize the Profit Transfer in every fiscal year. The Loan Agreement will continue to be effective up to 31 December 2017 and will then be automatically renewed for subsequent terms of four (4) years each unless it is terminated by the parties pursuant to the terms thereof. On or after the second anniversary of the date of the Loan Agreement, the Target Company shall, by giving not less than 60 days of prior written notice, have the option at its sole discretion to require the Junket to settle the loan facility in cash. In the event that the said renewal of the Loan Agreement constitutes a continuing connected transaction of the Company, the Company shall comply with all relevant requirements under the Listing Rules.

Financial information of the Target Company

As the Target Company has not yet commenced any business nor received any Profit Stream, according to the unaudited accounts of the Target Company, no profit has been recorded since its incorporation and up to 30 November 2013. The net asset value of the Target Company as at 30 November 2013 was HK$8. The audited financial information of the Target Company is set out as Appendix II to this circular.

INFORMATION ON THE VENDOR

The Vendor, namely Ms. Cui Limei, is the sole shareholder of the Junket and the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star.

As informed by the Vendor, the Vendor has extensive experience and knowledge in the Asian gaming industry.

INFORMATION ON THE JUNKET

The Junket, namely Hang Seng Sociedade Unipessoal Limitada, was incorporated on 30 March 2011 as a single shareholder private company with limited liability under the laws of Macau.

The Junket commenced its gaming promotion business to offer solely the game of VIP Baccarat in Macau in July 2011 with only one VIP room and 12 VIP table games at StarWorld Casino and has since then been expanding quickly. Up to the Latest Practicable Date, the Junket has evolved to become one of the leading gaming promoters in Macau with seven VIP rooms across most of the major casinos in Macau, including StarWorld Casino, Wynn Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino, and Venetian Casino offering 82 VIP table games exclusively for VIP or premium players. Based on the information provided by the Vendor, the performance of the Junket Profit since its commencement of business in July 2011 and up to October 2013 is summarized below:

	Junket Profit *HK$ (approximately)*
From 28 July 2011 to 31 December 2011	305,530,000
From 1 January 2012 to 31 December 2012	453,410,000
From 1 January 2013 to 31 October 2013	462,080,000

In view of the enormous potential of the Junket, more and more major casinos have signed gaming promoter agreement with the Junket to operate the VIP rooms in the respective casinos since its incorporation. Set out below are certain significant milestones of the Junket since its inception of business:

Time		**Achievements**
2011	July	Opening of the first VIP gaming room at StarWorld Casino
	December	Opening of the VIP gaming room at Wynn Casino
2012	March	Opening of the VIP gaming room at Galaxy Casino
2013	January	Opening of the VIP gaming room at Sands Cotai Central Casino
	April	Opening of the second VIP gaming room at Wynn Casino Opening of the VIP gaming room at MGM Casino Monthly rolling turnover exceeded HK$20 billion
	May	Opening of the VIP gaming room at Venetian Casino
	July	Monthly rolling turnover exceeded HK$30 billion
	October	Monthly rolling turnover exceeded HK$39 billion

In addition to rising Junket Profit, the client base of the Junket has also recorded significant growth. According to the Vendor, as at 31 December 2011, being five months since the Junket has commenced operations, only around 200 client accounts were maintained by the Junket. However, the number of client accounts surged to around 650 as at 31 December 2012, representing an increase of approximately 225%. Since the Junket expands its clientele by utilizing the professional services of its employees and other collaborators and encouraging existing clients to introduce new clients, it is expected that such exponential marketing effect would contribute to the favorable increase in the Junket's client base and the Junket Profit in 2013 and the years ahead.

Given the tremendous strength in the Junket's client network, the average monthly rolling turnover of the Junket in the third quarter of 2012 and the third quarter of 2013 were approximately HK$13,803,330,000 and HK$34,227,470,000 respectively. There was a 148% increase in the amount while the gross gaming revenue from the VIP baccarat in Macau only recorded a 13% increase during the same periods. The Junket has obviously outperformed among the industry.

As advised by the Vendor, if the performance of the newly opened VIP gaming rooms is satisfactory and the Junket has become successful in further broadening its client base as aforesaid, the Junket does not rule out the possibility of launching additional VIP gaming rooms within or outside Macau.

REASONS AND BENEFITS FOR THE ACQUISITION

The Company is an investment holding company and through its subsidiaries is principally engaged in the processing and trading of food products mainly including frozen and functional food products.

As mentioned in the composite document of the Company dated 24 October 2013, Inventive Star, the then Offeror and the existing controlling Shareholder of the Company, had expressed its intention to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment business in the PRC and/or gaming business in Macau and/or worldwide. In line with this diversification initiative and strategy, Ms. Cui Lijie, the ultimate beneficial owner of Inventive Star, has introduced to the Company the Target Company as an appropriate acquisition target for the Group. Having considered and balanced the various factors mentioned below, the Directors consider the Acquisition is an investment with minimal risk but strong upside potential and is in the interests of the Company and the Shareholders as a whole:

(i) Nature of the Acquisition

As mentioned in the section headed "Information of the Target Company" above, the Target Company has not conducted any business or undertaken any activity since its incorporation except the entering into of the Loan Agreement and the Profit Transfer Agreement. Hence, by acquiring the Target Company, the Company is in essence acquiring the Profit Stream that the Target Company is entitled to receive under the Profit Transfer. Taking into account the Profit Guarantee to be provided by the Vendor upon Completion which will be 100% secured by the Convertible Notes, the Acquisition will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK$25 million per year on average (representing approximately a guaranteed effective yield of 6.25% per annum on average) over a period of 16 years.

(ii) A conservative but appropriate strategic move of the Group

The mechanism of the Profit Transfer provides an opportunity for the Group to share the return on the gaming business through the Profit Stream without substantial involvement in the daily operation of the Junket thereby minimizing the risk exposure of the Group, the Profit Guarantee further protects the Group against any monetary loss as the aggregate guaranteed profit is more or less equal to the Consideration. As the Group's first strategic move into the gaming industry, the Acquisition is considered as a conservative yet appropriate investment given the Company's lack of relevant experience in the gaming business in Macau.

(iii) An investment with strong growth potential

The Acquisition also provides an opportunity for the Group to tap into the fast growing and lucrative gaming related business in Macau. The growth potential of the Profit Stream is strong in view of the following:

(a) Attractive prospect of the gaming industry in Macau

Macau is the world's largest gaming market calculated by gross gaming revenue (the "**GGR**") and the only area within China to offer legalized casino gaming. According to the statistics published by DICJ and the Las Vegas Convention and Visitors Authority, the GGR from games of fortune of the Macau market reached approximately HK$295,281 million in 2012 and was approximately six times the size of the Las Vegas Strip market of the same year. The GGR from the game of VIP Baccarat, which is the major income source for most of the junket operators in Macau, has been escalating since 2008 with a compound annual growth rate ("**CAGR**") of approximately 30% and has accounted for approximately 69% of the total GGR of Macau in 2012. The GGR from gaming activities in Macau from 2008 to the third quarter of 2013 are set out in the table below:

GGR from gaming activities in 2008–3Q'2013 (HK$ million)

	2008	**2009**	**2010**	**2011**	**2012**	**CAGR**	**2013**		
							1st Qtr.	2nd Qtr.	3rd Qtr.
Games of Fortune *(Note)*	105,604	115,892	182,857	260,065	295,281	**29%**	82,800	83,653	86,587
VIP Baccarat	71,623	77,509	131,697	190,414	204,709	**30%**	56,131	56,336	56,111
% of VIP Baccarat	68%	67%	72%	73%	69%	—	68%	67%	65%

Source: DICJ

Note: GGR from games of fortune includes typical casino games such as Baccarat, VIP Baccarat, Blackjacks, Slot Machines, etc., but excludes racings and lotteries.

The supports by the PRC government and the Macau government are decisive for the prosperity of the Macau gaming industry. Since 2002, the introduction of new casino concessionaires by the Macau government has resulted in modern full-service casinos and propelled construction and development in the gaming sector, which are increasingly appealing to new, premium-focused customers who are attracted by a diversified range of gaming, retail, entertainment and leisure offerings. In 2009, Macau was further designated by the PRC government in its Planning Study on the Coordinated Development of the Greater Pearl River Delta Townships to be developed as the "most attractive tourism and recreation center in the world" for its twelfth-five-years-plan. The continuous development in the infrastructure and transportations to and within Macau and the further relaxation of the Individual Visit Scheme is expected to boost its visitation, especially from those high-value casino customers of Guangdong province and Hong Kong. Looking forward, the success of the Macau gaming industry is anticipated to persist with Asia's cultural affinity for gaming, the low relative supply penetration as one of the few locations in Asia to offer legal gaming, an enormous visitation base from the PRC, the fast emergence of a wealthy, middle-class segment from the PRC which has the financial capacity for leisure and entertainment consumption.

(b) Competitive strength of the Junket

From a bottom up prospect, the Junket, having expanded rapidly over the last couple years and being one of the leaders of the gaming promotion business in Macau, has demonstrated its ability for continuous growth and promising profitability. The Directors consider that it can benefit from the growth of overall gaming industry in Macau and through the Profit Transfer, provide not only a stable and sustainable income but also substantial upside potential to the Target Company.

(iv) Positive impact on the Group's financial results and operations

(a) Potential improvement in the financial results of the Company

Upon Completion, the Profit Stream of the Target Company will be available as a new source of income for the Group. For the six months ended 30 June 2013, the Company recorded a loss of approximately HK$1,895,000, representing a loss per share of HK$0.0047 based on 400,246,274 Shares in issue. Pursuant to the Sale and Purchase Agreement, the relevant Profit Guarantee for the year ending 31 December 2014 is HK$24 million. Such earnings may further increase if the Profit Stream outperforms the Profit Guarantee. The financial results of the Company are therefore expected to turnaround as a result of the Acquisition with the Profit Stream broadening the Group's revenue bases and providing a stable source of income.

(b) Potential improvement in cashflow position of the Company

Given that the Consideration (except HK$1 cash payment for the Shareholder's Loan) will be satisfied by the issue of the zero coupon Convertible Notes with mandatory conversion upon maturity, the Acquisition will not exert any liquidity pressure to the financial position of the Group. Having considered the liquidity position of the Group and the steady cash flow to be derived from the Profit Stream, which will amount to at least HK$25 million per year on average for a period of 16 years, the Acquisition would result in positive effect to the liquidity positions and cash flow of the Group. The Group may be able to utilize the cash flow to be generated from the Profit Stream for other investment opportunities, if identified and considered appropriate.

(v) An investment with minimal risks

In assessing the fairness and reasonableness of the Acquisition, the Directors are also mindful of the following principal risks associated with the Acquisition:

(a) The operation of the Junket's business is subject to its ability in renewing the gaming promoter licence from DICJ each year. If it fails to obtain the renewal of such licence from DICJ, it can no longer operate the junket business and no Profit Stream can be paid to the Target Company as a result.

(b) In addition to the gaming promoter licence, the Profit Transfer also needs to be approved by the DICJ annually; no Junket Profit may be transferred to the Target Company unless prior approval has been granted by the DICJ.

(c) Given the competitive nature of the gaming promotion business, there is no guarantee that clients of the Junket will stay but not turn to other junket operators.

(d) The Junket Profit relies on, among other things, the annual renewal of its gaming promoter licence by DICJ, tenure of the Junket acting as a junket representative for the various partner casino hotels, the attractiveness of the partner casinos to prospective clients and the Junket's ability to procure clients and the various partner casino hotels being granted gaming concessions. In the event that the Junket ceases to be committed to the junket business or cease to be appointed as a junket representative by one or more of the partner casino hotels or there is a loss of concessions by one or more of the partner casino hotels, the Junket Profit, and thereby the Profit Stream, may be adversely affected.

If any of the above events occurs, the subsistence of the Profit Transfer and hence the business, financial condition and results of operation of the Target Company will be adversely affected. The Directors however consider that the aforesaid risks have been sufficiently dealt with and mitigated by the terms of the Sale and Purchase Agreement:

(a) Assurance from the Profit Guarantee

Under the Sale and Purchase Agreement, the Directors have negotiated a dollar-to-dollar guarantee by the Vendor for a term of 16 years with an aggregated Guaranteed Profit Share of HK$400 million, being equivalent to the consideration for the Sale Share. Based on the unaudited Junket Profit of approximately HK$462 million from the ten-months period ended 31 October 2013, the Board projects that the Junket Profit for the full year of 2013 to be approximately HK$554 million. Even if there is no growth for the year 2014 and the Junket Profit remains to be HK$554 million, the Target Company will still be entitled to receive approximately HK$27.7 million pursuant to the Profit Transfer, which will be more than the Guaranteed Profit Share of HK$24 million for the same period.

Despite the Board's current expectation that the actual Profit Stream will continuously exceed the Guaranteed Profit Share over the next 16 years, the Profit Guarantee can be a safety net for the Company to prevent unexpected shortfall of the Junket Profit. In addition, if there shall have occurred any Material Adverse Change (or Effect), e.g. the revocation or non-renewal of the Junket's gaming promoter licence, the Company will have the right to demand the Vendor for the immediate payment of the total Guaranteed Profit Share for the remaining Guaranteed Period. This ensures that the consideration payable by the Company for the Sale Share can be fully recovered within the designated period, thus barring the Group from any loss as a result of any downturn in the gaming industry in Macau or any occurrence of the unfavourable events mentioned above or otherwise but at the same time allowing the Group to enjoy the potential growth of the Profit Stream.

(b) Favorable terms of the Convertible Notes

The Profit Guarantee will be fully secured and backed up by the Convertible Notes and/or the Cash Security, which will only be released upon satisfaction of the Profit Guarantee. The Convertible Notes are designed to have a long maturity period of 192 months covering the entire Guaranteed Period so as to minimize any risk of breach of the Profit Guarantee by the Vendor.

(c) Nominal consideration for the assignment of Shareholder's Loan

The Shareholder's Loan will be assigned to the Company at a nominal consideration of HK$1 only. Such nominal consideration for the assignment of Shareholder's Loan will provide a monetary gain or further cushion against potential loss in addition to the Profit Guarantee of approximately HK$18 million to the Company.

(vi) Discounted Conversion Price

The initial Conversion Price of HK$1 represents a discount of approximately 77.83% and 48.98% to the average closing price per Share for the five and 180 consecutive trading days immediately prior to and including the date of the Sale and Purchase Agreement respectively. The Directors are aware of the aforesaid discounts which were considered to be acceptable in view of the following circumstances.

As mentioned in the composite document of the Company dated 24 October 2013, the Offeror planned to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the PRC and/or gaming business in Macau and/or worldwide and in the event that the Offeror is required to put up any equity financing, it will be at a price per Share with reference to the offer price of HK$1.00 per

Share. Accordingly, when the Vendor, who was introduced to the Company by the Offeror, entered into negotiations with the Company and in particular, regarding the Conversion Price, she had requested the Company not to take into account the upward surge in the trading price of the Shares for the period since 2 September 2013, being the date of despatch of the announcement in relation to, among other things, the possible change of substantial Shareholder ("**Unusual Price Announcement**"), but make reference to the offer price under the Offer and the net asset value per Share.

The Directors noted that the closing price of the Shares were traded within a range of HK$2.01 to HK$0.55 during the period from 2 January 2013 to 30 August 2013, the last trading day before the publication of the Unusual Price Announcement (the "**Reference Date**"). Prices of the Shares traded below HK$1 on most of the days during the aforesaid period (153 days out of a total of 162 days). The Directors further noted that the closing price of the Shares surged after the publication of the Unusual Price Announcement and traded between HK$2.65 to HK$5.4 from 2 September 2013 up to the date of the Sale and Purchase Agreement. The Directors consider that the trading price for the period since 2 September 2013 has been significantly influenced by market speculation on the change of substantial Shareholder and may not therefore represent a fair benchmark for determining the Conversion Price. The Directors therefore consider it fair to accept the Vendor's request that the Conversion Price shall be determined with reference to the offer price under the Offer and the net asset value per Share. In this regard, the Conversion Price represents:

(i) a premium of approximately 38.89% over the average closing price of HK$0.72 per Share as quoted on the Stock Exchange for the period from 2 January 2013 to the Reference Date;

(ii) a discount of approximately 8.26% to the average closing price of HK$1.09 per Share as quoted on the Stock Exchange for thirty (30) consecutive trading days immediately prior to and including the Reference Date;

(iii) a discount of approximately 39.02% to the average closing price of HK$1.64 per Share as quoted on the Stock Exchange for ten (10) consecutive trading days immediately prior to and including the Reference Date; and

(iv) a premium of 150% over the unaudited net asset value of approximately HK$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK$0.40 per Share as at 31 December 2012.

The Directors also noted that the trading volume of the Shares was significantly thin during the period from 2 January 2013 to the Reference Date, with an average daily trading volume of 748,330 Shares, representing approximately 0.75% of the Company's total public float. Given the relatively low liquidity of the Shares, the Directors consider that the level of Conversion Price discount of 8.26% and 39.02% to the average closing price per Share for the 30 and 10 consecutive trading days immediately prior to and including the Reference Date respectively to be fair and reasonable.

On the other hand, the Conversion Price represents a premium of 150% over the unaudited net asset value of approximately HK$0.40 per Share as at 30 June 2013 and the audited net asset value of approximately HK$0.40 per Share as at 31 December 2012.

After weighing the aforesaid circumstances and factors against each other, the Directors consider the initial Conversion Price of HK$1 as fair and reasonable to the Company and the Shareholders as a whole.

(vii) Decrease in independent Shareholders' percentage shareholding

Assuming the issue of the Convertible Notes is completed and based on the Conversion Price of HK$1 per Conversion Share, a number of 400,000,000 Conversion Shares will be allotted and issued if the conversion rights attaching to the Convertible Notes are exercised in full, representing approximately 99.94% of the issued share capital of the Company as at the Latest Practicable Date and approximately 49.99% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares in full. Independent Shareholders' holdings would be diluted by approximately 12.5% upon Completion, from 25% to approximately 12.5%.

Such dilution effect is however theoretical in nature and would not have occurred given that pursuant to the terms of the Convertible Notes, (a) the Convertible Notes may not be converted into Conversion Shares if such conversion causes the Shares held in public hands to fall below the minimum public float required under the Listing Rules (i.e. 25% of the issued share capital of the Company); (b) the Vendor or her nominee(s) are not allowed to transfer or convert the Convertible Notes during the Lock Up Period; and (c) the whole of the Convertible Notes will be retained by the Company during the Lock Up Period. The Directors therefore consider that the existing shareholdings of the Independent Shareholders are protected by the terms of the Sale and Purchase Agreement against any immediate dilution before the Company can benefit from the return of the Profit Stream.

In short, the Acquisition, as supported by the Profit Guarantee, will provide the Group with a secured and guaranteed annual income of at least HK$25 million per year on average for a period of 16 years with substantial upside potential while the Convertible Notes (or the Cash Security as alternative security) will offer sufficient security to the Company to guard against any default of the Vendor in performing its obligations under the Profit Guarantee.

Having taken into account and balanced the prospects of all the abovementioned factors, in particular, after weighing the potential benefits of the Acquisition to the Group against the potential dilution effect of the Conversion Notes, the Directors are of the view that the Sale and Purchase Agreement has been entered into upon normal commercial terms following arm's length negotiations between the parties thereto and the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

If the investment return from the Acquisition is proved favorable in the future, the Company may consider to further increase the investment and/or explore alternative investment strategies in this industry. Both Ms. Cui Limei and Ms. Cui Lijie have expressed their intention to assist the Group to further expand and develop in the gaming related industry upon the Group's request, including, but not limited to, the introduction of relevant investment opportunities and provision of necessary financing on terms and conditions to be further agreed upon.

As at the Latest Practicable Date, save for the entering into of the Sale and Purchase Agreement, the Company did not enter or propose to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) with an intention to acquire any new assets/businesses/companies, or dispose of or down size the existing businesses of the Group.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was HK$8,000,000 divided into 800,000,000 Shares of which 400,246,274 Shares were in issue. In order to fulfill the future issue obligations under the Convertible Notes and to provide the Company with greater flexibility for future investment opportunities, the Board proposes to increase the authorized share capital of the Company to HK$16,000,000 by the creation of an additional 800,000,000 Shares.

Immediately after the completion of increase in authorised share capital of the Company and assuming no new Shares are issued or no Shares are repurchased from the Latest Practicable Date up to the date of the SGM, the authorised share capital of the Company will be HK$16,000,000 divided into 1,600,000,000 Shares, with 400,246,274 Shares in issue and 1,199,753,726 Shares remaining unissued.

Except to fulfill the future issue obligations under the Convertible Notes, the Company may or may not issue Shares under the proposed increased authorised share capital depending on the market condition. The Board believes that the increase in the authorised share capital of the Company is in the interests of the Company and the Shareholders as a whole. The proposed increase in the authorised share capital of the Company is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Acquisition are greater than 25% but less than 100% for the purpose of Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable date, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company. Inventive Star and its associates are required to abstain from voting at the SGM in respect of the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder. With regards to the Increase in Authorised Share Capital, as it facilitates the issuance and allotment of the Conversion Shares (when converted), Inventive Star and its associates are also required to abstain from voting at the SGM in respect of the relevant resolution(s) approving the Increase in Authorised Share Capital. As no Director has a material interest in the Acquisition, no Director has abstained from voting on the board resolution approving the Sale and Purchase Agreement and the transaction contemplated thereunder.

IMPLICATIONS IN RELATION TO THE GAMING BUSINESS UNDER RELEVANT LAWS

After Completion, the Group, including the Target Company, will not directly or indirectly be engaged in gambling activities and operation of such gambling activities.

Having duly considered the relevant laws of Macau, the views of the Company's legal adviser, MdME, as at the Latest Practicable Date were as follows:

(i) the gaming promotion business of the Junket is legal and lawful under the applicable laws of Macau;

(ii) the Profit Transfer Agreement and the transactions contemplated thereunder are legal and lawful under the applicable laws of Macau;

(iii) the Loan Agreement and the transactions contemplated thereunder are legal and lawful under the applicable laws of Macau; and

(iv) the Junket Company can obtain loans from third parties for its gaming promotion business.

SGM

A notice convening the SGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 24 January 2014 at 10:30 a.m. is set out on pages 90 to 92 of this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the special general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you so wish.

GENERAL

An Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung, has been established to advise the Independent Shareholders (i) as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder after taking into account the recommendation of the Independent Financial Advisers.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 30 of this circular which contains its recommendation to the Independent Shareholders, and the letter from the Independent Financial Advisers set out on pages 31 to 60 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisers, considers that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

The Board considers that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Acquisition and the Increase in Authorised Share Capital are in the interests of the Company and the Shareholders as a whole; therefore, the Board recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Sale and Purchase Agreement, the Increase in Authorised Share Capital, and the respective transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

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

By Order of the Board
First Natural Foods Holdings Limited
Cai Lingli
Executive Director

FIRST NATURAL FOODS HOLDINGS LIMITED

第一天然食品有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

8 January 2014

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
INVOLVING THE ISSUE OF CONVERTIBLE NOTES

ACQUISITION OF PROFIT STREAM
FROM MACAU GAMING BUSINESS

We refer to the circular dated 8 January 2014 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Sale and Purchase Agreement and the transactions contemplated thereunder. Investec and South China have been appointed as the Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, after taking into account solely the advice of the Independent Financial Advisers as set out from pages 31 to 60 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Ng Hoi Yue | **Mr. Tso Hon Sai Bosco** | **Mr. Lee Kwok Leung**

Independent non-executive Directors

* *For identification purposes only*

The following is the text of the letter of advice from Investec and South China to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

South China Capital Limited

Investec

8 January 2014

To: The Independent Board Committee and
the Independent Shareholders of
First Natural Foods Holdings Limited

Dear Sirs/Madams,

MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE NOTES

ACQUISITION OF PROFIT STREAM FROM MACAU GAMING BUSINESS

I. INTRODUCTION

We refer to our appointment as the Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders with regard to the Sale and Purchase Agreement and the transactions contemplated thereunder. Details of the Sale and Purchase Agreement are contained in the letter from the Board (the "**Letter from the Board**") of the circular to the Shareholders dated 8 January 2014 (the "**Circular**"), of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

On 27 November 2013, the Company entered into the Sale and Purchase Agreement with the Vendor, pursuant to which, the Vendor has conditionally agreed to sell and transfer and the Company has conditionally agreed to acquire and accept, the entire issued share capital of the Target Company and the Shareholder's Loan at the Consideration of HK$400,000,001. The Consideration will be settled as to HK$1 by means of cash and the remaining HK$400 million by the issuance of the Convertible Notes.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company.

As the applicable percentage ratios in respect of the Acquisition are greater than 25% but less than 100% for the purpose of Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

As set out in the "Letter from the Board", the Vendor is the younger sister of Ms. Cui Lijie, who is the beneficial owner of the controlling Shareholder, Inventive Star, which holds 300,182,154 Shares, representing approximately 75% of the issued share capital of the Company as at the Latest Practicable Date, the Vendor is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board consists of two executive Directors, namely Ms. Cai Lingli and Ms. Xia Yuki Yu, and three independent non-executive Directors, namely Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung.

The Independent Board Committee comprising all of the independent non-executive Directors, namely, Mr. Ng Hoi Yue, Mr. Tso Hon Sai Bosco and Mr. Lee Kwok Leung, has been established to consider the Acquisition. As the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether or not the Sale and Purchase Agreement and the transactions contemplated thereunder (i) are in the interests of the Company and Shareholders as a whole; (ii) the terms of which are on normal commercial terms and are fair and reasonable; and (iii) whether the Independent Shareholders should vote in favour of the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

II. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied solely on the statements, information, opinions and representations for matters relating to the Group contained in the Circular and the information and representations provided to us by the Group and/or its senior management staff (the "**Management**") and/or the Directors. We have assumed that all such statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true, accurate and complete in all material respects at the time they were made and given and continued to be true and valid as at the date of the Circular. We have assumed that all the opinions and representations for matters relating to the Group made or provided by the Directors and/or the Management contained in the Circular have been made on a reasonable basis after due and careful enquiries. We have also sought and obtained confirmation from the

Group and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular, the omission of which would render any statement in the Circular misleading.

We consider that we have reviewed all currently available information and documents to enable us to reach an informed view and to justify our reliance on the information provided so as to form a reasonable basis for our opinions. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group and/or the Management and/or the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group, the Vendor, the Junket, the Target Company and their respective subsidiaries or the prospects of the markets in which they respectively operate.

Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Advisers, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. PRINCIPAL FACTORS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group and reasons for the Sale and Purchase Agreement

The Group is principally engaged in processing and trading of frozen food products which are sold mainly to Canada, the PRC, Hong Kong and other Southeast Asia region.

As set out in the interim report of the Company for the six months ended 30 June 2013 (the "**2013 Interim Report**"), the Group recorded an unaudited loss of approximately HK$1.0 million for the six months ended 30 June 2012, which further increased to an unaudited loss of approximately HK$1.9 million for the six months ended 30 June 2013. The unaudited net asset of the Group was approximately HK$158.6 million as at 30 June 2013.

Subsequent to the interim period ended 30 June 2013, on 12 September 2013, Inventive Star entered into a sale and purchase agreement with Groupwill Holdings Limited, the then controlling Shareholder who was interested in approximately 74.99% issued share capital of the Company, in respect the sale and purchase of the entire shareholding held by Groupwill Holdings Limited.

Subsequent to the completion of the abovementioned acquisition by Inventive Star, Inventive Star made a mandatory unconditional general offer ("**General Offer**") to acquire all the then issued Share (other than those Shares already owned by or agreed to be acquired by Inventive Star and parties acting in concert with it) pursuant to the

Takeovers Code, details of the Offer are set out in the composite document of the Company and Inventive Star dated 24 October 2013 (the "**Composite Document**"). The Offer was closed on 14 November 2013, immediately upon the close of the Offer, Inventive Star were interested in approximately 300,216,344 Shares, representing approximately 75.01% of the then issued share capital of the Company. Subsequently, Inventive Star has reduced its shareholding in the Company. As at the Latest Practicable Date, Inventive Star is interested in approximately 300,182,154 Shares, representing approximately 75.00% of the issued share capital of the Company.

As set out in the Composite Document, Inventive Star intends to continue the Group's existing business. In addition, in order to broaden its income source and to accelerate the Group's growth and future development, Inventive Star plans to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the PRC and/or gaming business in Macau and/or worldwide.

Furthermore, it was noted from the Composite Document that in order to strengthen the capital base of the Group so that it is in a better position to capture any investment and business opportunities that may arise, Inventive Star will, as soon as practicable after the close of the Offer, procure the directors it nominates on the Board to consider raising fund from equity or equity-related securities. In the event Inventive Star is required to put up any equity financing, it will be at a price per Share with reference to the Offer price of HK$1.00 per Share.

2. Information of the Target Company and the Junket

2.1 Information on the Target Company

The Target Company was incorporated on 30 May 2013 and is an investment holding company. Its issued share capital is US$1.00 which is fully paid up by the Vendor.

Since its incorporation, the Target Company has not conducted any business or undertaken any activity except the entering into of the Loan Agreement and the Profit Transfer Agreement. In this connection, we note that the Profit Transfer Agreement is legally binding and pursuant to which, the Target Company is entitled to the Profit Transfer. Accordingly, the entering into of the Profit Transfer Agreement between the Target Company and the Junket formalised the transfer of five percent (5%) of the Junket Profit for each twelve-month period from the Junket to the Target Company and subject to the annual approval by DICJ. In addition, as stated in the "Letter from the Board", the Company has obtained the opinion from the legal adviser as to Macau law to confirm that the Profit Transfer Agreement and the Loan Agreement between the Target Company and the Junket do not contravene any applicable law of Macau.

As set out in the "Letter from the Board", the Company has no present intention to conduct any other business through the Target Company after Completion save for receiving the Profit Stream.

The Profit Transfer

As set out in the "Letter from the Board", on 8 July 2013, the Target Company entered into the Profit Transfer Agreement and the Loan Agreement with the Junket, pursuant to which the Target Company has agreed to keep available to the Junket an unsecured, interest-free loan facility of up to the maximum aggregate amount of HK$18 million (or such other amount as may be agreed by the parties thereto in writing) and to provide consultancy service to the Junket to support the operation of its VIP rooms, which may include the marketing and publicity within gaming expertise and knowledge; fundraising activities; financial, analytical and business processes; customer relationship management; procedural and regulatory compliance; and any other commercial and business services required from time to time. The executive Directors, namely Ms. Cai Lingli and Ms. Xia Yuki Yu, who have the relevant experience in the gaming industry shall be responsible for overseeing the operation of the Target Company. The relevant expenses attributable to the said consultancy service, if any, is expected to be minimal.

In return, the Junket has agreed to transfer the Profit Stream, being 5% (five percent) of the Junket Profit, to the Target Company with effect from a date to be mutually agreed by the Junket and the Target Company. Although DICJ has approved the Profit Transfer for the period ending 31 December 2013, the Target Company and the Junket have not yet agreed on the commencement date of the Profit Transfer.

As a safeguard for the Target Company against any understatement of the Junket Profit, pursuant to the Loan Agreement, among others, (i) the Junket is obliged to furnish the Target Company with financial information of the VIP rooms; and (ii) the Target Company will be entitled to audit the books and records of the Junket and will have the right to claim compensation if the result of such audit differs in a material way from the financial information provided by the Junket, further details are set out under the paragraph headed "The Profit Transfer" in the "Letter from the Board".

In the event that any of the VIP rooms operated by the Junket are terminated by the relevant covered casino or have otherwise changed in a materially adverse manner during the term of the Loan Agreement, the Target Company shall have the option to require the Junket to repay all or a portion of the outstanding principal amount of the loan facility based on the affected operating revenue.

The Profit Transfer Agreement will be automatically renewed on a yearly basis until terminated by the parties pursuant to the terms thereof and the Profit Transfer is subject to the annual approval of DICJ. Pursuant to the Profit Transfer Agreement, the parties have agreed to make the necessary applications and promptly provide all relevant documents and information to DICJ or other competent authorities in Macau (where applicable) in order to allow, make effect and legalize the Profit Transfer in every fiscal year. The Loan Agreement will continue to be effective up to 31 December 2017 and will then be automatically renewed for subsequent terms of four (4) years each unless it is terminated by the parties pursuant to the terms thereof.

Financial information of the Target Company

As the Target Company has not yet commenced any business nor received any Profit Stream, according to the unaudited accounts of the Target Company, no profit has been recorded since its incorporation and up to 30 November 2013. The net asset value of the Target Company as at 30 November 2013 was HK$8. The audited financial information of the Target Company is set out as Appendix II to the Circular.

2.2 Information on the Junket

As set out in the "Letter from the Board", the Junket commenced its gaming promotion business to offer solely the game of VIP Baccarat in Macau in July 2011 with only one VIP room and 12 VIP table games at StarWorld Casino and has since expanded into seven VIP rooms across most of the major casinos in Macau, including StarWorld Casino, Wynn Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino, and Venetian Casino offering 86 VIP table games exclusively for VIP or premium players as at the Latest Practicable Date. Based on the information provided by the Vendor, the performance of the Junket Profit since its commencement of business in July 2011 and up to October 2013 is summarized below:

	Junket Profit *HK$ (approximately)*
From 28 July 2011 to 31 December 2011	305,530,000
From 1 January 2012 to 31 December 2012	453,410,000
From 1 January 2013 to 31 October 2013	462,080,000

Based on the information above, the Junket Profit for the first 10 months of 2013 already exceeded the Junket Profit for the entire 2012 by approximately 1.9%.

As stated in the "Letter from the Board", the average monthly rolling turnover of the Junket in the third quarter of 2012 and the third quarter of 2013 were approximately HK$13,803,330,000 and HK$34,227,470,000 respectively. There was a 148% increase in the amount while the gross gaming revenue from the VIP baccarat in Macau only recorded a 13% increase during the same periods.

As set out in the "Letter from the Board", the Board was advised by the Vendor that if the performance of the newly opened VIP gaming rooms is satisfactory and the Junket has become successful in further broadening its client base, the Junket does not rule out the possibility of launching additional VIP gaming rooms within or outside Macau.

3. Reasons for and benefits of the Acquisition

As set out in the "Letter from the Board", having considered, among others, the following factors:

(i) Nature of the Acquisition

By acquiring the Target Company, the Company is in essence acquiring the Profit Stream that the Target Company is entitled to receive under the Profit Transfer. Taking into account the Profit Guarantee, the Group shall have a secured and guaranteed income stream of at least HK$25 million per year on average (representing approximately a guaranteed effective yield of 6.25% per annum on average) over a period of 16 years.

(ii) A conservative but appropriate strategic move of the Group

The mechanism of the Profit Transfer provides an opportunity for the Group to share the return on the gaming business through the Profit Stream without substantial involvement in the daily operation of the Junket. The Profit Guarantee further protects the Group against any monetary loss. As the Group's first strategic move into the gaming industry, the Acquisition is considered as a conservative yet appropriate investment given the Company's lack of relevant experience in the gaming business in Macau.

(iii) An investment with strong growth potential

The growth potential of the Profit Stream is strong in view of (a) attractive prospect of the gaming industry in Macau taking into account the historical growth in the gross gaming revenue of Macau; and (b) competitive strength of the Junket, whom the Directors considered to be one of the leaders of the gaming promotion business in Macau.

(iv) Positive impact on the Group's financial results and operations

Upon Completion, the Profit Stream of the Target Company will be available as a new source of income for the Group and the financial results of the Company are expected to turnaround as a result of the Acquisition. In addition, the steady cash flow to be derived from the Profit Stream would result in positive effect to the liquidity positions and cash flow of the Group.

(v) An investment with minimal risks

The Directors considered that the risks as set out under paragraph headed "(v) An investment with minimal risks" in the "Letter from the Board" have been sufficiently dealt with and mitigated by the terms of the Sale and Purchase Agreement, in particular, the Profit Guarantee. The Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

As set out in the Composite Document, in order to broaden its income source and to accelerate the Group's growth and future development, Inventive Star plans to leverage on its network to diversify the existing business of the Group to eco-tourism and entertainment in the PRC and/or gaming business in Macau and/or worldwide. As such, the Acquisition is in line with the stated intention of Inventive Star as set out in the Composite Document.

Further details of the reasons for the Acquisition are set out under paragraph headed "Reasons and benefits for the Acquisition" in the "Letter from the Board".

4. General overview of the Macau gaming market

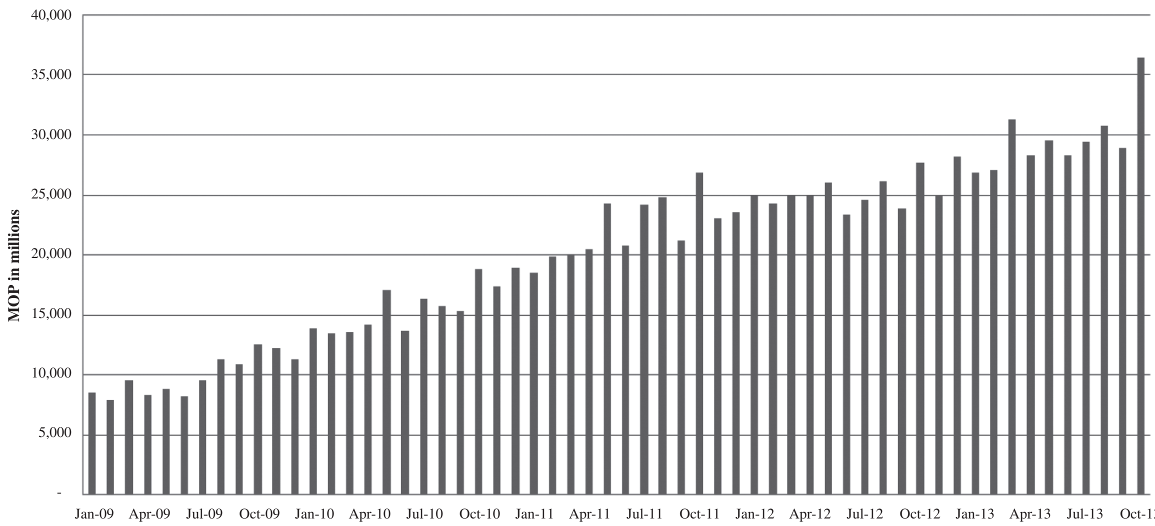
Macau is the only approved casino gaming region of the PRC, it attracts visitors from all over the world. With the support of the Macau Government and the popularity of gaming, the number of casinos and hotels in Macau has increased over the past few years. According to a publication of Bloomberg dated 1 November 2013 (the "**Bloomberg Article**"), the October monthly Macau casino revenue was approximately MOP36.5 billion, due to, among other reasons, spending from PRC visitors during the golden week holiday in the PRC, which is a record high since 2009 based on statistics published by the DICJ.

The gross gaming revenue has more than doubled during the period between 2009 and 2012 and recorded a compound annual growth rate of approximately 36.6%.

Based on the statistics published by the DICJ, the aggregate gross gaming revenue in Macau for the first 10 months of 2013 was approximately MOP297.1 billion, such represents approximately 97.7% of the gross gaming revenue in Macau of approximately MOP304.1 billion recorded for the entire 2012, which exceeded the gross gaming revenue of that the Las Vegas Strip of the same period as per the Bloomberg Article.

Set out below is Macau's historical monthly gross gaming revenue from January 2009 to October 2013:

Chart 4.1: Historical monthly gross gaming revenue in Macau



Source: DICJ

Based on the above information, the Directors are of the view that the Acquisition represents an opportunity for the Company to share the return on the gaming business through the Profit Stream, which has strong growth potential, given, among others, the attractive prospect of the Macau gaming industry which has experienced stable growth since 2009.

5. Principal terms of the Sale and Purchase Agreement

The Sale and Purchase Agreement

Date: 27 November 2013

Parties: the Company (as the Purchaser)

Ms. Cui Limei (as the Vendor)

Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target Company, and the Shareholder's Loan, in the amount of HK$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement.

Consideration

The consideration for the sale and purchase of the Sale Share and the assignment and transfer of the Shareholder's Loan is HK$400,000,000 and HK$1 respectively, which shall be payable in full on Completion as to (i) HK$1 by means of cash; and (ii) HK$400 million by issuing to the Vendor or her nominee(s) the Convertible Notes.

As stated in the "Letter from the Board", the Consideration was determined after arm's length negotiation between the Company and the Vendor with reference to the Profit Transfer, the Profit Guarantee, the prospect of the Junket which may affect the Junket Profit and thus the Profit Stream to be received by the Target Company, and the price-to-earnings ratio of listed companies that are mainly engaged in the gaming and hospitality business in Macau which ranged from 4.80 to 67.29 with an average of 27.49 as at the date of the Sale and Purchase Agreement.

Profit Guarantee

Subject to Completion, the Vendor irrevocably and unconditionally guarantees to the Company that the aggregated Profit Stream for each guaranteed period mentioned below (each a "**Guaranteed Period**") commencing from 1 January 2014 and ending on 31 December 2029 shall not be less than the amount set opposite to the relevant Guaranteed Period in the table below (each the "**Guaranteed Profit Share**"):

Guarantee Period	**Guarantee Profit Share in aggregate for each Guaranteed Period**
1 January 2014–31 December 2014	HK$24,000,000
1 January 2015–31 December 2017	HK$72,000,000
1 January 2018–31 December 2021	HK$100,000,000
1 January 2022–31 December 2025	HK$102,000,000
1 January 2026–31 December 2029	HK$102,000,000

If the aggregate actual Profit Stream received by the Company for one or more Guaranteed Periods shall be equal to or more than HK$400,000,000, the Profit Guarantee shall forthwith terminate and cease to have further force and effect.

If the actual Profit Stream received by the Company in a relevant Guaranteed Period plus the surplus amount of the actual Profit Stream of all previous Guaranteed Periods over and above the applicable Guaranteed Profit Share, is less than the amount of relevant Guaranteed Profit Share, the Vendor shall pay to the Company in cash the difference between such actual Profit Stream and the Guaranteed Profit Share within ten Business Days after the relevant profit sharing date.

As security for the Profit Guarantee, the Convertible Notes, when issued, will be deposited with and retained by the Company. The Convertible Notes will only be released to the Vendor in the following manner:

(a) if the Vendor shall have deposited cash (the "**Cash Security**") to the Company as alternative security for the Profit Guarantee, the Company will release an equivalent principal amount of the Convertible Notes to the Vendor provided that such right may only be exercisable by the Vendor after 12 months from the issue of the Convertible Notes; and/or

(b) if the actual Profit Stream received by the Target Company for a particular Guaranteed Period shall have reached or exceeded the relevant Guaranteed Profit Share, the Company will release to the Vendor such Convertible Notes in the principal amount equivalent to the actual Profit Stream of that Guaranteed Period and/or Cash Security (without interest), which together will be equal to the amount of the relevant Guaranteed Profit Share; and/or

(c) if the aggregate actual Profit Stream received by the Target Company from the Junket shall be equal to or more than HK$400 million, the Profit Guarantee shall terminate and cease to have further force and effect, and the Company will release to the Vendor the whole of the Convertible Notes that are still outstanding together with all the remaining Cash Security (without interest) (if any).

As stated in the "Letter from the Board", the Profit Guarantee was determined after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net profit of the Junket for the ten months ended 30 October 2013 of approximately HK$462 million; (ii) the prospect of the Junket and the Target Company; (iii) the guaranteed period of 16 years as agreed by the Vendor; (iv) the price-to-earnings ratio of listed companies that are mainly engaged in gaming and hospitality business in Macau; and (v) the assumption that the Junket Profit will be at least HK$25 million per year on average over a period of 16 years with certain conservative growth.

We note that the Profit Guarantee which will be 100% secured by the Convertible Notes will in substance and effect provide the Group with a secured and guaranteed income stream of at least HK$25 million per year on average over a period of 16 years. As stated in the "Letter from the Board", based on the unaudited Junket Profit of approximately HK$462 million from the ten-months period ended 31 October 2013, the Board projects that the Junket Profit for the full year of 2013 to be approximately HK$554 million. Even if there is no growth for the year 2014 and the Junket Profit remains to be HK$554 million, the Target Company will still be entitled to receive approximately HK$27.7 million pursuant to the Profit Transfer, which will be more than the Guarantee Profit Share of HK$24 million for the same period.

In addition, since the Profit Guarantee is in essence (i) a dollar-to-dollar guarantee by the Vendor for a term of 16 years with an aggregated Guaranteed Profit Share of HK$400 million, being equivalent to the Consideration under the Acquisition; (ii) safeguarding the Company's interest to prevent unexpected shortfall of the Junket Profit; and (iii) the Profit Guarantee which has a notably longer Guaranteed Period of 16 years as compared to those under the applicable Transaction Comparables (detail of which are set out under the section headed "Price-to-earnings ratio of transactions conducted by Selected ListCos" below), we consider that the Profit Guarantee provided by the Vendor, which in turns, safeguard the Company's interests is in the interests of the Company and the Shareholders. For our analysis on the fairness and reasonableness of the Consideration under the Acquisition, please refer to the section headed "Analysis on the fairness and reasonableness of the Consideration" below.

Other principal terms

For further details of the other principal terms of the Sale and Purchase Agreement, including "Conditions", "Profit Guarantee" and "Completion", please refer to the paragraph headed "The Sale and Purchase Agreement" in the "Letter from the Board" of the Circular.

6. Analysis on the fairness and reasonableness of the Consideration

As stated in the "Letter from the Board", the Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the Profit Transfer, the Profit Guarantee, the prospect of the Junket which may affect the Junket Profit and thus the Profit Stream to be received by the Target Company, and the price-to-earnings ratio of listed companies that are mainly engaged in the gaming and hospitality business in Macau.

In assessing the fairness and reasonableness of the Consideration, we have considered the following:

6.1 Price-to-earnings ratio of listed companies

We have compared the price-to-earnings ratio of the Acquisition (the "**Acquisition P/E ratio**") with the price-to-earnings ratio of listed companies (the "**ListCo P/E Ratio**") which have derived in excess of 50% of their revenue from gaming and hospitality business in Macau (the "**Selected ListCos**"), based on their respective latest published annual reports/financial information as at the Latest Practicable Date:

Table 6.1.1: ListCo P/E Ratios comparison

Stock code	**Company name**	**ListCo P/E Ratio**
70	Neptune Group Ltd. ("**Neptune**")	5.28
1680	Macau Legend Development Ltd. ("**Macau Legend**")	92.90
1128	Wynn Macau, Ltd.	28.48
1180	Paradise Entertainment Ltd. *(Note 2)*	13.52
1928	Sands China Ltd.	53.19
27	Galaxy Entertainment Group Ltd.	40.40
880	SJM Holdings Ltd. ("**SJM**")	20.83
3918	NagaCorp Ltd.	21.24
2282	MGM China Holdings Ltd.	28.39
628	Dore Holdings Ltd.	9.94
296	Emperor Entertainment Hotel Ltd.	9.73
959	Amax International Holdings Ltd. *(Note 3)*	N/A
6883	Melco Crown Entertainment Ltd.	53.12
200	Melco International Development Ltd.	38.96
	Maximum	92.90
	Minimum	5.28
	Average	32.00
	Acquisition P/E ratio	*(Note 1)* 16.67

Note:

(1) Calculated based on the Consideration of HK$400 million divided by the Guaranteed Profit Share (for the period between 1 January 2014–31 December 2014) of HK$24 million.

(2) Calculated based on (i) the market capitalisation of the company as at the Latest Practicable Date; and (ii) the number of issued shares of the company without taking into account the 600,000,000 shares as part of the consideration pursuant to the sale and purchase agreement dated 2 November 2012 (as supplemental by two supplemental agreements dated 7 January 2013 and 18 March 2013, respectively) in relation to the acquisition of the patents, which have been disclosed in the circular of the company dated 9 May 2013.

(3) Based on the annual report of Amax International Holdings Ltd. for the year ended 31 March 2013, Amax International Holdings Ltd. has recorded a loss for the year. Accordingly, Amax International Holdings Ltd. does not have a P/E ratio for comparison purposes.

As set out in Table 6.1.1 above, the ListCo P/E Ratios ranged from approximately 5.28 times to approximately 92.90 times, with an average of approximately 32.00 times. The Acquisition P/E Ratio of approximately 16.67 times is within range and below the average ListCo P/E Ratios.

We note that the Selected ListCos are typically directly involved in or have investment in the gaming and hospitality business based in Macau and/or have an interest in or operate junket operations which is may not be directly comparable to the operations of the Target Company, of which primarily consisted of the entering into of the Loan Agreement and the Profit Transfer Agreement. Given the Target Company, unlike some of the Selected ListCos, does not have a substantial involvement in the daily operation of the Junket and/or the gaming operations, we have preformed additional analysis by reviewing similar acquisition transactions conducted by the Selected ListCos.

6.2 Price-to-earnings ratio of transactions conducted by Selected ListCos

In addition to the above analysis, we have also compared the Acquisition P/E ratio with the price-to-earnings ratio of transactions conducted by the Selected ListCos (the "**Transaction P/E Ratios**"), of which the relevant announcement was dated during the period commenced on 1 January 2012 up to and including the Latest Practicable Date (the "**Transaction Comparables**"), details of which are set out below:

Table 6.2.1: Transaction P/E Ratios comparison

Date of Agreement(s)	Company name (stock code)	Description of transaction	Consideration *(HK$'million)*	Profit Guarantee attributable to the respective equity interest *(HK$'million)*	Transaction P/E Ratio	Number of gaming tables involved under the relevant arrangement
21-Oct-13	Neptune *(70)*	Acquisition of 5% equity interest of Joyful Celebrate Global Limited (the "**Joyful Celebrate Transaction**")	241.0	1st yr: 13.5 1st & 2nd yr: 16.2	17.85 *(based on profit guarantee)*	not less than 16 gaming tables
26-Feb-13 *(Note 1)*	Neptune *(70)*	Acquisition of 20% equity interest of Essence Gold Investment Limited (the "**Essence Gold Transaction**")	150.0	1st yr: 55 2nd yr: 55	2.73 *(based on profit guarantee)*	not less than 11 gaming tables

Date of Agreement(s)	Company name (stock code)	Description of transaction	Consideration *(HK$'million)*	Profit Guarantee attributable to the respective equity interest *(HK$'million)*	Transaction P/E Ratio	Number of gaming tables involved under the relevant arrangement
late Jul 12	SJM *(880)*	Acquisition of 4% equity interest of Macau Legend as pre-IPO investment (the "**Macau Legend Transaction**")	480.0	N/A	22.42	123 gaming tables
8-Jun-12	Neptune *(70)*	Acquisition of 10% Star Profit (the "**Star Profit Transaction**") *(Note 2)*	96.3	N/A	N/A *(Note 2)*	not disclosed
12-Jan-12	Neptune *(70)*	Acquisition of 10% equity interest in Base Move Investments Limited (the "**Base Move Transaction**")	108.0	N/A	6.29 *(based on historical earnings)*	not disclosed
				Maximum	22.42	
				Minimum	2.73	
				Average	12.32	
27-Nov-13	**the Company**	**Acquisition of the Target Company**	**400.0**	**1st-16th yr: 24 per annum**	**16.67** ***(based on profit guarantee)***	**86 gaming tables** ***(Note 3)***

Notes:

(1) Agreement and supplemental agreements were entered into on various dates in 2012, the final supplemental agreement was entered into on 26 February 2013.

(2) Star Profit being 0.40% of the rolling turnover generated by Lucky Star Entretenimento Sociedade Unipessoal Limitada and/or its customers at Level 3 at the StarWorld Hotel in Macau pursuant to the star junket representative agreement. No historical financial information on Star Profit was disclosed in the relevant announcements of Neptune in respect of the Star Profit Transaction.

(3) For avoidance of doubt, the Target Company, through the mechanism of the Profit Transfer, shares the return on the gaming business through the Profit Stream without substantial involvement in the daily operation of the Junket.

As set out in Table 6.2.1 above, the Transaction P/E Ratios ranged from approximately 2.73 times to approximately 22.42 times, with an average of approximately 12.32 times. The Acquisition P/E Ratio of approximately 16.67 times is within range of the Transaction P/E Ratios.

Difference in characteristics of the Transaction Comparables and the Acquisition

As noted from Table 6.2.1, each of the Star Profit Transaction and the Base Move Transaction has no profit guarantee clause and no information on the scale of the underlying junket operation were disclosed in the relevant announcements. Given the lack of information set out in the relevant announcements, it is impractical to consider those two transactions as appropriate benchmarks to the Acquisition for comparison purposes.

As for the Macau Legend Transaction, it is a pre-IPO investment and Macau Legend is a owner of entertainment and casino gaming facilities in Macau, including an integrated hotel, casino and shopping complex as well as a waterfront, integrated gaming, hotel convention and entertainment complex. Given the business of Macau Legend involved in the provision of gaming services to SJM, as well as operation of hotels, entertainment and leisure facilities, may not be directly comparable to the operations of the Target Company, of which primarily consisted of the entering into of the Loan Agreement and the Profit Transfer Agreement, it is not the most appropriate benchmark to the Acquisition (out of all the identified Transaction Comparables) for comparison purposes. Nonetheless, we note the price-to-earnings ratio for the Macau Legend Transaction of approximately 22.42 times is notably higher than the Acquisition P/E ratio of approximately 16.67 times.

The remaining two identified Transaction Comparables, namely the Joyful Celebrate Transaction and Essence Gold Transaction, are similar in nature to the Acquisition. Notwithstanding from the above, the scale of the relevant junket operation under each of the abovementioned transactions is notably different from the Junket operation in connection with the Profit Transfer arrangement under the Acquisition. Based on information as set out in the respective announcements, the junket operation under the junket agreement in connection with Joyful Celebrate Transaction and Essence Gold Transaction, involved not less than 16 and 11 gaming tables operated at one location, respectively.

As stated in the announcement in respect of the Joyful Celebrate Transaction dated 21 October 2013, the rolling turnover (the "**Rolling Turnover**") in respect of the relevant junket operation averaged at approximately HK$7.5 billion per month for the past 12 months.

As set out in the announcement in respect of the Essence Gold Transaction dated 19 September 2012, the Rolling Turnover in respect of the relevant junket operation, averaged at approximately not less than HK$4.8 billion per month for the past six months.

On the other hand, the Junket operation in connection with the Profit Transfer arrangement under the Acquisition involved not less than 86 VIP tables across most of the major casinos in Macau, including StarWorld Casino, Wynn

Casino, Galaxy Casino, Sands Cotai Central Casino, MGM Casino and Venetian Casino and a monthly Rolling Turnover exceeded HK$30 billion and HK$39 billion in July 2013 and October 2013[1], respectively.

Notwithstanding the number of gaming tables and the historical Rolling Turnover derived from those gaming tables in connection with the Acquisition are notably higher the Transaction Comparables, in absence of additional identified Transactions Comparables and having considered the size of the junket operations in terms of number of gaming tables and the respective Rolling Turnovers, we consider that the Joyful Celebrate Transaction is the more appropriate benchmark for the Acquisition, which has a price-to-earnings ratio of approximately 17.85 times which is slightly higher than the Acquisition P/E ratio of approximately 16.67 times.

As such, based on our analysis in respect of (i) the price-to-earnings ratio of listed companies; and (ii) the Transaction Comparables, in particular, the Joyful Celebrate Transaction being a more appropriate benchmark has a comparable price-to-earnings ratio to the Acquisition P/E ratio, we consider the Consideration to be fair and reasonable.

In addition, we note that both the Joyful Celebrate Transaction and Essence Gold Transaction had a guarantee period of two years from the date of their respective acquisition completion, while the Acquisition has a notably longer Guaranteed Period of 16 years. In this connection, the longer guaranteed period shall provide the shareholders with additional safeguard against potential fluctuations in future profitability of the Target Company.

6.3 Convertible Notes

The principal terms of the Convertible Notes are summarised below:

Issuer:	the Company
Noteholder(s):	the Vendor (or her nominee(s))
Principal amount:	HK$400 million
Interest:	Nil

1 PRC's National Day in October 2013 is official holiday in the PRC.

Maturity:	192 months from the date of issuance of the Convertible Notes To the extent not previously converted, purchased or cancelled, the Convertible Notes outstanding on the Maturity Date shall be mandatorily converted into Conversion Shares at the Conversion Price in effect on the Maturity Date in accordance with the terms of the Convertible Notes and subject to the conversion restrictions as set out therein.
Early redemption:	The Company may not redeem the Convertible Notes at its option.
Conversion price:	The initial Conversion Price will be HK$1 per Conversion Share (subject to certain adjustments in accordance with the terms of the Convertible Notes).
Conversion right:	Subject to the conversion restriction, each Convertible Note shall entitle the holder to convert such Convertible Notes into Shares credited as fully paid at any time during the Conversion Period.
Conversion restriction:	Subject to the minimum public float being maintained and the conversion of which does not trigger a mandatory offer under Rule 26 of the Takeovers Code on the part of the Noteholder and parties acting in concert with it.
Transferability:	Except with the written consent of the Company, the Convertible Notes shall not be transferrable during a period of one year from the date of issuance of the Convertible Note(s) ("**Lock Up Period**"). The Convertible Notes or interests in such Convertible Notes (and any part thereof) shall then be freely transferrable provided that they may not be transferred by the Noteholders to any connected person of the Company without written consent of the Company and compliance of any applicable Listing Rules.
Lock Up:	During the Lock Up Period, the Convertible Notes shall not be transferrable except with the written consent of the Company and any conversion rights attaching to the Convertible Notes may not be exercised.

Further details of the terms of the Convertible Notes are set out under paragraph headed "Convertible Notes" in the "Letter from the Board" of the Circular.

6.4 Conversion Price

The initial Conversion Price is set at HK$1.0 per Conversion Share, subject to certain adjustments as set out under paragraph headed "Convertible Notes" in the "Letter from the Board", was arrived at after arm's length negotiations between the Company and the Vendor with reference to (i) the unaudited net asset value of HK$0.40 per Share as at 30 June 2013; (ii) the audited net asset value of HK$0.40 per Share as at 31 December 2012; (iii) the offer price of HK$1 per Share under the Offer; (iv) the thin liquidity of the Shares; and (v) the future business prospects of the Group after the completion of the Acquisition.

Price comparison of the Conversion Price

The Conversion Price represents:

(i) a discount of approximately 73.89% to the closing price of HK$3.83 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 77.68% to the closing price of HK$4.48 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement (the "**Last Trading Day**");

(iii) a discount of approximately 77.83% to the average closing price of approximately HK$4.51 per Share for the last five trading days up to and including the Last Trading Date;

(iv) a discount of approximately 48.98% to the average closing price of approximately HK$1.96 per Share for the last 180 trading days up to and including the Last Trading Date; and

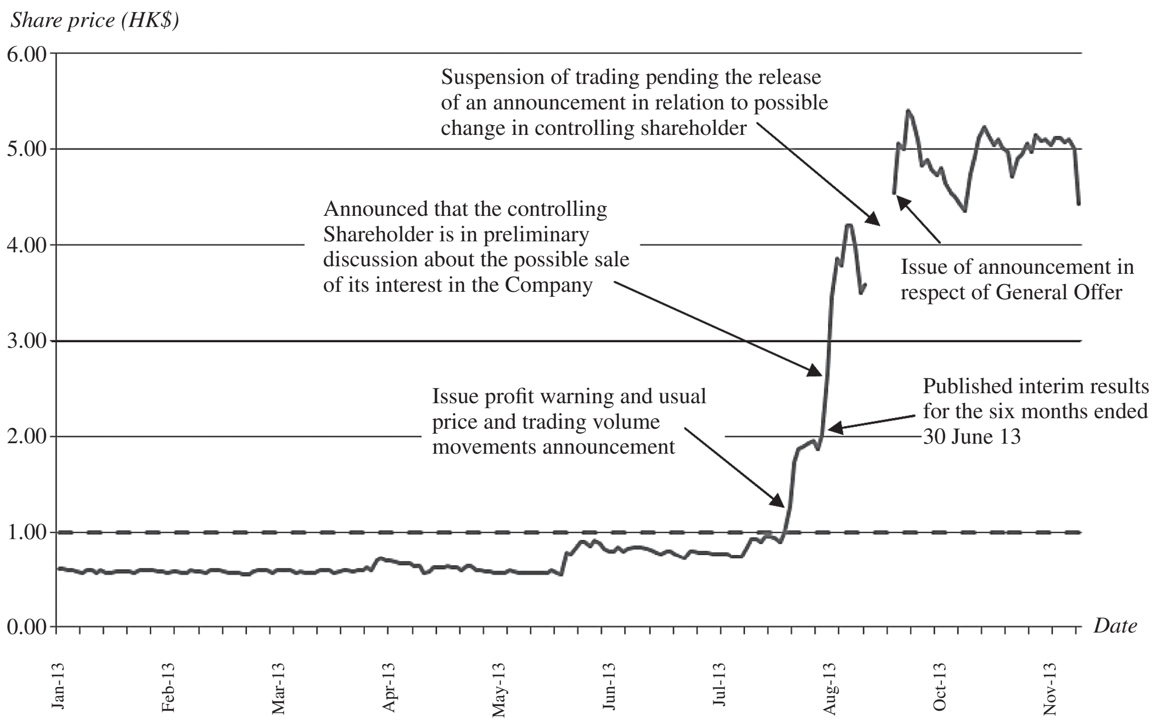
(v) a premium of 150% over the unaudited net asset value of approximately HK$0.40 per Share as at 30 June 2013 and audited net asset value of approximately HK$0.40 per Share as at 31 December 2012.

Further to the above analysis, when assessing the fairness and reasonableness of the Conversion Price, we have also taken into account of (i) the daily closing price of the Shares as quoted on the Stock Exchange commenced on 2 January 2013 (being the first trading day of year 2013) up to and including the Last Trading Day (the "**Share Price Review Period**"); and (ii) the relative share price performance of the Company as compared to its peer companies based on the principal business activities of the Group (i.e. processing and trading of frozen food products).

Share price movement during the Share Price Review Period

We have set out below in Chart 6.4.1 the Share price movement during the Share Price Review Period:

Chart 6.4.1: Share price performance chart during the Share Price Review Period



During the Share Price Review Period, the daily closing Share price was in the range of HK$0.55 per Share to HK$5.40 per Share. The average closing price of the Shares for the Share Price Review Period was approximately HK$1.72 per Share, a premium of approximately 72% over the Conversion Price.

As illustrated in Chart 6.4.1 above, since the commencement of the Share Price Review Period and up to 20 August 2013, the closing Share price had not been higher than HK$1.00 (i.e. the Conversion Price). Subsequently, the closing Share price has significant increased from HK$1.00 per Share on 20 August 2013 to a record high in 2013 of HK$5.40 per Share on 26 September 2013.

Historical trading volume during the Share Price Review Period

Further to the above analysis, we have also reviewed the trading volume of the Shares during Share Price Review Period, details of which are set out in Table 6.4.2 below.

Table 6.4.2: Historical trading volume during the Share Price Review Period

Month (2013)	**Average daily trading volume (in shares)** *(approximately)*	**Trading volume as a percentage to number of Shares issued** *(Note 1)* *(approximately)*
January	213,187	0.05%
February	209,468	0.05%
March	1,641,053	0.41%
April	1,173,410	0.29%
May	186,166	0.05%
June	1,124,222	0.28%
July	153,105	0.04%
August	1,335,770	0.33%
September *(Note 2)*	3,051,458	0.76%
October	857,970	0.21%
November *(Note 3)* (up to and including the Last Trading Day)	263,765	0.07%
Average	875,716	0.22%

Source: Stock Exchange website

Notes:

(1) based on number of issued Shares as at the Last Trading Day

(2) excluded days when trading was suspended in the calculation of average daily trading volume

(3) up to and including the Last Trading Day

As noted from Table 6.4.2 above, the average daily trading volume of Shares during the Share Price Review Period is approximately 875,716 Shares, representing approximately 0.22% of the issued share capital of the Company. The information as set out in Table 6.4.2 supports the Directors' view that the liquidity of the Shares is thin during the Share Price Review Period.

During the aforesaid period, among others, the following events took place:

(i) On 21 August 2013, the Company issued an announcement in relation to (a) profit warning; and (b) unusual price and trading volume movements, setting out, among others, based on the preliminary unaudited consolidated management accounts of the Company for the six months ended 30 June 2013, the Group expects to record a loss from operations as compared with profit from operations in the corresponding period in 2012;

(ii) On 30 August 2013, the Company published its interim results for the six months ended 30 June 2013. As set out in the interim results announcement, the Group recorded a loss and total comprehensive expenses for the period attributable to owners of the Company of approximately HK$1.9 million, compared to a loss of approximately HK$1.0 million for the corresponding period from prior year;

(iii) On 13 September 2013, the trading of the Shares on the Stock Exchange was suspended pending an announcement by the Company in relation to the possible change in controlling Shareholder and possible mandatory unconditional cash offer;

(iv) On 22 September 2013, the Company issued a joint announcement with Inventive Star in relation to, among others, (a) the sale and purchase of 74.99% Shares; (b) mandatory unconditional cash offer; and (c) resumption of trading; and

(v) On 14 November 2013, the General Offer was closed.

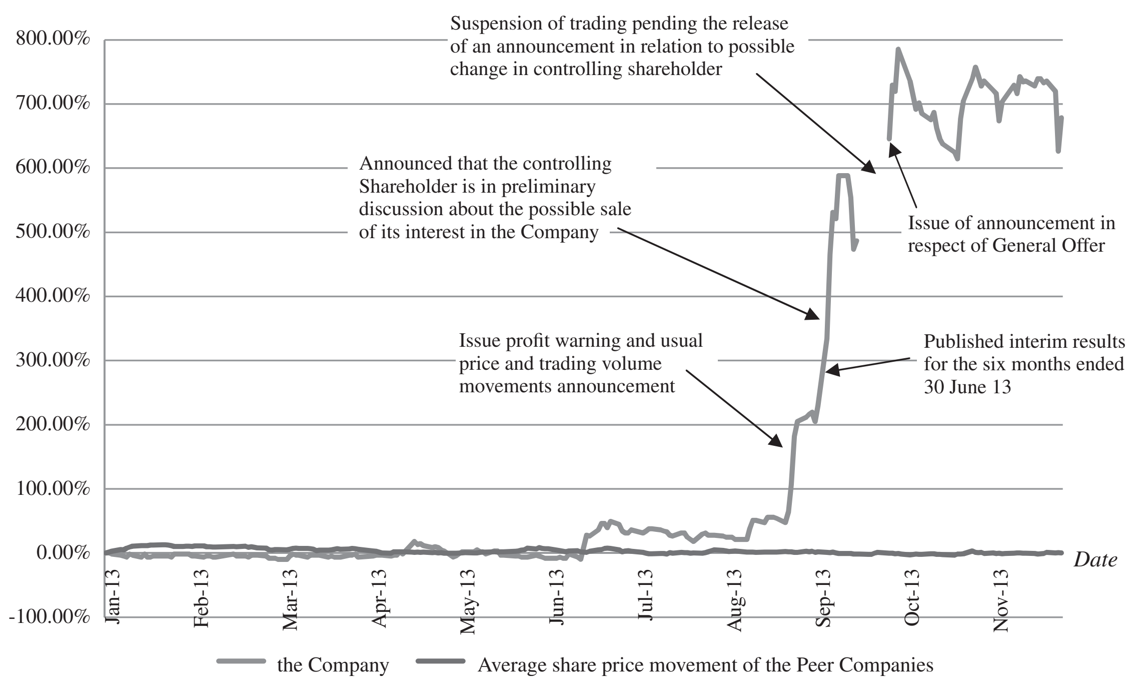
Based on the above, there appears to be a lack of correlation between the closing Share price and the financial performance of the Company during the Share Price Review Period. As such, we have further reviewed and compared the relative share price performance of the Company to those of the Peer Companies (defined hereafter) during the Share Price Review Period.

Share price performance review of peer companies

We note that the Company is principally engaged in processing and trading of frozen food but due to the limited number of listed issuers on the main board of the Stock Exchange engaging in processing and trading of frozen food, when identifying comparable companies, we have set the following parameters, (i) companies which derived no less than 50% of their revenue from processing and trading of food products which is similar to the principal activities engaged by the Company (based on their respective latest published annual reports); and (ii) their market capitalisation as at the Latest Practicable Date is between HK$500 million and HK$2,500 million whereby the market capitalisation of the Company of approximately HK$1,500 million as at the Latest Practicable Date falls at the mid-point of such range. To the best of our knowledge, we have identified nine listed issuers on the main board of the Stock Exchange which fall within the aforesaid parameters, namely China Putian Food Holding Limited ("**China Putian**"); Christine International Holdings Limited ("**Christine International**"); DaChan Food (Asia) Limited ("**DaChan Food**"); Global Sweeteners Holdings Limited ("**Global Sweeteners**"); Golden Resources Development International Limited ("**Golden Resources**"); Heng Tai Consumables Group Limited ("**Heng Tai Consumables**"); Lam Soon (Hong Kong) Limited ("**Lam Soon**"); Pacific Andes International Holdings Limited ("**Pacific Andes International**"); and Xiwang Property Holdings Co. Limted ("**Xiwang Property**") (together the "**Peer Companies**").

We have set out below in Chart 6.4.3 the share movement chart for the Company and the Peer Companies in 2013:

Chart 6.4.3: Share price performance of the Company and the Peer Companies during the Share Price Review Period *(Note 1)*



Note:

(1) For the purpose of our analysis, we have (i) fixed the closing Share price of the Company and the average closing share price of the Peer Companies on 2 January 2013 as 100% on the y-axis of the chart (the "**Reference Date**"); and (ii) charted the closing Share price movement of the Company and the average closing price movement of the Peer Companies from the Reference Date over the Share Price Review Period.

Source: information extracted from the Stock Exchange website

As illustrated in Chart 6.4.3 above, the average share price movement of the Peer Companies has been relatively stable throughout the Share Price Review Period (i.e. within the range of 15% increase/decrease to the average closing share price of the Peer Companies on Reference Date). While the Share price movement has also been relatively stable for the first five months of 2013, it has increased notably during June and July 2013. By the end of August and September 2013, the closing Share price has increased significantly to in excess of 200% and 700% of the closing Share price on Reference Date and despite recording some fluctuations in the closing Share price in October and November 2013, the closing Share price has been in excess of 600% of the closing Share price on Reference Date.

Share price review conclusion

Having considered that (i) the closing share price of the Company continued to increase despite the publication of the profit warning announcement and the interim results announcement which set out further unaudited losses when compared to the corresponding prior year period; and (ii) the significant disparity between the performance of the closing Share price of the Company compared to those of the Peer Companies during the Share Price Review Period, there is a decoupling effect of the typical relationship between Share price and the Group's financial performance. In view of the above, we do not consider the prevailing Share price as an objective value benchmark supported by the Company's existing operations.

Peer Companies comparison

In view of that we have concluded the prevailing Share price is not a suitable benchmark to assess the Conversion Price, we have considered two other approaches to evaluate the Conversion Price, namely (i) the historical price-to-earnings ratio (the "**P/E ratio**") of the Peer Companies; and (ii) the historical price-to-net book value (the "**P/NAV ratio**") of the Peer Companies.

Set out in Table 6.4.4 below are the market statistics of the Peer Companies for comparison purposes:

Table 6.4.4: Market statistics of the Peer Companies

Company name (stock code)	P/E ratio	P/NAV ratio
China Putian *(1699)*	6.59 times	1.81 times
Christine International *(1210)*	31.68 times	0.56 times
DaChan Food *(3999)*	10.22 times	0.43 times
Global Sweeteners *(3889)*	N/A *(Note 1)*	0.30 times
Golden Resources *(677)*	7.82 times	0.59 times
Heng Tai Consumables *(197)*	N/A *(Note 2)*	0.30 times
Lam Soon *(411)*	12.62 times	1.08 times
Pacific Andes International *(1174)*	3.73 times	0.18 times
Xiwang Property *(2088)*	N/A *(Note 3)*	0.29 times
Maximum	31.68 times	1.81 times
Minimum	3.73 times	0.18 times
Average	12.11 times	0.62 times
The Company	38.46 times *(Note 4)*	2.52 times *(Note 5)*

Note:

(1) Based on the annual report of Global Sweeteners for the year ended 31 December 2012, Global Sweeteners has recorded a loss for the year. Accordingly, Global Sweeteners does not have a P/E ratio for comparison purposes.

(2) Based on the annual report of Heng Tai Consumables for the year ended 30 June 2013, Heng Tai Consumables has recorded a loss for the year. Accordingly, Heng Tai Consumables does not have a P/E ratio for comparison purposes.

(3) Based on the annual report of Xiwang Property for the year ended 31 December 2012, Xiwang Property has recorded a loss for the year. Accordingly, Xiwang Property does not have a P/E ratio for comparison purposes.

(4) The profit and total comprehensive income for the year attributable to owners of the Company was approximately HK$382.9 million, of which approximately HK$372.4 million (including gain on debts discharged under the scheme of arrangement, loss on group reorganisation and restructuring costs) the Directors consider to be non-recurring in nature (the "**Net Non-recurring Gain**"). Based on the above, the profit and total comprehensive income for the year attributable to owners of the Company excluding the Net Non-recurring Gain would be approximately HK$10.4 million (the "**2012 Adjusted Profit**").

The P/E ratio of the Company is calculated using the Conversion Price of HK$1.00 over the 2012 Adjusted Profit per Share of approximately HK$0.026 per Share.

(5) The P/NAV ratio of the Company is calculated using the Conversion Price of HK$1.00 over the unaudited net asset per Share of approximately HK$0.40 per Share based on the unaudited net asset value of approximately HK$158.6 million as at 30 June 2013.

As set out in Table 6.4.4, the P/E ratio of the Peer Companies ranged from approximately 3.73 times to approximately 31.68 times, with an average of approximately 12.11 times. The P/E ratio, calculated using the Conversion Price of HK$1.00 over the 2012 Adjusted Profit per Share of approximately HK$0.026 per Share, of approximately 38.46 times is above the top range and average of the P/E ratio of the Peer Companies.

In terms of P/NAV ratios, the range of P/NAV ratio of the Peer Companies is between approximately 0.18 times to approximately 1.81 times, with an average of approximately 0.62 times. The P/NAV ratio, calculated using the Conversion Price of HK$1.00 over the unaudited net asset per Share of approximately HK$0.40 per Share (based on the 2013 Interim Report), of approximately 2.52 times is above the top range and average of the P/NAV ratio of the Peer Companies.

In view of the above, and in particular, (i) the Conversion Price of HK$1.00 represents a premium of 150% over the unaudited net asset value of approximately HK$0.40 per Share as at 30 June 2013; (ii) the P/NAV ratio of the Company, calculated using the Conversion Price of HK$1.00 over the unaudited net asset per Share of approximately HK$0.40 per Share (based on the 2013 Interim Report), of approximately 2.52 times is notably higher than the maximum range of the P/NAV ratio, being 1.81 times, of the Peer Companies; and (iii) the P/E ratio of the Company, calculated using the Conversion Price of HK$1.00 over the 2012 Adjusted Profit per Share of approximately HK$0.026 per Share, of approximately 38.46 times is higher than the maximum range of the P/E ratio, being 31.68 times, of the Peer Companies, we consider the Conversion Price to be fair and reasonable.

6.5 Analysis of other principal terms of the Convertible Notes

Shareholders should note that the Convertible Notes, subject to the terms and conditions governing the Convertible Notes, bear the following characteristics:

- the Convertible Notes has a term of 192 months (equivalent to 16 years) from the date of issuance of the Convertible Notes, which is primarily to facilitate the Profit Guarantee arrangement over the same period;

- the mandatory conversion clause set out that the Convertible Notes outstanding on Maturity Date shall be mandatorily converted into Conversion Shares at the Conversion Price in effect on the Maturity Date, as such there is no repayment obligation for the Company in this connection;

- upon exercise of the conversion rights and the issue of the Conversion Shares, the equity base of the Group will be increased;

- holders are not entitled to any interest from the issue date throughout to the mature date on any outstanding principal amount; and

- Noteholder(s) will not be entitled to vote at any meeting of the Company by reason only of it/they being the holder(s) of the Convertible Note.

We note that the Convertible Notes is non interest bearing and hence the Company will not incur any interest expense relating to the issuance of the Convertible Notes. In connection with maturity, given the term of 16 years is primarily to facilitate the Profit Guarantee arrangement over the same period, we consider the term to be appropriate. In addition, the capital base of the Company will be expanded upon the exercised of the conversion right attached to the Convertible Notes and the issue of the Conversion Shares. Based on our analysis in respect of the terms of the Convertible Notes as set out in this letter above, we consider the terms of the Convertible Notes to be fair and reasonable.

6.6 Dilution

As set out under section headed "Changes in the shareholding structure of the Company" in the "Letter from the Board" of the Circular, the 400,000,000 Conversion Shares (upon conversion of the Convertible Notes) represent approximately 99.94% of the entire existing issued share capital of the Company as at the Latest Practicable Date and approximately 49.99% of the enlarged issued share capital of the Company immediately after Completion, taking into account the issue of Conversion Shares (upon conversion of the Convertible Notes) and assuming that there will be no changes in the shareholding of the Company during the period from the Latest Practicable Date to the Completion Date. Set out in Table 6.6.1 below is the potential dilution effect on the shareholding of existing Shareholders as a result of the Sale and Purchase Agreement and the issue of 400,000,000 Conversion Shares (upon conversion of the Convertible Notes):

Table 6.6.1: Shareholding structure

Name of Shareholders	**As at the Latest Practicable Date**		**After allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes** *(Note)*	
	Number of Shares	*% of total issued Shares*	*Number of Shares*	*% of total issued Shares*
Inventive Star	300,182,154	75.00%	300,182,154	37.51%
Ms. Cui Limei (the Vendor)	—	—%	400,000,000	49.99%
Public Shareholders	100,064,120	25.00%	100,064,120	12.50%
Total	**400,246,274**	**100.00%**	**800,246,274**	**100.00%**

Note: The above scenario is set out for illustrative purpose only and will never occur. The conversion of the Convertible Notes is subject to the conversion restrictions under the Convertible Notes regarding Takeovers Code implications and public float requirements under the Listing Rules.

When considering the potential dilution effects to the shareholding of the Independent Shareholders, it should be noted that under the terms and conditions of the Convertible Notes, a holder of the Convertible Notes may only convert such number of Conversion Shares as would not cause the Company to contravene the minimum public float requirement under the Listing Rules following conversion.

Having taken into account, (i) the factors as set out under paragraph headed "3. Reasons for and benefits of the Acquisition" in this letter; (ii) the settlement of the Consideration by the issuance of the Convertible Notes in lieu of cash payment, enabling the Group to maintain its existing liquidity level, thus would not exert additional pressure on the Group's liquidity going forward; (iii) the terms of the Convertible Notes, in particular, the Conversion Price of HK$1.00 is at a notable premium to the unaudited net asset value per Share as at 30 June 2013; (iv) the overview of Macau's gaming market as set under paragraph headed in "4. General overview of the Macau gaming market"; (v) the Profit Guarantee will fully secured by the Convertible Notes and/or the Cash Security, which will only be released upon satisfaction of the Profit Guarantee; (vi) the Acquisition (together with the Profit Guarantee) will provide the Group with a secured and guaranteed income stream of no less than HK$25 million per year on average (representing approximately a guaranteed effective yield of 6.25% per annum on average) over a period of 16 years; (vii) the conversion of the Convertible Notes is subject to the compliance of the minimum public float requirement under the Listing Rules; and (viii) the capital base of the Company will be enlarged upon conversion, we are of the view that the dilution on the shareholding interests of the Independent Shareholders to be acceptable.

7. Possible financial effects of the Acquisition

Earnings

As the Target Company has not yet commenced any business nor received any Profit Stream, according to the unaudited accounts of the Target Company, no profit has been recorded since its incorporation and up to 31 October 2013.

Upon Completion, the financial results of the Target Company will be consolidated into the consolidated financial statements of the Company. The Profit Stream of the Target Company will provide a steady cash flow and a new source of income for the Group. Accordingly, the Acquisition would have a positive earnings contribution to the Company.

Furthermore, in the event that the actual Profit Stream received by the Company is less than the amount of relevant Guaranteed Profit, the Company's interest is safeguarded by the Profit Guarantee given by the Vendor against any monetary loss. Details of the Profit Guarantee is set out under the section headed "Profit Guarantee" above.

Assets, liabilities and capital commitment

Shareholders' attention is drawn to the unaudited pro forma financial position of the Enlarged Group as set out in Appendix IV to this Circular, which illustrates the effect of the Acquisition assuming that Completion had taken place on 30 June 2013 and taking into account the issue of the Convertible Notes. Based on the abovementioned unaudited pro forma financial position of the Enlarged Group, (i) the unaudited consolidated net asset value of the Group as at 30 June 2013 per Share will increase from approximately HK$0.40 per Share to approximately HK$1.23 per Share calculated by dividing the pro forma equity attributable to owners of the Enlarged Group of approximately HK$158.6 million and HK$490.6 million (immediately prior to and completion of the Acquisition, respectively) as at 30 June 2013 by the total number of 400,246,274 Shares; and (ii) there would be corresponding respective significant increases in the total assets, and net assets.

However, it should be noted that, as set out in the "Letter from the board", as the value of the Consideration to be reflected in the Group's financial statements will depend on the fair value of the Convertible Notes as of the Completion Date, certain financial impacts on the profit or loss and the financial position of the Group arising from the Acquisition can only be ascertained on or after the Completion Date.

Working capital

As set out in the unaudited pro forma statement of financial position of the Enlarged Group as set out in the Appendix IV to the Circular and assuming completion of the Acquisition had taken place on 30 June 2013, the bank balances and cash of the Group would remain unchanged at approximately HK$79.1 million. For avoidance of doubt, professional fees in respect of the Acquisition were not taken into account in the unaudited pro forma statement of financial position of the Enlarged Group.

IV. RECOMMENDATION

Having considered the above principal factors and reasons, in particular,

(i) the Profit Guarantee arrangement;

(ii) our analysis on the Consideration as set out under paragraph headed "6. Analysis on the fairness and reasonableness of the Consideration" in this letter; and

(iii) our analysis on the settlement methodology of the Consideration in this letter,

we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as whole and the terms of Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, even though the Acquisition does not fall within the ordinary and ususal course of business of the Company.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Acquisition and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
South China Capital Limited
Francis Yeung
Managing Director, Corporate Finance

Yours faithfully,
For and on behalf of
Investec Capital Asia Limited
Jimmy Chung
Managing Director, Corporate Finance

1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group (i) for the six months ended 30 June 2013 has been disclosed on pages 7 to 18 of the interim report of the Company for the six months ended 30 June 2013; (ii) for the year ended 31 December 2012 has been disclosed on pages 29 to 77 of the annual report of the Company for the year ended 31 December 2012; (iii) for the year ended 31 December 2011 has been disclosed on pages 22 to 71 of the annual report of the Company for the year ended 31 December 2011; and (iv) for the year ended 31 December 2010 has been disclosed on pages 23 to 73 of the annual report of the Company for the year ended 31 December 2010. All the above reports of the Company have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.equitynet.com.hk/1076/).

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2013, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$18 million, comprising an unsecured amount due to the sole shareholder of the Target Company of HK$18 million.

As at the close of business on 30 November 2013, the Enlarged Group did not have any contingent liability.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 30 November 2013, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the record of a loss from operations of approximately HK$1,895,000 for the six months ended 30 June 2013 as set out in the Company's interim report 2013 as compared to a profit from operations of approximately HK$19,412,000 for the year ended 31 December 2012, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date on which the latest published audited consolidated financial statements of the Company were made up. As discussed in the interim report 2013, the loss from operations was mainly the results of (i) the decrease in turnover due to the decrease in sales to PRC as well as the continuing effort on turning down low margin trades with a view to minimising the risk of and the working capital required for these low margin trades; (ii) the lack of food processing income due to keen competition from other food processing plants; and (iii) the increase in expenses for market development and the administrative expenses.

4. WORKING CAPITAL

After taking into account the available internal resources, the banking and other credit facilities available to the Enlarged Group, and in the absence of unforeseen circumstances, the Directors are of opinion that the Enlarged Group will have sufficient working capital for their present requirements, which is for at least twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

In the first half of year 2013, the Group has seen keen competition from other food processing plants and therefore recorded a decrease in turnover. However, it is encouraging that the Group began its first supply of frozen food product to one of the leading supermarket channel in Hong Kong, namely PARKnSHOP, during the period.

Looking forward, with (i) the uncertain world economy that is anticipated to continue; (ii) the keen competition from other food traders; and (iii) the tightening standard on food safety, it is expected that there will be pressure on the performance in terms of both business volume and gross profit margin of the Group. To cope with these unfavorable market situations, the Group will continue to cautiously operate its frozen foods trading business and will focus on developing its food distribution platform to build up its sales network. In addition, the Group has been regularly reviewing its operation arrangement with the food processing plant in Jiangmen PRC in order to maintain operating efficiency for the food processing business of the Group and will continue to prudently implement the above strategies for the benefit of the Group and the shareholders of the Company. It is in the Directors' opinion that the business with PARKnSHOP will enhance the image and recognition of the Group's products which will be benefited to its frozen foods business in the long run.

Expansion plans of the Enlarged Group

Whilst the Group maintains its business in the processing and trading of frozen food products, the Group is now in the process of acquiring the Target Company, whose principal asset is its interests under, and entitlements to, the Profit Transfer from the Junket.

Having considered the liquidity position of the Group and the steady cash flow to be derived from the Profit Stream, which will amount to at least HK$25 million per year on average for a period of 16 years, the Acquisition is expected to result in positive effect to the liquidity positions and cash flow of the Group. If the investment return from the Acquisition is proved favorable in the future, the Company may consider to further increase the investment by obtaining larger share of the Junket Profit from the Junket and/or explore alternative investment strategies in this industry. As at the Latest Practicable Date, the Company has not identified any potential targets.

8 January 2014

The Board of Directors
First Natural Foods Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of Excel Earth Limited (the "Target Company") for the period from 30 May 2013 (date of incorporation) to 30 November 2013 (the "Relevant Period") for inclusion in the circular dated 8 January 2014 (the "Circular") issued by First Natural Foods Holdings Limited (the "Company") in connection with the proposed acquisition of the entire equity interest in the Target Company (the "Acquisition") pursuant to the sale and purchase agreement dated 27 November 2013.

The Target Company was incorporated in the British Virgin Islands with limited liability and is inactive during the period.

No audited financial statements of the Target Company have been prepared for the Relevant Period as there is no statutory audit requirement in the place of its incorporation. For the purpose of this report, the sole director of the Target Company has prepared the financial statements of the Target Company for the Relevant Period in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Circular.

The sole director of the Target Company is responsible for the preparation of the HKFRS Financial Statements. The directors of the Company is responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Company as at 30 November 2013 and of the results and cash flows of the Target Company for the Relevant Period.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period from 30 May 2013
(Date of incorporation) to 30 November 2013

	Notes	*HK$*
Turnover	*5*	—
Profit before tax		—
Income tax expenses	*6*	—
Profit and total comprehensive income for the period	*7*	—

STATEMENT OF FINANCIAL POSITION

At 30 November 2013

	Notes	*HK$*
Current assets		
Loan receivable	*8*	18,000,000
Cash		8
		18,000,008
Current liabilities		
Amount due to sole shareholder	*9*	18,000,000
		18,000,000
Net current assets		8
NET ASSETS		8
Capital and reserves		
Share capital	*10*	8
Reserves		—
TOTAL EQUITY		8

STATEMENT OF CHANGES IN EQUITY

For the period from 30 May 2013
(Date of incorporation) to 30 November 2013

	Share capital *HK$*	Retained profits *HK$*	Total *HK$*
Issue of share capital	8	—	8
Total comprehensive income for the period	—	—	—
At 30 November 2013	8	—	8

STATEMENT OF CASH FLOWS

For the period from 30 May 2013
(Date of incorporation) to 30 November 2013

	HK$
Cash flows from operating activities	
Profit before tax	—
Net cash generated from operating activities	—
Cash flows from financing activities	
Issue of share capital	8
Net cash generated from financing activities	8
Net increase in cash and cash equivalents	8
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period, represented by:	
Cash balance	8

NOTES TO FINANCIAL INFORMATION

For the period from 30 May 2013
(Date of incorporation) to 30 November 2013

1. GENERAL INFORMATION

The Target Company was incorporated in the British Virgin Islands with limited liability on 30 May 2013. The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The Target Company is inactive during the period.

In the opinion of the sole director of the Target Company (the "Director"), as at 30 November 2013, Ms. Cui Limei is the ultimate controlling shareholder of the Target Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting period beginning on 30 May 2013. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

The Target Company has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared under the historical cost convention. The significant accounting policies applied in the preparation of the Financial Information are set out below.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Financial Information of the Target Company are measured using the currency of the primary economic environment in which the Target Company operates (the "functional currency"). The Financial Information are presented in HK$, which is functional and presentation currency of the Target Company.

(ii) Transactions and balances in the Target Company's Financial Information

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Target Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Target Company and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company.

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Financial Information when material.

4. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk and liquidity risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse affects on the Target Company's financial performance.

(a) Foreign currency risk

The Target Company does not have any significant financial instruments or transactions denominated in foreign currency. The management considers the Target Company's exposure to currency risk is limited. No sensitivity analysis is prepared as the fluctuation and impact is considered immaterial.

(b) Credit risk

The carrying amount of the loan receivable included in the statement of financial position represents the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets.

The Target Company's credit risk is primarily attributable to its loan receivable. In order to minimise credit risk, the sole director reviews the recoverability regularly to ensure that adequate impairment losses are recognised appropriately. In this regard, the sole director considers that the Target Company's credit risk is significantly reduced.

(c) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(d) Fair values

The carrying amounts of the Target Company's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

5. TURNOVER

No transactions were concluded to generate any trading income during the period.

6. INCOME TAX

No provision for Hong Kong profits tax has been made in the Financial Information as the Target Company did not have any assessable income for the Relevant Period.

As there were no deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases, no deferred tax is provided.

7. DIRECTORS' REMUNERATION

The sole director of the Target Company did not receive any fees or emoluments in respect of her services to the Target Company during the Relevant Period.

8. LOAN RECEIVABLE

	HK$
Loan receivable	18,000,000

The loan receivable was due from Hang Seng Sociedade Unipessoal Limitada. Cui Limei is the sole shareholder of both the Target Company and Hang Seng Sociedade Unipessoal Limitada. The loan receivable is unsecured, non-interest bearing and has no fixed repayment terms.

9. AMOUNT DUE TO SOLE SHAREHOLDER

The above advance is due to Cui Limei, the sole shareholder of the Target Company. Such advance is unsecured, non-interest bearing and has no fixed repayment terms.

10. SHARE CAPITAL

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern and to maximise the return to the sole shareholder through the optimisation of the debt and equity balance.

	HK$
Authorized:	
50,000 ordinary shares of US$1.00 each	390,000
Issued and fully paid:	
1 ordinary share of US$1.00 each	8

The Target Company was incorporated with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. On incorporation, 1 ordinary share of US$1 each were issued for cash at par to the subscribers for raising initial working capital.

11. CAPITAL COMMITMENTS

There was no material capital commitments at the end of the reporting period.

12. NOTES TO THE STATEMENT OF CASH FLOWS

Major non-cash transaction

During the period, loan receivable of HK$18,000,000 was financed by the sole shareholder.

13. CONTINGENT LIABILITIES

As at 30 November 2013, the Target Company did not have any significant contingent liabilities.

14. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by Target Company in respect of any period subsequent to 30 November 2013.

ZHONGHUI ANDA CPA LIMITED
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 8 January 2014

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET COMPANY

Set out below is the management discussion and analysis on the Target Company, which is based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS AND FINANCIAL REVIEW

The Target Company was incorporated in the British Virgin Islands with limited liability on 30 May 2013 and is an investment holding company.

Since its incorporation, the Target Company has not conducted any business or undertaken any activity except the entering into the Profit Transfer Agreement and the Loan Agreement.

As the Target Company and the Junket have not yet agreed on the commencement date of the Profit Transfer, the Target Company did not generate either any revenue or any other income since its incorporation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 November 2013, the Target Company recorded audited total liabilities of approximately HK$18,000,000, being the Shareholder's Loan that is interest-free. The Target Company's gearing ratio on the basis of its interest bearing liabilities divided by total equity was nil as it did not have any interest bearing bank and other borrowings.

CAPITAL COMMITMENT

The Target Company did not have any capital commitment as at 30 November 2013.

FOREIGN CURRENCY RISK

As at 30 November 2013, as the loan, being the only significant assets of the Target Company, made to the Junket pursuant to the Loan Agreement is denominated in Hong Kong dollars, exchange risk of the Target Company is minimal.

CHARGE OF ASSETS

As at 30 November 2013, there was no pledge of assets by the Target Company.

EMPLOYEES AND REMUNERATION POLICY

The Target Company had no employee as at 30 November 2013. Remuneration for future employees will be determined by reference to market terms and the qualifications and experience of the staff concerned.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Target Company did not have any significant investments, material acquisition and disposals since its incorporation.

CONTINGENT LIABILITIES

The Target Company did not have any contingent liabilities as at 30 November 2013.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "**Statement**") has been prepared to illustrate the effect of the acquisition of Excel Earth Limited (the "**Acquisition**"), assuming the transaction had been completed as at 30 June 2013, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2013 as extracted from the interim report of the Group for the six months ended 30 June 2013 and the audited statement of financial position of Excel Earth Limited as at 30 November 2013 as extracted from the Accountants' Report set out in Appendix II of the circular (the "**Circular**") after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2013. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of Excel Earth Limited as set out in Appendix II of the Circular and other financial information included elsewhere in the Circular.

	The Group	**Excel Earth Limited**	**Total**	**Adjustments**		**Adjusted Balance**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Non-current assets						
Property, plant and equipment	197	—	197	—		197
Goodwill	6,098	—	6,098	—		6,098
Intangible asset	—	—	—	319,000	*1*	319,000
Prepayments, deposits and other receivables	24,875	—	24,875	—		24,875
	31,170	—	31,170	319,000		350,170
Current assets						
Inventories	3,895	—	3,895	—		3,895
Trade receivables	57,306	—	57,306	—		57,306
Prepayments, deposits and other receivables	8,257	18,000	26,257	(5,000)	*1*	21,257
Current tax assets	928	—	928	—		928
Bank balances and cash	79,118	—	79,118	—	*1*	79,118
	149,504	18,000	167,504	(5,000)		162,504

	The Group HK$'000	Excel Earth Limited HK$'000	Total HK$'000	Adjustments HK$'000	Notes	Adjusted Balance HK$'000
Current liabilities						
Trade and bills payables	14,135	—	14,135	—		14,135
Amount due to sole shareholder	—	18,000	18,000	(18,000)	1	—
Accruals, other payables and deposits received	7,830	—	7,830	—		7,830
Current tax liabilities	106	—	106	—		106
	22,071	18,000	40,071	(18,000)		22,071
Net current assets	127,433	—	127,433	13,000		140,433
Non-current liability						
Deferred tax liability	10	—	10	—		10
Total net assets	158,593	—	158,593	332,000		490,593
Capital and reserves						
Share capital	4,002	—	4,002	—		4,002
Reserves	154,591	—	154,591	332,000	1	486,591
Total equity	158,593	—	158,593	332,000		490,593

Notes:

1. This adjustment represents the proposed acquisition of 100% issued share capital of Excel Earth Limited at the consideration of HK$400,000,001. Excel Earth Limited only holds an intangible asset of the profit stream from Macau gaming business and a loan receivable and does not constitute a business, so the acquisition is accounted for as a purchase of assets.

   According to paragraph 2(b) of HKFRS 3 (revised), HKFRS 3 (revised) applies to a transaction or other event that meets the definition of a business combination. This HKFRS does not apply to the acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in HKAS 38 Intangible Assets) and liabilities assumed. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

   As at 30 June 2013, the date assuming that the acquisition had been taken place, the fair value of the Convertible Notes was approximately HK$332 million, based on a valuation report issued by an independent valuer, Roma Appraisals Limited ("**ROMA**"), dated 8 January 2014. The fair values of the intangible asset of the profit stream from Macau gaming business and the loan receivable, based on another valuation report issued by ROMA dated 8 January 2014, were approximately HK$426 million and HK$18 million respectively as at 30 June 2013.

As to the intangible asset of the profit stream from Macau gaming business, the market-based approach was adopted in arriving its fair value. Under this approach, several transactions of comparable companies which its principal business is comparable to that of Excel Earth Limited were shortlisted. Implied consideration to profit multiples of those transactions were adopted.

As to the loan receivable, since it is collectible on demand without any interest-bearing term, the fair value was the outstanding principal amount of HK$18 million.

As to the Convertible Notes, the fair value was arrived by discounting the conversion value (the number of shares to be converted by the Convertible Notes multiplied by the stock price of the Company as at 30 June 2013) by the expected dividend yield of the Company for the period lapsed between the first exercise date and the date of valuation i.e. 30 June 2013.

ROMA has adopted the following figures to arrive at the valuation of the Convertible Notes:

Number of shares to be converted:	400,000,000
Stock price at 30 June 2013 (HK$):	0.830
Time lapsed between the first exercise Date and the date of valuation (Years):	1.000
Expected dividend yield (%):	0.000

Applying the figures above, the cost of approximately HK$332 million of the Convertible Notes is allocated to the fair values of approximately HK$426 million and HK$18 million of the profit stream from Macau gaming business and the loan receivable respectively. The cost of approximately HK$319 million is therefore allocated to the profit stream from Macau gaming business (HK$332 million x HK$426 million / HK$444 million); whereas the cost of approximately HK$13 million is allocated to the loan receivable (HK$332 million x HK$18 million / HK$444 million).

As a result, the intangible asset of the Enlarged Group is increased by approximately HK$319 million. The prepayment, deposits and other receivables of the Enlarged Group are adjusted to approximately HK$13 million from the original HK$18 million. The amount due to sole shareholder is adjusted to nil since the Enlarged Group does not need to settle the debt upon completion of the acquisition. The reserve of the Enlarged Group of approximately HK$332 million is increased arising from the issue of the Convertible Notes being stated at fair value upon initial recognition.

2. The Convertible Notes are issued at fair value upon initial recognition in accordance with Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement". According to Hong Kong Accounting Standard 32 "Financial Instruments: Presentation", such Convertible Notes are an equity instrument without liability portion because (i) there is no contractual obligation for the Company to deliver cash to settle; and (ii) such Convertible Notes are settled only by issuing a fixed amount of shares of the Company. Therefore, the Convertible Notes are an equity instrument only which is recognised at fair value of approximately HK$332 million.

3. The Company has assessed the impairment of the intangible asset of the profit stream from Macau gaming business in accordance with the Hong Kong Accounting Standard 36 "Impairment of Assets", in which this intangible asset is assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired. If any such indication exists, the recoverable amount of the intangible asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs to disposal and value in use. The recoverable amount of this intangible asset has been determined on the basis of the fair value less costs of disposal using the market-based approach method, through which several transactions of comparable companies which its principal business is comparable to that of Excel Earth Limited are shortlisted and their implied consideration to profit multiples are made reference to. Based on the market-based approach, the recoverable amount is estimated of approximately HK$426 million. As such, no impairment of this intangible asset is resulted.

   The reporting accountant has reviewed the company's treatment on the impairment assessment of this intangible asset and concurred that such assessment is consistent with the relevant accounting standard.

4. The Company shall adopt Hong Kong Accounting Standards 38 "Intangible Assets" as the accounting policy on this intangible asset.

   The profit stream from Macau gaming business represent the right in sharing of profit streams from junket businesses at respective casinos' VIP rooms in Macau for an indefinite period of time. As a result, this intangible asset is considered by the directors of the Company as having an indefinite useful life because it is expected there is no foreseeable limit on the period of time over which this intangible asset is expected to provide cash flows. Such intangible asset is carried at cost less accumulated impairment losses, and is assessed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

   The reporting accountant has reviewed the company's upcoming accounting treatment on this intangible asset which is consistent with the relevant accounting standard. The Company's reporting accountant, ZHONGHUI ANDA CPA Limited, has also reviewed the Company's unaudited pro forma financial information and issued an accountant report as included in section B of Appendix IV of this circular.

5. The Company will consistently adopt Hong Kong Accounting Standards 38 "Intangible Assets" and 36 "Impairment of Assets" as the accounting policies on this intangible asset in its coming consolidated financial statements. The recoverable amount of this intangible asset will be determined on the existing valuation method as adopted in the unaudited pro forma financial information or other valuation approaches as permitted by the Hong Kong Accounting Standard 36 "Impairment of Assets".

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

8 January 2014

The Board of Directors
First Natural Foods Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of First Natural Foods Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 30 June 2013 (the "**Statement**") as set out on pages 77 to 80 of the investment circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on page 77.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of the 100% interest in Excel Earth Limited on the Group's financial position as at 30 June 2013 as if the transaction had been taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2013, on which no audit or review report has been published.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement 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 Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

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 Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment 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 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Statement 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 Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Statement 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 Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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 Statement 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 Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614

Hong Kong, 8 January 2014

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 Enlarged 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 may statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Increase in Authorised Share Capital and the Completion were and are expected to be as follows:

As at the Latest Practicable Date

Authorised share capital:		*HK$*
800,000,000	Shares	8,000,000.00
Issued and fully paid:		
400,246,274	Shares	4,002,462.74

Immediately after the Increase in Authorised Share Capital becoming effective

Authorised share capital:		*HK$*
1,600,000,000	Shares	16,000,000.00
Issued and fully paid:		
400,246,274	Shares	4,002,462.74

Immediately after the Increase in Authorised Share Capital becoming effective and full conversion of the Convertible Notes (for illustration purpose)

Authorised share capital:		*HK$*
1,600,000,000	Shares	16,000,000.00
Issued and fully paid:		
400,246,274	Shares	4,002,462.74
400,000,000	Conversion Shares to be issued upon the conversion of the Convertible Notes in full	4,000,000.00
Total:		
800,246,274	Shares	8,002,462.74

All of the Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Conversion Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTEREST

(a) Interests of the Directors and the chief executive of the Company

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

(b) Interests of the substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following person had an interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 a general meeting of any member of the Group:

Name	Capacity	Number of shares held	Long or Short Position	Percentage of issued share capital of the Company
Inventive Star	Beneficial Owner	300,182,154	Long	75%
Ms. Cui Lijie	Held by controlled corporation *(Note 1)*	300,182,154	Long	75%

Note:

1. Inventive Star is wholly and beneficially owned by Ms. Cui Lijie.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, 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 members of the Group or had any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor proposed Directors had any existing or proposed service contracts with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2012 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group. There was no contract or arrangement subsisting at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

7. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualification
"Investec"	A corporation licensed 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 as defined under the SFO
"South China"	A corporation licensed to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
"MdME"	Practicing lawyers in Macau
"Zhonghui Anda CPA Limited"	Certified Public Accountants
"Roma Appraisals Limited"	Independent qualified valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, each of above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Enlarged Group) had been entered into by the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(a) the Sale and Purchase Agreement;

(b) the restructuring agreement dated 5 January 2012 (supplemented by two side letters dated 1 June 2012 and 9 July 2012 respectively) entered into between the Company, Group Will Holdings Limited, Mr. Huang Kunyan and the provisional liquidators of the company, namely Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, involving a capital restructuring, an open offer, a share subscription at a total consideration of approximately HK$150 million, a scheme to settle claims, and a group reorganization of the Company;

(c) an underwriting agreement dated 9 July 2012 and supplemented on 6 August 2012 entered into between the Company and Asian Capital (Corporate Finance) Limited in relation to the open offer of 103,767,552 open offer shares on the basis of seven for one offer share at HK$0.5622 per offer share to raise gross proceeds of approximately HK$58,338,000; and

(d) the Profit Transfer Agreement and the Loan Agreement made between the Target Company and the Junket.

9. LITIGATION

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

10. MISCELLANEOUS

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal office of the Company is situated at 14/F, Bangkok Bank Building, 490–492 Nathan Road, Yaumatei, Kowloon, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(c) The company secretary of the Company is Ms. Lee Yuen Ting ("**Ms. Lee**"). Ms. Lee was appointed as the company secretary of the Company on 21 November 2013. She is a solicitor qualified to practise in Hong Kong.

(d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong at 14/F, Bangkok Bank Building, 490–492 Nathan Road, Yaumatei, Kowloon, Hong Kong during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the SGM:

(a) the Bye-laws of the Company;

(b) the letter from the Independent Board Committee as set out on page 30 of this circular;

(c) the letter from the Independent Financial Advisers as set out from pages 31 to 60 of this circular;

(d) the accountant's report on the Target Company as set out in Appendix II to this circular;

(e) the accountant's report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix IV to this circular;

(f) the material contracts as referred to under the section headed "Material Contracts" in this appendix;

(g) the written consents from the experts as referred to under the section headed "Qualifications and Consents of Experts" in this appendix;

(h) the interim report of the Company for the six months ended 30 June 2013 and the annual reports of the Company for each of the three years ended 31 December 2012, 2011, and 2010; and

(i) this circular.

FIRST NATURAL FOODS HOLDINGS LIMITED
第 一 天 然 食 品 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1076)

NOTICE IS HEREBY GIVEN THAT the special general meeting (the "**SGM**") of First Natural Foods Holdings Limited (the "**Company**") will be held at 3/F., Nexxus Building, 77 Des Voeux Road Central, Hong Kong on Friday, 24 January 2014 at 10:30 a.m. to consider and, if thought fit, pass with or without amendments the following resolutions:

ORDINARY RESOLUTIONS

"**THAT**

1. (a) the sale and purchase agreement dated 27 November 2013 (the "**Sale and Purchase Agreement**") (a copy of which is marked "A" and produced to the SGM and signed by the Chairman of the SGM for identification purpose) made between the Company and Ms. Cui Limei (the "**Vendor**") in respect of the acquisition by the Company of one (1) ordinary share of US$1.00 each fully paid in the issued share capital of Excel Earth Limited (the "**Target Company**") and the interest-free demand loan in the principal amount of HK$18 million owing by the Target Company to the Vendor as at the date of the Sale and Purchase Agreement (the "**Acquisition**") and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the execution, delivery and performance by the Company of the Sale and Purchase Agreement be and are hereby approved, confirmed and ratified;

   (c) subject to the fulfillment or waiver of the conditions set out in the Sale and Purchase Agreement, any director of the Company (the "**Director**") be and is hereby authorised to issue the zero coupon convertible note(s) in the aggregate principal amount of HK$400 million due on the sixteenth (16th) anniversary of the completion date of the Acquisition (the "**Convertible Note(s)**") to the Vendor or her nominee(s) in accordance with the terms and conditions of the Sale and Purchase Agreement;

   (d) any Director be and is hereby authorised to allot and issue new shares of the Company which may fall to be issued upon the exercise of the conversion rights attached to the Convertible Note(s) or part thereof to the relevant holder(s) of the Convertible Note(s); and

* *For identification purposes only*

(e) any Director be and is hereby authorized to do all such acts and things, including but without limitation to the execution of all such documents under seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder, including but without limitation, the exercise or enforcement of any of the Company's rights under the Sale and Purchase Agreement and to make and agree to such variations of the terms of the Sale and Purchase Agreement as he/she may consider to be appropriate and in the interests of the Company.

2. (a) the authorised share capital of the Company be increased to HK$16,000,000.00 by the creation of an additional 800,000,000 ordinary share(s) of HK$0.01 each in the share capital of the Company (the "**Increase in Authorised Share Capital**"); and

(b) any Director be and is hereby authorized to do all such acts and things, including but without limitation to the execution of all such documents under seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the Increase in Authorised Share Capital."

By order of the Board
First Natural Foods Holdings Limited
Cai Lingli
Executive Director

Hong Kong, 8 January 2014

Notes:

(1) Any shareholder of the Company (the "**Shareholder(s)**") entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a Shareholder.

(2) The form of proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

(3) Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.

(4) Where there are joint Shareholders any one of such joint Shareholder may vote, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint Shareholders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names stand in the register of shareholders of the Company in respect of the joint holding.

(5) The form of proxy and (if required by the board of Directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Hong Kong Registrars Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof at which the person named in the form of proxy proposes to vote or, in the case of a poll taken subsequently to the date of the SGM or any adjournment thereof, not less than 48 hours before the time appointed for the taking of the poll and in default the form of proxy shall not be treated as valid.