The following is the full text of the letter from Goldin Financial Limited setting out the advice to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

高銀融資有限公司
GOLDIN FINANCIAL LIMITED

Goldin Financial Limited
23rd Floor
Two International Finance Centre
8 Finance Street
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Hong Kong

[●] 2015

To: the Independent Shareholders of
First Mobile Group Holdings Limited

Dear Sirs,

**(1) PROPOSED [REDACTED] OF [REDACTED]
ON THE BASIS OF TWO [REDACTED] FOR EVERY
ONE NEW SHARE
HELD ON [REDACTED];
(2) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;
(3) VERY SUBSTANTIAL ACQUISITION
IN RELATION TO THE ACQUISITION OF THE TARGET GROUP;
(4) APPLICATION FOR WHITEWASH WAIVER; AND
(5) SPECIAL DEAL AND MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSAL**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Shareholders in relation to the Proposed Restructuring, details of which are set out in the Letter from the Board (the "Board Letter") contained in this circular dated [●] 2015 issued by the Company (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Dealing in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 27 November 2009. As set out in the interim financial information of the Company for the six months ended 30 June 2013, the Stock Exchange placed the Company in the third delisting stage under Practice Notice 17 to the Listing Rules on 20 June 2012. In an effort to implement the Resumption Proposal dated 4 December 2012, the Company has identified a new target company and entered into the Acquisition Agreement on 31 March 2014 with the Vendors, pursuant to which the Company will acquire the Sale Equity Interest. Upon completion of the Acquisition, the Enlarged Group will hold 98.387% interest in certain property development projects in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province in the PRC.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the [REDACTED]; (iv) the Subscription; (v) the Acquisition; and (vi) the Disposal, which constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code, details of which are contained the Circular.

As one or more of the applicable percentage ratios of the Acquisition under Rule 14.07 of the Listing Rules exceed 100%, the Acquisition constitutes a very substantial acquisition of the Company under Rule 14.06(5) of the Listing Rules and a reverse takeover for the Company under Rule 14.06(6) of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to the Listing Rules and approval of the [REDACTED] by the Listing Committee.

As the [REDACTED] will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the [REDACTED] and the transactions contemplated under the [REDACTED] Agreement will be subject to the approval by the Shareholders at the EGM by way of poll. The Existing Controlling Shareholders are collectively interested in 1,349,566,292 Shares, representing approximately 69.4% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in favour of the resolution(s) to be proposed at the EGM to consider and, if thought fit, approve the [REDACTED] and the transactions contemplated under the [REDACTED] Agreement.

As at the Latest Practicable Date, the Concert Group does not own or control any existing Shares, convertible securities, warrants, options or derivatives in respect of the existing Shares. Upon Completion, the Concert Group will, in aggregate, hold approximately 70.0% of the share capital of the Company after the Capital Reorganisation and as enlarged by the [REDACTED], the Subscription Shares and the Consideration Shares. As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Vendors have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring will abstain from voting on the relevant resolution(s). If the Whitewash Waiver is granted by the Executive, the Concert Group will not be required to make a mandatory offer which would otherwise be required as a result of the acquisition of the Consideration Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse.

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the entering into of the Disposal Agreement constitutes major transaction of the Company under Chapter 14 of the Listing Rules. In addition, as the Purchaser is a company which is wholly-owned by Mr. Ng, the Disposal also constitutes connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Disposal is subject to the reporting, announcement and shareholders' approval requirements under Chapters 14 and Chapters 14A of the Listing Rules.

We, Goldin Financial Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Shareholders in relation to the [REDACTED], the Subscription, the Acquisition, the Whitewash Application, and the Special Deal and the Disposal, and to make a recommendation as to, among others, whether the terms and conditions thereunder are fair and reasonable and as to voting in respect of the relevant resolutions at the EGM.

BASIS OF OUR ADVICE

In formulating our opinion and recommendations, we have reviewed, inter alia, the Subscription Agreements, the [REDACTED] Agreement, the Acquisition Agreement, the Disposal Agreement and the audited annual results of the Company for the year ended 31 December 2013 and for the year ended 31 December 2014 as set out in Appendix II to the Circular. We have also reviewed certain information provided by the management of the Company relating to the operation, financial condition and prospect of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the management of the Company regarding the financials, businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, which we have relied upon in formulating our opinion, are true, accurate and complete in all material respects as at the date hereof and the Shareholders will be notified of any material changes as soon as possible.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Vendors and the Target Group) contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those in relation to the Vendors and the Target Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement herein or in the Circular misleading. The Vendors, being the directors of China General, jointly and severally accept full responsibility for the accuracy of the information (other than those in relation to the Group) contained in the Circular in relation to the Target Group and themselves and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (other than those in relation to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for, the Proposed Restructuring and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. We have not participated in the selection process of the restructuring proposals and we are therefore not in the position to comment on such process or the terms of any other proposals. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendation on the Proposed Restructuring to the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Proposed Restructuring

1.1 Background of the Proposed Restructuring

Dealing in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 27 November 2009. As set out in the interim report of the Company for the six months ended 30 June 2013, the Stock Exchange placed the Company in the third delisting stage under Practice Notice 17 to the Listing Rules on 20 June 2012.

As set out in the aforementioned announcements and the Company's interim report for the six months ended 30 June 2013, the Company entered into an acquisition agreement with Energy Industry and the Julong Management Shareholders, and an option agreement with Apex Ocean, pursuant to which the Company agreed to acquire 57.55% equity interest in Julong and a call option to acquire the remaining 42.45% equity interest in Julong respectively. On 30 July 2013, the Company further entered into (i) a deed of termination with Apex Ocean to terminate the option agreement, and (ii) an agreement with Decent Glory Limited in respect of the acquisition of the entire issued share capital of Apex Ocean (instead of acquiring the remaining equity interest of Julong pursuant to the option agreement). The agreement with Energy Industry and the Julong Management Shareholders and the agreement with Decent Glory Limited will result in the Company acquiring the entire equity interest of Julong.

The Listing Committee by its letter dated 27 September 2013 informed the Company that it had decided to grant a final extension to 31 March 2014 for the Company to submit the [REDACTED] of Julong. The Listing Committee also decided that if the Company fails to submit the [REDACTED] by 31 March 2014 or the Resumption Proposal fails to proceed for any reasons, the Stock Exchange will cancel the [REDACTED] of the Shares on the Stock Exchange.

Subsequent to the entering into of the agreements and in the course of preparing for the [REDACTED], certain regulatory issues relating to the Julong Group were identified. As the regulatory issues had yet to be resolved, the Company was not able to make the [REDACTED] to the Stock Exchange by 31 March 2014.

Given the substantial effort already spent in resolving those regulatory issues regarding the Original Acquisition and the lack of results so far, the Directors considered that it is not in the interests of the Company and its Shareholders as a whole to continue with the Original Acquisition for the purpose of seeking a resumption of trading of the Shares. Accordingly, on 31 March 2014, the Company terminated the acquisition agreement with Energy Industry and Julong Management Shareholders and the agreement with Decent Glory Limited, the sole shareholder of Apex Ocean with immediate effect. Upon termination of the two agreements, no party shall have any claim against the other parties.

To continue with the Resumption Proposal, the Company has identified a new target company and entered into the Acquisition Agreement on 31 March 2014 with the Vendors, pursuant to which the Company shall purchase from the Vendors, the Sale Equity Interest, being the entire issued share capital of the Target Company. Upon completion of the restructuring of the Target Group, the Target Group holds interest in certain property development projects in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring which will now comprise: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the [REDACTED]; (iv) the Subscription; (v) the Acquisition; and (vi) the Disposal.

As such, the Company made a submission to the Stock Exchange on 31 March 2014 to seek its permission to proceed with the Proposed Restructuring with the Acquisition in place of the Original Acquisition.

On 11 April 2014, the Listing Committee issued a letter to the Company stating that the third delisting stage had expired on 19 December 2012 and the Company had failed to submit the application within the final deadline imposed by the Listing Committee. Accordingly, the Listing Committee decided to cancel the [REDACTED] of the Company's shares on the Stock Exchange under Practice Note 17 to the Listing Rules.

On 24 April 2014, the Company has submitted a request for review of the Listing Committee Decision under Chapter 2B of the Listing Rules. A review hearing by the Listing (Review) Committee was held on 2 September 2014.

The Company received a letter dated 11 September 2014 from the Listing (Review) Committee, which stated that the Listing (Review) Committee decided to grant a final extension to 31 October 2014 for the Company to submit a [REDACTED] relating to the Target Group, and not any other proposal. The letter from the Listing (Review) Committee also stated that no further extensions of time will be granted to the Company, and the Listing (Review) Committee further decided to cancel the [REDACTED] of the Shares on the Stock Exchange should the Company fail to do the above by 31 October 2014 or the [REDACTED] relating to the Target Group fail to proceed for any reasons. The Company submitted the [REDACTED] on 30 October 2014.

1.2 Financial information of the Group

Set out below are the financial information of the Group as extracted from Appendix II to the Circular:

Table 1: Summary of the consolidated statement of profit or loss of the Group

	For the year ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
HK$'000				(unaudited)	(unaudited)
Revenue	23,186	—	—	—	—
Profit/(loss) from operations	(40,253)	(22,337)	34,209	45,972	174
Loss for the year/period	(203,231)	(188,878)	(117,477)	(30,331)	(79,231)

Table 2: Summary of the consolidated statement of financial position of the Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
HK$'000				(unaudited)
Non-current assets	777	278	101	43
Current assets	5,483	664	367	423
(Current liabilities)	(1,732,532)	(1,904,869)	(1,998,163)	(2,065,692)
(Net current liabilities)	(1,727,049)	(1,904,205)	(1,997,796)	(2,065,269)
(Net liabilities)	(1,726,272)	(1,903,927)	(1,997,695)	(2,065,226)

For the year ended 31 December 2013

For the year ended 31 December 2013, the revenue of the Group decreased dramatically from approximately HK$23.19 million for the prior year to nil. The decrease in turnover was mainly attributable to the scale-down of operation in Indonesia. Loss from operations for the year ended 31 December 2013 amounted to approximately HK$22.34 million, as compared with that of approximately HK$40.25 million for the prior year, while loss after taxation for the year amounted to approximately HK$188.88 million, as compared with that of approximately HK$203.23 million for the prior year. The slightly lower loss for the year was mainly due to the combined effect of (i) no revenue generated for the year, as opposed to a gross profit of approximately HK$0.18 million for the prior year; (ii) increase in other income from approximately HK$0.14 million for the prior year to approximately HK$4.25 million; (iii) decrease in the aggregate amount of general and administrative expenses and other operating expenses from approximately HK$33.21 million for the prior year to approximately HK$26.59 million; (iv) a provision for financial guarantee liabilities of approximately HK$31.14 million recorded for the year ended 31 December 2012; and (v) a gain on deconsolidation of a liquidated subsidiary of approximately HK$24.51 million recorded for the year ended 31 December 2012.

As at 31 December 2013, the net current liabilities and net liabilities of the Group amounted to approximately HK$1,904.21 million and approximately HK$1,903.93 million respectively, as compared with that of approximately HK$1,727.05 million and approximately HK$1,726.27 million respectively as at 31 December 2012.

For the year ended 31 December 2014

For the year ended 31 December 2014, the revenue of the Group remained nil. Profit from operations for the year ended 31 December 2014 amounted to approximately HK$34.21 million, as opposed to the loss from operations of approximately HK$22.34 million for the prior year, while loss after taxation for the year amounted to approximately HK$117.48 million, as compared with that of approximately HK$188.88 million for the prior year. The slightly lower loss for the year was mainly due to the gain on the deconsolidation of a liquidated subsidiary of approximately HK$227.20 million.

As at 31 December 2014, the net current liabilities and net liabilities of the Group amounted to approximately HK$1,997.80 million and approximately HK$1,997.70 million respectively, as compared with that of approximately HK$1,904.21 million and approximately HK$1,903.93 million respectively as at 31 December 2013.

For the six months ended 30 June 2015

For the six months ended 30 June 2015, the revenue of the Group remained nil. Profit from operations for the six months ended 30 June 2015 decreased to approximately HK$0.17 million, as compared to the profit from operations of approximately HK$45.97 million for the prior corresponding period, while loss after taxation for the period amounted to approximately HK$79.23 million, as compared with that of approximately HK$30.33 million for the prior corresponding period. The widened loss for the six months ended 30 June 2015 was mainly due to absence of the gain on the deconsolidation of a liquidated subsidiary of approximately HK$227.20 million as recognized in the prior corresponding period.

As at 30 June 2015, the net current liabilities and net liabilities of the Group amounted to approximately HK$2,065.27 million and approximately HK$2,065.23 million respectively.

As noted from the above analysis, both the financial performance and the financial position of the Group have been deteriorating significantly with no sign of turnaround.

1.3 Details of the Proposed Restructuring

Proposed Capital Reorganisation

The Board proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation. The Capital Reorganisation will comprise:

(i) the Capital Reduction — the par value of the existing issued Shares will be reduced from HK$0.10 to HK$0.0005 each;

(ii) the Share Premium Cancellation — upon the Capital Reduction becoming effective, the entire amount standing to the credit of the share premium account of the Company will be cancelled;

(iii) the Share Consolidation — upon the Share Premium Cancellation becoming effective, every ten (10) existing issued Shares of HK$0.0005 each will be consolidated into one (1) New Share of HK$0.005 each;

(iv) the Authorised Share Capital Cancellation — upon the Share Consolidation becoming effective, all the existing authorised but un-issued Shares will be cancelled in its entirety; and

(v) the Authorised Share Capital Increase — upon the Authorised Share Capital Cancellation becoming effective, the Company's authorised share capital will be increased to HK$500,000,000, divided into 100,000,000,000 New Shares of HK$0.005 each.

The implementation of the Capital Reorganisation and the [REDACTED] of the New Shares are conditional upon:

(i) the passing of a special resolution by the Shareholders by way of poll at the EGM to approve the Capital Reorganisation;

(ii) the Grand Court granting an order confirming the Capital Reduction;

(iii) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order and the minutes containing the particulars required under the Companies Law;

(iv) compliance with any conditions imposed by the Grand Court; and

(v) the Listing Committee granting the [REDACTED] of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation becoming effective.

The passing of the resolution of the Independent Shareholders at the EGM of the Capital Reorganisation is one of the conditions precedent to completion of the Subscription and the Acquisition, the letter which in turn is one of the conditions precedent under the Disposal Agreement.

Creditors Schemes

As part of the Proposed Restructuring, the Creditors Schemes shall be effected as follows:

(i) part of the [REDACTED] from the [REDACTED] and the Subscription in the amount of [REDACTED] shall be made available to the Creditors Schemes for the benefit of the Scheme Creditors;

(ii) the transfer of the Scheme Subsidiaries to the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors and, if applicable, creditors of the Scheme Subsidiaries pursuant to the Group Reorganisation;

(iii) all or any claims of the Company in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective against any person (including but not limited to the Scheme Subsidiaries) shall be assigned and/or transferred and/or novated (as the case may be) from the Company to Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Schemes Creditors upon the Creditors Schemes becoming effective;

(iv) any outstanding claims made or to be made by the Scheme Creditors in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned or transferred to Scheme Company for settlement;

(v) all or any claims of the Retained Subsidiaries against the Scheme Subsidiaries in respect of transactions or events incurred up to the date on which the Creditors Schemes become effective shall be assigned and/or transferred and/or novated (as the case may be) from the Retained Subsidiaries to Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors upon the Creditors Schemes becoming effective; and

(vi) all the indebtedness of the Company as at the date on which the Creditors Schemes become effective shall be compromised and discharged.

The implementation of each of the Creditors Schemes is conditional on Completion. The Company shall be irrevocably released from any indebtedness owing by the Company to its creditors in full on the date on which the Creditors Schemes become effective and, after Completion, no claims shall be made by the Scheme Creditors against the Company in respect of any of the indebtedness of the Company as at the date on which the Creditors Schemes become effective.

The Creditors Schemes have been approved by the creditors at the creditors' meeting held on 21 December 2010 and sanctioned by the High Court on 8 February 2011 and the Grand Court on 28 April 2011 respectively as stated in the announcements of the Company dated 14 February and 6 May 2011 respectively. Subject to any approvals/consents in respect of any modification of the Creditors Schemes (as necessary) having being obtained, the Creditors Schemes will become legally binding on the Company and its creditors upon fulfillment of the conditions to be set out in the Subscription Agreements and upon the filing of the orders of the High Court and the Grand Court with the relevant companies registries in Hong Kong and the Cayman Islands respectively. As at the Latest Practicable Date, the Creditors Schemes had not come into effect.

Information on the Acquisition, the [REDACTED], the Subscription and the Disposal are discussed in details in sections below of this letter.

1.4 Reasons for the Proposed Restructuring

As stated in the Board Letter, dealing in the shares of the Company on the Main Board of the Stock Exchange has been suspended since 27 November 2009. In an effort to implement the Resumption Proposal dated 4 December 2012, the Company has identified a new target company and entered into the Acquisition Agreement on 31 March 2014 with the Vendors, pursuant to which the Company will acquire the Sale Equity Interest. Upon completion of the Acquisition, the Enlarged Group will hold 98.387% interest in certain property development projects in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province in the PRC.

Pursuant to the Acquisition Agreement, the Company will carry out the Proposed Restructuring which comprises: (i) the Capital Reorganisation; (ii) the Creditors Schemes; (iii) the [REDACTED]; (iv) the Subscription; (v) the Acquisition; and (vi) the Disposal, which constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code, details of which are contained in the Circular.

The Capital Reorganisation will give greater flexibility to the Company to raise funds through the issue of New Shares in the future. In addition, the credit arising from the Capital Reduction and Share Premium Cancellation will be used to offset the accumulated losses of the Company and the balance, if any, will be transferred to the distributable reserve of the Company to be applied in such manner as and when the Board considers appropriate. Moreover, the implementation of the Capital Reorganisation is conditional upon, among others, the passing of a special resolution of the Shareholders to approve the Capital Reorganisation and completion of the arrangement for the Capital Reorganisation forms part of the Resumption Proposal as submitted to the Stock Exchange. In other words, the Capital Reorganisation must be implemented if the transactions contemplated under the Proposed Restructuring and the Resumption are to take place. In addition, the Capital Reorganisation becoming effective is one of the conditions precedent under the Acquisition Agreement and the Subscription Agreements. Completion of the Acquisition will be inter-conditional to each of the [REDACTED] and the Subscription, the [REDACTED] of which will be applied to the discharge of the Company's liabilities through the Creditors Schemes and as general working capital of the Group. The Capital Reorganisation will provide the Company with the flexibility to accommodate issues of New Shares in the future when necessary. Based on the total credit of approximately HK$193.63 million arising from the Capital Reduction and the credit standing to the share premium account of the Company of approximately HK$127.54 million as at 30 June 2015, a total amount of approximately HK$321.17 million will be applied to offset the accumulated losses of the Company, which amounted to approximately HK$2,385.83 million as at 30 June 2015.

As mentioned above, the Company shall be irrevocably released from any indebtedness owing by the Company to its creditors in full on the date on which the Creditors Schemes become effective and, after Completion, no claims shall be made by the Scheme Creditors against the Company in respect of any of the indebtedness of the Company as at the date on which the Creditors Schemes become effective.

Upon completion of the Acquisition, the Group will have a sufficient level of operation, and on the other hand, of the aggregate [REDACTED] from the [REDACTED] and the Subscription of approximately [REDACTED], [REDACTED] will be paid into the Creditors Schemes and, after deducting the professional fees and expenses, the balance shall be retained as the working capital of the Company after the Completion. The [REDACTED] at the same time offers an opportunity to the existing Shareholders to participate in the Proposed Restructuring as well as the Group's new prospect in the PRC property market following the Acquisition.

The financial and liquidity position of the Group will be improved through the Proposed Restructuring, the financial effect of which are set out in the section headed "Financial effects of the Proposed Restructuring" in the Circular.

Following completion of the transactions, the Company has no intention to continue the existing businesses of the Group (other than the businesses operated by the Target Group) and therefore, has entered into the Disposal Agreement to dispose of the Disposed Companies. The Disposed Companies, together with their subsidiaries, are the Retained Subsidiaries, which will be disposed of under the Proposed Restructuring. The Disposal is part of the Proposed Restructuring. Following completion of the Proposed Restructuring, the Group will have a sufficient level of operation while the [REDACTED] from the [REDACTED] will improve the financial and liquidity position of the Group based on the financial effect of the Proposed Restructuring.

2. The [REDACTED] and the Subscription

2.1 Principal terms of the [REDACTED]

As stated in the Board Letter, to enable the existing Shareholders to participate in the Proposed Restructuring, the Company proposes to undertake the [REDACTED] on the basis of two (2) [REDACTED] for every one (1) New Share held by the Qualifying Shareholders on the [REDACTED]. A total of [REDACTED] will be allotted and issued by the Company to the Qualifying Shareholders and/or the [REDACTED] at the [REDACTED] Price of [REDACTED] for each [REDACTED]. The [REDACTED] will be conditional upon Completion.

After arm's length negotiation with the [REDACTED], the Company decided that it will not offer the Qualifying Shareholders the entitlement to apply for any [REDACTED] which are in excess of their assured entitlements.

The number of [REDACTED] represents:

(i) 20.0% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 200.0% of the issued shares of the Company upon the completion of the Capital Reorganisation;

(iii) approximately 22.2% of the issued shares of the Company upon the completion of the Capital Reorganisation as enlarged by the allotment and issue of the [REDACTED] and the Subscription Shares; and

(iv) approximately 6.7% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the [REDACTED], the Subscription Shares and the Consideration Shares.

2.2 Principal terms of the Subscription Agreements

According to the Original Subscription Agreement, Jinwu agreed to subscribe for ordinary shares of HK$0.01 each in the capital of the Company at a total subscription price of HK$162.0 million.

Pursuant to the Stand-by Facility, Time Boomer and First Apex have provided working capital facilities of HK$13 million and HK$20 million to the Group respectively. Pursuant to the TB Option Agreement and the FA Option Agreement entered into between the Company, Time Boomer and First Apex, respectively, the Company agreed to grant: (1) Time Boomer the TB Option; and (2) First Apex the FA Option. Taking into consideration the Acquisition, the Company has entered into the Amended Subscription Agreement, the Amended TB Option Agreement and the New FA Option Agreement (to supplement or replace (as the case may be) the Original Subscription Agreement, the TB Option Agreement and the FA Option Agreement) so that:

(a) Jinwu will subscribe for 954,694,714 New Shares at a subscription price of HK$0.155 per New Share for a total subscription amount of approximately HK$148.0 million;

(b) Time Boomer shall be entitled to subscribe for 83,870,968 New Shares at a total exercise price of HK$13 million, or HK$0.155 per New Share; and

(c) First Apex shall be entitled to subscribe for 129,032,258 New Shares at a total exercise price of HK$20 million, or approximately HK$0.155 per New Share.

The completion of the Subscription, the Acquisition and the [REDACTED], which form part of the Proposed Restructuring, will be inter-conditional to each other.

The 1,167,597,940 Subscription Shares to be allotted and issued at the Subscription Price of HK$0.155 each represent:

(i) approximately 60.0% of the issued share capital of the Company as at the Latest Practicable Date;

(ii) approximately 600.0% of the issued shares of the Company upon completion of the Capital Reorganisation;

(iii) approximately 66.7% of the issued shares of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the [REDACTED] and the Subscription Shares; and

(iv) approximately 20.0% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the [REDACTED], the Subscription Shares and the Consideration Shares.

2.3 Use of [REDACTED]

The total [REDACTED] from the [REDACTED] and the Subscription, amount to approximately [REDACTED], and, after excluding the working capital facility of HK$33.0 million provided to the Group, the [REDACTED] from the [REDACTED] and the Subscription amount to approximately [REDACTED]. The [REDACTED] in the sum of [REDACTED] will be paid into the Creditors Schemes and, after deducting the professional fees and expenses, the balance shall be retained as the working capital of the Company after the Completion.

No cash will be generated from Working Facility Capitalisation as the subscription monies for the subscription of the New Shares by Time Boomer and First Apex will be set off against the amounts due under the TB Loan Agreement and the FA Loan Agreement.

2.4 The [REDACTED] and the Subscription Price

The [REDACTED] of [REDACTED] each represents:

(i) a discount of approximately 92.3% to the theoretical quoted price of HK$1.68 per New Share (the quoted price of HK$0.168 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 27 November 2009, being the Last Trading Day; and

(ii) a premium of approximately HK$10.40 over the unaudited consolidated net liabilities per New Share of HK$10.27 as at 31 December 2014 (based on the audited consolidated net liabilities of the Group of approximately HK$1,997.70 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective).

The [REDACTED] was determined by the Company, after taking into account (i) the financial performance and financial position of the Group; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 27 November 2009.

The Subscription Price of HK$0.155 each represents:

(i) a discount of approximately 90.8% to the theoretical quoted price of HK$1.68 per New Share (the quoted price of HK$0.168 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 27 November 2009, being the Last Trading Day; and

(ii) a premium of approximately HK$10.425 per New Share over the unaudited consolidated net liabilities per New Share of HK$10.27 as at 31 December 2014 (based on the audited consolidated net liabilities of the Group of approximately HK$1,997.70 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective).

The Subscription Price was determined after arm's length negotiations, taking into account (i) the financial performance and financial position of the Group; (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 27 November 2009; and (iii) the time that the Subscribers have been involved in the Proposed Restructuring.

We have reviewed other restructuring proposals previously carried out by companies listed on the Stock Exchange, which involve, among other things, the acquisition of new business, rights issue/[REDACTED], new shares subscription and introduction of new investors. We noted that for each of these restructuring proposals, the structure and terms thereof, including but limited to, (i) the business nature and model, size, financials and prospect of the acquisition targets; (ii) the subscription ratio of the rights issue/[REDACTED], the subscription price, and the amount and use of [REDACTED]; (iii) the number of shares issued under the new shares subscriptions, the subscription prices, and the amount and use of [REDACTED]; and (iv) the background and intention of the new investors, are unique and very different from the others, which were arrived at after arm's length negotiation between the parties thereto, taking into account the circumstances and various factors unique to each case, such as the specific state of affairs of each of the companies concerned as well as the severity of their financial and operational problems. As such, we do not consider that it is meaningful to assess the fairness and reasonableness of the terms of the [REDACTED] and the Subscription by making reference to those of other companies with restructuring proposals. Given that the Shares were suspended from trading for more than four years, we consider that the closing price of the Shares prior to the suspension of trading is not reflective of the current financial condition and valuation of the Company and will not provide a fair basis for the evaluation of the [REDACTED] and the Subscription Price.

In view of (i) the prolonged suspension in the trading of the Shares, the significant net liabilities position of the Group as at 30 June 2013 and the continuous loss-making performance of the Group; (ii) the [REDACTED] forms part of the Resumption Proposal seeking the resumption of trading in the Shares; (iii) part of the [REDACTED] from the

[REDACTED] will be used to meet the Company's financial obligations for the implementation of the Creditors Scheme under the Proposed Restructuring; (iv) the equal opportunity given to each of the Qualifying Shareholders to participate in the growth of the Enlarged Group by subscribing their assured entitlements under the [REDACTED]; and (v) the relatively attractive [REDACTED], which is lower than the Subscription Price, i.e. the price per Share to be paid by the Qualifying Shareholders through the [REDACTED] is more favourable than that to be paid by the Subscribers through the Subscription, we are of the view that the [REDACTED], including the [REDACTED], is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of (i) the prolonged suspension in the trading of the Shares, the significant net liabilities position of the Group as at 30 June 2013 and the continuous loss-making performance of the Group and given such financial and operational status of the Group, there would be no certainty that the Company would be able to seek other investors to provide the necessary funding for the implementation of the Resumption Proposal; (ii) the Subscription forms part of the Resumption Proposal seeking the resumption of trading in the Shares; (iii) part of the [REDACTED] from the Subscription will be used to meet the Company's financial obligations for the implementation of the Creditors Scheme under the Proposed Restructuring; (iv) the amounts due under the TB Loan Agreement and the FA Loan Agreement will be offset against the subscription monies for the Subscription by Time Boomer and First Apex through the Working Facility Capitalisation; and (v) the Subscription Price is higher than the [REDACTED] and therefore is less favourable than the price to be paid by the Qualifying Shareholders through the [REDACTED], we are of the view that the Subscription, including the Subscription Price, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2.5 [REDACTED] Agreement

The Company and the [REDACTED] have entered into the [REDACTED] Agreement on [●] pursuant to which the [REDACTED] will fully [REDACTED] the [REDACTED]. Terms of the [REDACTED] Agreement were determined after arm's length negotiations between the Company and the [REDACTED]. The [REDACTED] Agreement is conditional upon certain conditions being fulfilled on or before [REDACTED] (or such other time and/or date as the Company and the [REDACTED] may determine in writing). Details of the [REDACTED] Agreement are set out in the sub-section headed "The [REDACTED]" in the Board Letter. The maximum number of the untaken Shares underwritten by the [REDACTED] is [REDACTED]. The [REDACTED] will receive an [REDACTED] commission of [●]% of the aggregate subscription price for the [REDACTED].

Having considered that the entering into of the [REDACTED] Agreement could ensure the Group to receive the necessary funding, we are of the view that the terms of the [REDACTED] Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The [REDACTED] is conditional upon, inter alia, the fulfillment of the conditions set out under the paragraph "Conditions of the [REDACTED] Agreement" in the Board Letter. Therefore, the [REDACTED] may or may not proceed. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the New Shares.

3. The Acquisition

3.1 Information on the Target Group

The asset to be acquired under the Acquisition Agreement is the Sale Equity Interest, being the entire equity interest in the Target Company. The entire equity interest of China General is owned as to 50% by Mr. Shie and 50% by Mr. Tsoi respectively.

The Target Group, comprising China General and its subsidiaries, is a residential property developer primarily focusing on the development and sale of residential properties in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province of the PRC through its two project companies, namely Hui An China General and Yangzhou Dehui. Since the acquisition of China General in January 2005, the Target Group specialises in the development and sale of high-rise residential properties with ancillary retail shops in cities with high economic growth potential, in particular the third and fourth tier cities in the PRC.

As at 31 July 2015, the property portfolio of the Target Group comprises two property development projects, namely, the Binjiang International Project (濱江國際項目) in Fujian Province and The Cullinan Bay Project (天璽灣項目) in Jiangsu Province. The Target Group only completed and generated revenue from the sales of properties of the Binjiang International Project during the Track Record Period.

Set out below are the highlights of the financial results of the Target Group for the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2014 and 2015, details of which are set out in Appendix I to the Circular:

Table 4: Summary of consolidated statements of profit or loss and other comprehensive income of the Target Group

	For the years ended 31 December			For the six months ended 30 June	
	2012	**2013**	**2014**	**2014**	**2015**
				(unaudited)	
RMB'000					
Revenue	90,603	203,689	256,532	130,109	61,310
Gross profit	26,801	47,682	69,827	31,834	33,284
Profit before tax	22,447	39,736	53,661	22,989	29,482
Profit and total comprehensive income for the year/period	15,295	27,372	35,813	13,985	16,007
Profit and total comprehensive income for the year/period attributable to owners of the Target Company	15,031	26,836	35,094	13,650	15,726

Table 5: Summary of consolidated statements of financial position of the Target Group

	As at 31 December			As at 30 June
	2012	**2013**	**2014**	**2015**
RMB'000				
Non-current assets	103,748	116,315	123,185	125,052
Current assets	736,471	852,681	809,233	863,524
Current liabilities	757,323	848,575	244,668	288,051
Non-current liabilities	13,282	23,435	186,850	183,618
Net current (liabilities)/assets	(20,852)	4,106	564,565	575,473
Net assets	69,614	96,986	500,900	516,907

For the year ended 31 December 2013

For the year ended 31 December 2013, revenue of the Target Group increased by approximately 124.82% from approximately RMB90.60 million for the prior year to approximately RMB203.69 million. Revenue of the Target Group during the year was derived from the GFA delivered under the Binjiang International Project. The increase in revenue was mainly due to (i) the higher total saleable GFA sold of approximately 54,080.06 sq.m. for the year ended 31 December 2013, as compared with that of approximately 24,443.32 sq.m. for the prior year; and (ii) the higher ASP of approximately RMB3,766 per sq.m. for the year ended 31 December 2013, as compared with that of approximately RMB3,707 per sq.m. for the prior year. For the year ended 31 December 2013, profit and total comprehensive income increased by approximately 78.89% from approximately RMB15.30 million for the prior year to approximately RMB27.37 million.

As at 31 December 2013, the net current assets and net assets of the Target Group amounted to approximately RMB4.11 million and approximately RMB96.99 million respectively, as compared with net current liabilities and net assets of approximately RMB20.85 million and approximately RMB69.61 million respectively as at 31 December 2012.

For the year ended 31 December 2014

For the year ended 31 December 2014, revenue of the Target Group increased by approximately 25.94% from approximately RMB203.69 million for the prior year to approximately RMB256.53 million. Revenue of the Target Group during the year was derived from the GFA delivered under the Binjiang International Project. The increase in revenue was mainly due to (i) the higher total saleable GFA sold of approximately 55,830.95 sq.m. for the year ended 31 December 2014, as compared with that of approximately 54,080.06 sq.m. for the prior year; and (ii) the higher ASP of approximately RMB4,595 for the year ended 31 December 2014, as compared with that of approximately RMB3,766 for the prior year. For the year ended 31 December 2014, profit and total comprehensive income increased by approximately 30.84% from approximately RMB27.37 million for the prior year to approximately RMB35.81 million.

As at 31 December 2014, the net current assets and net assets of the Target Group amounted to approximately RMB564.57 million and approximately RMB500.90 million respectively, as compared with that of approximately RMB4.11 million and approximately RMB96.99 million respectively as at 31 December 2013.

For the six months ended 30 June 2015

For the six months ended 30 June 2015, revenue of the Target Group decreased by approximately 52.88% from approximately RMB130.11 million for the six months ended 30 June 2014 to approximately RMB61.31 million. Revenue of the Target Group during the period was derived from the GFA delivered under the Binjiang International Project. The total GFA delivered amounted to approximately 8,377 sq.m. for the six months ended 30 June 2015, as compared with that of approximately 30,176 sq.m. for the prior period. Nonetheless, the overall ASP realized from the delivered properties amounted to approximately RMB7,318 for the six months ended 30 June 2015, as compared with that of approximately RMB4,312 for the prior period. Therefore, the decrease in revenue was primarily due to the net effect of the decrease in total GFA delivered and the increase in overall ASP realized. For the six months ended 30 June 2015, profit and total comprehensive income increased by approximately 14.44% from approximately RMB13.99 million for the prior period to approximately RMB16.01 million.

As at 30 June 2015, the net current assets and net assets of the Target Group amounted to approximately RMB575.47 million and approximately RMB516.91 million respectively.

As noted from the above analysis, the Target Group has demonstrated a profitable track record with improving financial position.

3.2 Overview on the property portfolio of the Target Group

Binjiang International Project, Fujian Province

The Binjiang International Project is a residential project located in the intersection of 324 National Highway and Xibin Park in Huian County, Quanzhou, Fujian Province, the PRC with a completed GFA of approximately 394,701 sq.m.. It consists primarily of high-rise residential buildings and includes ancillary retail shops, kindergarten, clubhouse, swimming pool and car parking spaces.

The Binjiang International Project consists primarily of high-rise residential buildings and includes ancillary retail shops, clubhouse facilities, car parking spaces and kindergarten. The greening rate and plot ratio of the Binjiang International Project are 43% and 3.89 respectively. The Target Group developed the project in four phases comprising 18 blocks of high-rise residential buildings with an aggregate completed GFA of approximately 394,701 sq.m.. It comprises a residential area of approximately 308,781 sq.m., retail shops area of approximately 16,334 sq.m., clubhouse facilities of approximately 1,121 sq.m., aboveground and underground ancillary area (comprising car parking space and area other ancillary facilities) of approximately 65,631 sq.m. and kindergarten of approximately 2,833 sq.m..

Set out below is a summary of the development of the Binjiang International Project as at 31 July 2015:

	Construction site areas	Completed				Under development	Future development
		GFA Completed *(Note 1)*	GFA sold	Saleable GFA remaining unsold	Saleable GFA	Total GFA	Planned GFA
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
Binjiang International Project	83,399.00	394,701.13	305,459.19	19,655.74	325,114.93	—	—

Note 1: Comprised the portion of GFA held by the Target Group as amenities not saleable.

The Binjiang International Project was accredited the "Top Ten Model Residence Park in the PRC 2006* (2006中國十大典範公園住宅)" and "The Best Supreme Model Residence in the PRC 2006* (2006中國最佳超級戶型典範住宅)".

The Cullinan Bay Project, Jiangsu Province

The Cullinan Bay Project is a residential development project located in the west of Wangjiang Road, north of Dingxing Road and east of Linjiang Road in Yangzhou, Jiangsu Province, the PRC.

The Cullinan Bay Project consists primarily of high-rise residential buildings and ancillary retail shops and clubhouse. The planned greening rate and plot ratio of The Cullinan Bay Project are 35% and 2.30 respectively. The Target Group is developing the project in two phases comprising 15 blocks of high-rise residential buildings with an aggregate GFA of approximately 40,295 sq.m. of completed properties, an aggregate GFA of approximately 112,214 sq.m. held under development and an aggregate planned GFA of approximately 105,890 sq.m. held for future development. It will comprise residential area of approximately 181,255 sq.m., retail shops area of approximately 3,843 sq.m. and above-ground and underground ancillary areas (comprising car parking space, clubhouse and area for ancillary facilities) of approximately 73,301 sq.m.

Set out below is a summary of the development of the Cullinan Bay Project as at 31 July 2015:

	Construction site areas	Completed				Under development				Future development
		GFA completed *(Note 1)*	GFA sold	Saleable GFA remaining unsold	Saleable GFA	GFA Under development *(Note 1)*	GFA pre-sold	Saleable GFA remaining unsold	Saleable GFA	Planned GFA *(Note 1)*
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*
The Cullinan Bay Project	81,749.27	40,294.94	17,524.66	7,783.54	25,308.20	112,213.55	—	—	19,656.51	105,890.00 *(Note 2)*

Notes:

1. Comprised the portion of GFA held by the Target Group as amenities not saleable.

2. It is planned that Phase 2 of The Cullinan Bay Project would comprise residential properties of 80,151.00 sq.m. which will become saleable after the Target Group obtains the relevant pre-sale permits.

Pre-sale of Stage 1 of Phase 1 of The Cullinan Bay Project commenced in May 2014. Set out below is an actual/planned development schedule of The Cullinan Bay Project:

	Actual/planned commencement date of construction	Actual/planned pre-sale commencement date	Actual/planned completion date of construction	Planned delivery date of properties
The Cullinan Bay Project				
— Stage 1 of Phase 1	October 2013	May 2014	May 2015	June 2016
— Stage 2 of Phase 1	May 2014	July 2015	December 2016	June 2017
— Phase 2	March 2016	November 2016	December 2017	June 2018

The Cullinan Bay Project received the awards of "Property with Best Potential in Yangzhou 2014* (2014年度揚州最具潛力樓盤)" and the "Model Property of Yangzhou — Property Brand Value Ranking 2014* (2014房地產品牌價值榜城市典範名盤)".

With respect to the Binjiang International Project, construction of all phases of the project have been completed and sales have commenced. The total saleable GFA under the Binjiang International Project is 325,114.93 sq.m., of which 305,459.19 sq.m. has been sold and 19,655.74 sq.m. is available for sale. With respect to The Cullinan Bay Project, the schedule below provides an overview on the aggregate saleable GFA of the project and the respective planned time of commencement of pre-sale and delivery.

	Aggregate saleable GFA (or aggregate GFA of residential units) *(sq.m.)*	Number of residential and ancillary retails shops units	Actual/planned pre-sale commencement date	Planned delivery date of properties
The Cullinan Bay Project				
— Stage 1 of Phase 1	22,372	231	May 2014	June 2016
— Stage 2 of Phase 1	78,732	736	July 2015	June 2017
— Phase 2	80,151	802	November 2016	June 2018

The above figures of the Binjiang International Project and The Cullinan Bay Project, which have received numerous market recognitions, illustrate the amount of completed GFA available for sale as well as GFA under development and held for development in the property portfolio of the Target Group that spans over a period up to 2018, which in our view will contribute to the financial performance during the period.

3.3 Overview on the PRC property market

Economy of the PRC

As discussed under the section headed "Industry overview" in the Circular, over the past few years, the PRC's economy was affected by the worldwide economic turmoil. However, under the influence of various macro-economic policies, the PRC's GDP growth has remained strong, with a GDP growth from RMB31,405 billion in 2008 to RMB63,646 billion in 2014, representing a CAGR of approximately 12.5%. According to the World Economic Outlook published by the International Monetary Fund (updated in July 2015), GDP growth in the PRC in 2015 is projected to be 6.8%, down from 7.7% and 7.4% in 2013 and 2014, respectively and is projected to settle on 6.3% in 2016. Nevertheless, such projections are still higher than the projected growth of GDP in advanced economies (including United States and Euro area) of 2.1% in 2015 and 2.4% in 2016 respectively, as well as the projected growth of GDP in emerging market and developing economies (including Russia, India and ASEAN) of 4.2% in 2015 and 4.7% in 2016.

Economy of Quanzhou and Yangzhou

According to the Market Research Report, a commissioned research report from DTZ for use in part in the Circular to provide the Shareholders with information relating to the economy of the PRC, the residential market in Yangzhou and Quanzhou, and the industry in which the Target Group operates, the GDP of Quanzhou has increased to RMB573 billion in 2014 from RMB280 billion in 2008, with a growth at a CAGR of 12.7% while the GDP of Yangzhou has increased to RMB370 billion in 2014 from RMB157 billion in 2008, with a growth at a CAGR of 15.4%. Alongside the economic development in the areas, the demand for residential properties in terms of total GFA grew at a CAGR of 20.3% and 12.1% from 2008 to 2014 in Quanzhou and Yangzhou respectively.

Accordingly, we consider that the economic outlook of the PRC, including Quanzhou and Yangzhou, is positive, providing a favourable environment for the development of the domestic real estate market.

Development and outlook of the property market in the PRC

As discussed under the section headed "Industry overview" in the Circular, the total investment in real estate development projects in the PRC increased from RMB3,120 billion in 2008 to RMB9,504 billion in 2014, representing a CAGR of approximately 20.4%. According to the data released by the National Bureau of Statistics of China (the "Statistics Bureau"), in 2014, the total GFA of residential properties completed was 1,075 million sq.m. The GFA of residential properties under construction was approximately 5,936 million sq. m.. The GFA of residential properties sold was approximately 1,052 million sq.m.. Both the GFA of residential properties under construction and residential properties sold were notably higher when compared with those in 2008. Meanwhile, both the transaction volume and price of commodity housing increased due to increasing demand in the residential property market by investors. The average selling price of residential properties rose from RMB3,576 per sq.m. in 2008 to RMB5,850 per sq.m. in 2014.

We have conducted researches from the public domain and analysed on the policies and regulatory environment surrounding the PRC's real estate market, and the interaction with the market performance. We noted that since January 2010, the PRC property market has been constantly under the effect of various measures and restrictions implemented by the PRC government regulating the domestic property market, with an aim to bring down property prices to a level closer to local income levels. On 1 March 2013, 〈國務院辦公廳關於繼續做好房地產市場調控工作的通知〉(The State Council's notice on property market regulation*, also commonly known as the "New Five National Policies") was issued setting out five broad yet stringent regulatory policies involving, among others, stabilising housing prices and curbing speculative investments.

Despite the growth rate of the total floor space of commodity houses sold in 2014, 2013, 2012 and 2011 were approximately -7.6%, 17.3%, 1.8% and 4.9% respectively, demonstrating a resilient growth since the issue of tightening measures for the domestic property market in 2010, as announced by the National Bureau of Statistics of China (the "Statistics Bureau") on 15 July 2015, the total floor space of commodity houses sold in the period of January 2015 to June 2015 recorded an increase of approximately 3.9%, marked a turnaround as compared to the decrease of approximately 7.6% in 2014, implying that demand for commercial buildings is still soaring. All in all, the aforementioned figures infer a fluctuating real estate market in the PRC.

Nevertheless, there are signs of easing control on the domestic real estate market. Up to the Latest Practicable Date, all but five of the 46 cities that imposed limits on home ownership have been removed or eased the restriction, including second-tier cities such as Nanjing, according to the latest news coverage by Bloomberg. On 30 September 2014, The People's Bank of China and the China Banking Regulatory Commission jointly announced〈進一步做好住房金融服務工作的通知〉(Notice on enhancing financial services for domestic housing*), setting out four key measures in supporting the domestic housing sector, in particular releasing the purchasing power by dramatically reducing down payment ratio, for second home buyer who has paid off his initial mortgage, from 60% or 70% to 30% with discount of up to 30% on mortgage rate which is same as that for first home buyer.

Subsequently on 14 October 2014, 中華人民共和國住房和城鄉建設部 (Ministry of Housing and Urban-Rural Development of the PRC), 中華人民共和國財政部 (Ministry of Finance of the PRC) and The People's Bank of China jointly announced the 關於發展住房公積金個人住房貸款業務的通知 (Notice regarding the development of housing provident fund's personal mortgage business*) (source: 新華網, www.news.xinhuanet.com), pursuant to which worker who has made contribution to housing provident fund shall be eligible to apply for housing provident fund's mortgage. On 30 March 2015, the People's Bank of China, China Banking

Regulatory Commission and Ministry of Housing and Urban-Rural Development of the PRC jointly announced (關於個人住房貸款政策有關問題的通知) (Notice on the relevant issues relating to individual housing mortgage policy*), pursuant to which the down payment ratio for second home buyer who has not paid off his initial mortgage would be reduced from 60% to 40%, while down payment ratio for first home buyer and second home buyer applied for housing provident fund's mortgage would be reduced from 30% to 20% and from 70% to 30% respectively. On 31 August 2015, the People's Bank of China, China Banking Regulatory Commission and Ministry of Housing and Urban-Rural Development of the PRC further announced that the down payment ratio for second home buyer applied for housing provident fund's mortgage would be reduced from 30% to 20%, with an aim to increase the mortgage granting ratio of housing provident fund and thereby releasing the purchasing power in the real estate market.

Moreover, since 2015, the People's Bank of China has been adjusted downward four times the standard borrowing and saving rates. The latest standard borrowing rate for up to 5-year term has decreased for a further 0.25% to 5.15% effective from 26 August 2015. As a result of the policy, the financing costs to purchase properties are lowered. It is expected to improve the liquidity and stimulate the demand of the property market and to maintain the market to grow at a steady rate. As such, it is expected that the above favourable policies reflecting the reversal of the government's stance on the domestic real estate market would spark buyers' interest which could result in increasing demand for residential property.

Having considered the above factors, we are of the view that the demand in the domestic real estate market would pick up following the loosening of the tightening policies, under the solid economic outlook in the PRC as analysed above, and that the outlook of the PRC's real estate market, in which the Target Group is engaged in, to be positive.

3.4 Principal terms of the Acquisition

Conditions precedent of the Acquisition

Conditions precedent to the Acquisition Agreement (cannot be waived by parties to the Acquisition Agreement) include, among others, (a) the Creditors Scheme becoming effective no later than completion of the Acquisition; (b) the passing of resolutions of the Independent Shareholders at the EGM by way of poll approving (i) the Capital Reorganisation; (ii) the Acquisition; (iii) the Subscription; (iv) the [REDACTED]; (v) the Whitewash Waiver; and (vi) the Special Deal; (c) the Whitewash Waiver having been granted by the Executive to the Vendors and the Whitewash Waiver not subsequently being revoked or withdrawn; (d) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied; and (e) submission of a [REDACTED] in respect of the Target Group to the Stock Exchange by the Company and the receipt of the approval in principle from the Listing Committee by the Company and such approval not being subsequently revoked or withdrawn. Complete details on the conditions precedent to the Acquisition Agreement are contained in the subsection headed "Conditions precedent to the Acquisition Agreement" under the section headed "7. The Acquisition" of the Board Letter.

Consideration

The Consideration is approximately HK$817.0 million and was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was determined by reference to (i) the unaudited combined net asset value of the Target Group as at 31 December 2013, being approximately RMB480.0 million assuming the related capitalisation of debts having been completed; (ii) the development prospects of the Target Group; and (iii) the management's assessment on the value of the property interests held by the Target Group (the "Property Interests"), being the properties under the Binjiang International Project and The Cullinan Bay Project, based on publicly available information from, amongst other sources, Land and Resources Bureau of Yangzhou (揚州國土資源局) (in respect of auction prices of land parcels in Yangzhou), Soufun Holdings Limited (in respect of historical selling prices of the Binjiang International Project (one of the residential property development projects of the Target Group)), as well as information provided by the Vendors including but not limited to description of the residential property development projects held by the Target Group and the gross floor area remains for selling in the future.

The Consideration shall be satisfied by the allotment and issuance of the Consideration Shares at the Consideration Price of HK$0.20 each upon the completion of the Acquisition.

Property valuation

The Property Interests have been valued by DTZ, an independent property valuer (the "Valuation"). Based on the report for the Valuation (the "Valuation Report") as contained in Appendix IV to the Circular, the Valuation of the Property Interests was RMB924,936,187 as at 31 July 2015. Based on the accountants' report on the Target Group as contained in Appendix I to the Circular, the audited consolidated net assets attributable to owners of the Target Group as at 30 June 2015, assuming the related capitalisation of debts of approximately RMB53.76 million (equivalent to approximately HK$67.87 million) having been completed, was approximately RMB561.63 million (equivalent to approximately HK$709.06 million), while the book value attributable to the Property Interests was approximately RMB792.99 million (equivalent to approximately HK$1,001.15 million). Accordingly, the adjusted net assets attributable to owners of the Target Group (the "Revaluated NAV") based on the audited consolidated net assets of the Target Group as at 30 June 2015 (assuming the related capitalisation of debts having been completed) as adjusted by the valuation surplus of approximately RMB131.95 million (equivalent to approximately HK$166.59 million) arising from the Valuation as at 31 July 2015 with reference to the Valuation is approximately RMB693.58

million (equivalent to approximately HK$875.64 million). Accordingly, the Consideration of approximately HK$817.0 million represents a discount of approximately 6.70% to the Revaluated NAV.

For our due diligence purpose, we reviewed and enquired DTZ's qualification and experience in relation to the performance of the Valuation. We noted that DTZ has a handful of experience in performing valuation for transactions of listed companies as well as the initial public offering cases in Hong Kong and the PRC. DTZ confirmed that it is an independent third party to the Company. DTZ also confirmed that the relevant material information provided by the Company had been incorporated in the Valuation Report. In addition, we also reviewed the terms of DTZ's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In the Valuation Report, the Property Interests are classified into three different groups: (i) first group as property held by the Target Group for sale in the PRC, being the unsold portions of the residential and retail units, and clubhouse under the Binjiang International Project ("Group I Property"); (ii) second group as property held by the Target Group for investment in the PRC, being the kindergarten and underground car parking spaces under the Binjiang International Project ("Group II Property"); and (iii) third group as property held by the Target Group under development in the PRC, being the proposed development under The Cullinan Bay Project ("Group III Property").

According to the Valuation Report, unless otherwise stated below, the valuation of each of the properties under the Property Interests represents its market value which in accordance with The HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

To determine the appraised value of the Property Interests, we were given to understand that two valuation approaches commonly adopted for valuation of properties, namely the investment approach (the "Investment Approach") and the direct comparison approach (the "Direct Comparison Approach"), were considered by DTZ. The Investment Approach considers the capitalised rental incomes derived from the existing tenancies with due provision for any reversionary income potential of the property interests, while the Direct Comparison Approach makes reference to comparable sales evidence as available in the relevant market subject to suitable adjustments between the subject properties and the comparable properties.

The market value of Group I Property in existing state attributable to the Target Group as at 31 July 2015 pursuant to the Valuation as RMB212,319,146. As discussed with DTZ, Direct Comparison Approach was adopted in valuing the residential and retail units of the Group I Property, given that such portion is held for sale, with comparable sales evidence available for valuation. Investment Approach was adopted in valuing the clubhouse of the Group I Property, given that there is a lack of clubhouse transactions in the vicinity, pursuant to which the rental income to be derived from the reversionary income potential of the clubhouse is taken into account.

The market value of Group II Property in existing state attributable to the Target Group as at 31 July 2015 pursuant to the Valuation as RMB82,940,241. As discussed with DTZ, Investment Approach was adopted in valuing the Group II Property, given that Group II Property is held for investment, pursuant to which the rental derived from the existing tenancies with the reversionary income potential of the property. According to the Valuation Report, It is noted that DTZ ascribed no commercial value to the civil defence car parking spaces of the Group II Property on market value basis as the Target Group has no title ownership of such civil defence spaces. DTZ was requested, for the Group's management reference, to separately assess the worth of the civil defence car parking spaces held by the Target Group for investment in existing state on a non-market value basis. Such worth, known as investment value, according to the International Valuation Standards, which the HKIS Valuation Standards follow, is defined as "the value of an asset to the owner or a prospective owner for individual investment or operational objectives". Investment value is an entity-specific basis of value which reflects the benefits received by an entity from holding the asset and, therefore, does not necessarily involve a hypothetical exchange. Investment value of the property to the Target Group has been separately stated in the note of the valuation certificate. It must be emphasized that the investment value is not market value.

The market value of Group III Property in existing state attributable to the Target Group as at 31 July 2015 pursuant to the Valuation as RMB629,676,800. As discussed with DTZ, Direct Comparison Approach was adopted in valuing the Group III Property by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development. The "market value when completed" represents the opinion of DTZ of the aggregate selling prices of the development assuming that it was completed as at the date of valuation. The Direct Comparison Approach was adopted given that Group III Property is held under development. According to the Valuation Report, in valuing the Group III Property, DTZ has valued on the basis that the property will be developed and completed in accordance with the Target Group's latest development proposal provided to it. DTZ has assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained without onerous conditions or delays. DTZ has also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities.

With respect to the general assumptions adopted in the Valuation, we noted that the valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value. In the Valuation, it was also assumed that transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. In valuing the properties, unless otherwise stated, DTZ has assumed that the owners have the enforceable title to the properties and free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms as granted. Moreover, no allowance has been made in the Valuation for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale, and unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

We were given to understand that DTZ has reviewed the legal opinion on the property prepared by the Company's PRC legal adviser and is not aware of any special terms or circumstances, or that the transferable land use rights in respect of the properties for their respective specific terms at nominal annual land use fees have not been granted or that any premium payable has not been fully paid, or that the enforceable title to the properties and free and uninterrupted rights to use, occupy or assign the properties for the whole of the unexpired terms have not been granted to owners.

As disclosed in the Valuation Report, with reference to the legal opinion on the property prepared by the Company's PRC legal adviser, portions of Group I Property are subject to mortgages in favour of 惠安縣農村信用合作聯社螺陽信用社 (Hui'an Rural Credit Union Luo Yang Branch*), and the land use rights of Group III Property are subject to mortgages in favour of 中國建設銀行股份有限公司揚州分行 (China Construction Bank Corporation, Yangzhou Branch). Based on our discussion with DTZ, we were given to understand that it is a common practice that no allowance is to be made in the valuation of properties for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale, with the associated costs in terms of time and monetary value for discharging any relevant charges or mortgages incidental to effecting a sale and could not be quantified which do not affect the market value of such properties. Therefore, we consider that it is justifiable that no allowance has been made in the Valuation for any charges, mortgages or amounts owing on the properties nor any expenses or taxation which may be incurred in effecting a sale, and unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values. Accordingly, we consider that the adoption of the abovementioned assumptions in the Valuation are fair and reasonable.

Having considered the above, we are of the view that the principal bases, valuation methods and assumptions adopted for the Valuation are fair, reasonable and complete and hence the reliability of the Valuation Report.

The Consideration Price

The Consideration Price of HK$0.20 each represents:

(i) a discount of approximately 88.1% to the theoretical quoted price of HK$1.68 per New Share (the quoted price of HK$0.168 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 27 November 2009, being the Last Trading Day; and

(ii) a premium of approximately HK$10.47 per New Share over the unaudited consolidated net liabilities per New Share of HK$10.27 as at 31 December 2014 (based on the audited consolidated net liabilities of the Group of approximately HK$1,997.70 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective).

Trading in the Shares was suspended since 27 November 2009, therefore, we consider that comparison of the Consideration Price of HK$0.20 with the theoretical quoted price of HK$1.68 per New Share (the quoted price of HK$0.168 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 27 November 2009, being the Last Trading Day, is not appropriate considering the prolonged suspension in the trading of the Shares.

We consider that it is not appropriate to make reference to the discount represented by the Consideration Price to the theoretical quoted price of HK$1.68 per New Share (the quoted price of HK$0.168 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 27 November 2009, being the Last Trading Day, and to compare the Consideration Price, and such discount to the theoretical quoted price, with that of other restructuring cases of companies listed on the Stock Exchange, in assessing the reasonableness and fairness of the Consideration Price.

Trading in the Shares was suspended since 27 November 2009, and the theoretical quoted price of the New Share that is based on the closing price of the Shares on the Last Trading Day could only reflect the then fundamentals of the Company prior to prolonged trading suspension, without taking into account the fact of the prolonged trading suspension and the subsequent developments of the Company throughout the long period of trading suspension. The other restructuring cases share similar characteristics, while the Proposed Restructuring of the Company and each of these restructuring proposals has different and unique terms and conditions, such as the amount of capital injection and the shareholdings to be held by the relevant investors after completion of the restructuring, which could also affect the determination of the issue price of consideration shares for the acquisition. Therefore, we considered that either the direct comparison between the Consideration Price and the issue price of consideration shares of other restructuring cases, or comparison between the discounts as represented by the Consideration Price to the theoretical quoted price of the New Share and by that of other restructuring cases, are not appropriate.

Alternatively, we consider that it is relevant to compare the Consideration Price with the unaudited consolidated net liabilities per New Share of HK$10.27 as at 31 December 2014 (based on the audited consolidated net liabilities of the Group of approximately HK$1,997.70 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective) (the "Theoretical NAV") being the "book value" of the New Share, for assessing the fairness and reasonableness of the Consideration Price where analysis based on the "market value" of the New Share with reference to the closing price of the Shares on the Last Trading Day is not appropriate as discussed above. Given the net liabilities position of the Group upon the Capital Reorganisation becoming effective but prior to the Completion, the Consideration Price represents a significant premium of approximately HK$10.47 per New Share over the Theoretical NAV. Considering such significant premium, we consider that the Consideration Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

We have not, however, in assessing the fairness and the reasonableness of the Consideration, relied on the management's assessment on the value of the Property Interests, based on publicly available information from, amongst other sources, Land and Resources Bureau of Yangzhou (揚州國土資源局) (in respect of auction prices of land parcels in Yangzhou), Soufun Holdings Limited (in respect of historical selling prices of the Binjiang International Project (one of the residential property development projects of the Target Group)), as well as information provided by the Vendors including but not limited to description of the residential property development projects held by the Target Group and the GFA remains for selling in the future, which together with such factors of the unaudited combined net asset value of the Target Group as at 31 December 2013 and the development prospects of the Target Group, were made reference to in determining the Consideration. We noted that such factors used in determining the Consideration as a whole, including but not limited to the historical selling prices of the Binjiang International Project which do not offer direct reference to the future selling prices of the GFA under the Property Interests, do not allow a complete, quantitative analysis on the value of the Property Interests. In contrast, the market values of the Property Interests pursuant to the Valuation as prepared by DTZ, have been appraised with clearly defined valuation methodologies, underlying bases and assumptions, which we considered an appropriate reference in assessing the value of the Property Interests and accordingly, the fairness and reasonableness of the Consideration.

Having considered that (i) the Consideration represents a discount of approximately 6.70% to the Revaluated NAV based on the Valuation of the Property Interests of the Target Group; (ii) the valuation methodologies in arriving at the appraised value of the Property Interests are commonly adopted approaches and reasonable as discussed above; and (iii) the Consideration Price represents a significant premium over the Theoretical

NAV as analysed above, we are of the view that the Consideration and the Consideration Price are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Taking into account (i) the Target Group has demonstrated a profitable track record with improving financial position; (ii) the outlook of the PRC's real estate market, in which the Target Group is engaged in, to be positive; (iii) the Consideration represents a discount of approximately 6.70% to the Revaluated NAV based on the Valuation of the Property Interests of the Target Group; and (iv) the Consideration Price represents a significant premium of approximately HK$10.47 per New Share over the Theoretical NAV, we are of the view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

4. The Disposal

Pursuant to the Disposal Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the entire issued share capital of each of the Disposed Companies. The Disposed Companies, together with their subsidiaries, are the Retained Subsidiaries which will be disposed of under the Proposed Restructuring. Upon completion of the Disposal, the Company will no longer be interested in the Retained Subsidiaries and each of the Retained Subsidiaries will cease to be a subsidiary of the Company and their respective financial results will no longer be consolidated into the Group's financial statements.

4.1 Information on the Retained Subsidiaries

The Disposed Companies were incorporated in the British Virgin Islands or Hong Kong respectively. The Retained Subsidiaries (as a group) are engaged in the business of trading and distribution of mobile phones and related accessories and their business have been gradually scaled down in the past three years.

Set out below are the consolidated financial results of each of the Disposed Companies for each of three financial years ended 31 December 2014 as extracted from the audited consolidated statement of profit or loss and consolidated statement of financial position of the Group:

Table 6: Summary of consolidated financial results of each of the Disposed Companies

Marzo Holdings

	For the years ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(80)	(25)	(20)
Loss after tax	(70)	(25)	(20)

As at 31 December 2014, the consolidated net assets of Marzo Holdings was approximately HK$48,000.

As at 30 June 2015, the consolidated net assets of Marzo Holdings was approximately HK$48,000.

Value Day

	For the years ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(98)	(115)	(115)
Loss after tax	(98)	(115)	(115)

As at 31 December 2014, the consolidated net liabilities of Value Day was approximately HK$328,000.

As at 30 June 2015, the consolidated net liabilities of Value Day was approximately HK$376,000.

MDL

	For the year ended 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
Loss before tax	(22,909)	(11,353)	(1,954)
Loss after tax	(22,909)	(11,353)	(1,954)

As at 31 December 2014, the consolidated net liabilities of MDL was approximately HK$85,088,000.

As at 30 June 2015, the consolidated net liabilities of MDL was approximately HK$84,185,000.

4.2 Analysis on the Disposal

The Retained Subsidiaries will be transferred to the Purchaser at a nominal consideration of HK$1.00, which was arrived at after arm's length negotiations between the parties and was determined by reference to the unaudited net tangible liabilities of the Retained Subsidiaries (as a group) as at [30 June 2015], which amounts to approximately [REDACTED], by reference to the management account of the Retained Subsidiaries. The consideration shall be satisfied in cash upon completion of the Disposal.

In view of the loss-making track record with shrinking operation scale for the past three consecutive years and the heavy net consolidated liabilities position of the Disposed Companies, we consider the possibility of turnaround of the Disposed Companies to be unlikely in near term.

The Disposal is part of the Proposed Restructuring. Following completion of the Proposed Restructuring, the Group will have a sufficient level of operation while the proceeds from the [REDACTED] will improve the financial and liquidity position of the Group based on the financial effect of the Proposed Restructuring.

The Disposal is expected to record an unaudited gain on deconsolidation of the Retained Subsidiaries of approximately HK$81.9 million to the Company and no material effect on the earning, assets and liabilities of the Group upon completion of the Disposal. The net proceeds from the Disposal will be used as general working capital of the Group. The consideration of HK$1.00 represents a significant premium on the abovementioned unaudited net tangible liabilities of approximately [REDACTED].

Having considered that (i) the loss-making track record with shrinking operation scale for the past three consecutive years and the heavy net consolidated liabilities position of the Disposed Companies; (ii) the consideration of HK$1.00 represents a significant premium to the estimated pro forma net tangible liabilities of the Retained Subsidiaries; and (iii) the Disposal allows the Company to dispose of the businesses under the Disposed Companies and allows the Group to redeploy its resources to other investment opportunities that may bring better and attractive returns, we are of the view that the terms of the Disposal Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal, which constitutes the Special Deal, is in the interest of the Company and the Shareholders as a whole.

5. The Whitewash Waiver

As at the Latest Practicable Date, the Concert Group does not own or control any existing Shares. Upon the Completion, the Concert Group will, in aggregate, hold approximately 70.0% of the share capital of the Company after the Capital Reorganisation and as enlarged by the [REDACTED], the Subscription Shares and the Consideration Shares.

As such, the Concert Group would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by the Concert Group) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

The Vendors have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll, in which parties of the Concert Group and those who are involved in or interested in the Proposed Restructuring will abstain from voting on the relevant resolution(s). If the Whitewash Waiver is granted by the Executive, the Concert Group will not be required to make a mandatory offer which would otherwise be required as a result of the acquisition of the Consideration Shares. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Acquisition Agreement will lapse and consequentially the Subscription Agreements, the [REDACTED] Agreement, the Disposal Agreement and the [REDACTED] will lapse.

We note from the Board Letter that completion of the Acquisition, which forms part of the Proposed Restructuring, is conditional upon, amongst others, (i) the approval of the Whitewash Waiver by the Independent Shareholders; and (ii) the granting of the Whitewash Waiver by the Executive. If the Whitewash Waiver is not to be approved by the Independent Shareholders or granted by the Executive, the transactions contemplated under the Acquisition Agreement cannot proceed which would have a detrimental effect on the implementation of the Proposed Restructuring and the Resumption Proposal.

Having considered that the approval of the Whitewash Waiver by the Independent Shareholders is one of the conditions precedent to the Acquisition Agreement which is crucial to the implementation of the Resumption Proposal, we are of the view that the Whitewash Waiver is fair and reasonable and is in the interest of the Company and the Shareholders as a whole as it would allow the Proposed Restructuring and the transactions contemplated thereunder to proceed.

6. Dilution to the shareholding of the existing Shareholders

Your attention is drawn to the section headed "9. Changes in shareholding structure" set out in the Board Letter. We noted that the shareholding of the public would reduce from approximately 30.6% as at the Latest Practicable Date to (i) approximately 3.1% upon completion of the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition (assuming all Existing Shareholders have taken up his/her entitlement under the [REDACTED]); and (ii) approximately 1.0% upon completion of the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition (assuming none of the Existing Shareholders have taken up his/her entitlement under the [REDACTED]). Assuming all Existing Shareholders have taken up his/her entitlement under the [REDACTED], the shareholding dilution from approximately 30.6% to approximately 3.1% will result in the dilution effect of approximately 89.97%.

In order to assess the fairness and reasonableness of the dilution effect, we have identified companies which had been placed under the delisting procedures by the Stock Exchange pursuant to Practice Note 17 with resumption plans involving the offer of shares by way of [REDACTED] to its existing shareholders, the subscription of shares and/or convertible notes (assuming full conversion thereof) and the acquisition of new business which was approved by the Stock Exchange (subject to resumption conditions) and completed during the three years preceding the Latest Practicable Date. Based on the information publicly available on the website of the Stock Exchange and on our best effort basis, we have identified [three] companies and we consider that the list of comparables is exhaustive based on the selection criteria as set out above. We have also assumed each of the [REDACTED] were taken up by their respective existing shareholders of the comparables in full. Details of the comparables are summarised in the following table:

Comparable companies	**Date of announcement**	**Potential maximum dilution as a result of the subscription, [REDACTED] and acquisition** *(Approximate)*
Proview International Holdings Limited (SC: 334)	30/5/2014	86.60%
Mitsumaru Easy Kit (Holdings) Limited (SC:2358)	28/8/2013	82.51%
Warderly International Holdings Limited (SC: 607)	21/3/2013	96.51%
	Maxium	96.51%
	Minimum	82.51%
	Mean	88.54%
The Company		89.97%

As shown above, we noted that the dilution effect as shown by the comparable companies ranges from approximately 82.51% to approximately 96.51%, with a mean of approximately 88.54%. It is noted that the dilution effect upon completion of, among others, the [REDACTED], the Subscription and the Acquisition of approximately 89.97% falls with the aforesaid range and is slightly above the mean. As stated in the Board Letter, the Company is under prolonged suspension of trading in the Shares since 27 November 2009 and the Stock Exchange will cancel the [REDACTED] of the Shares on the Stock Exchange if the Resumption Proposal fails to proceed. In addition, the Company had consolidated net liabilities of approximately HK$1,997.70 million as at 31 December 2014. Having considered that (i) completion of the Proposed Restructuring, including but not limited to the Capital Reorganisation, the [REDACTED], the Subscription, the Acquisition, the issue of the Consideration Shares, is one of the conditions of the resumption of trading in the Shares on the Stock Exchange; (ii) the terms of the [REDACTED], the [REDACTED] Agreement, the Subscription Agreements and the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned; (iii) the fund raised from the [REDACTED] and the Subscription will provide the financial resources for the implementation of the Creditors Schemes and increase the Group's working capital; (iv) the dilution effect upon completion of, among others, the [REDACTED], the Subscription and the Acquisition falls with the aforesaid range and is slightly above the mean; and (v) following completion of the [REDACTED], the

Subscription and the Acquisition, the Group would return to a net assets position according to the "Unaudited pro forma financial information of the Enlarged Group" as set out in Appendix III to the Circular, we are of the view that the dilution effect on the shareholding of the existing Shareholders is acceptable so far as the Independent Shareholders are concerned.

7. Financial effects of the Proposed Restructuring

(a) Net assets/(liabilities)

According to the "Unaudited pro forma of financial information of the Enlarged Group" as set out in Appendix III to the Circular, assuming the Proposed Restructuring had been completed as at 30 June 2015, the Group's financial position would improve from net liabilities of approximately [REDACTED] to net assets of approximately [REDACTED]. This significant improvement in the financial position of the Group is beneficial to the Company and the Shareholders as a whole.

(b) Earnings

Assuming the Proposed Restructuring had been completed on 1 January 2014, the net loss of the Company would be widened from approximately HK$117.48 million to approximately HK$346.11 million, which is mainly attributable to the one-off Deemed [REDACTED] expenses as defined in Appendix III and such adjustment is not expected to have continuing effect on the Enlarged Group's consolidated statement of profit or loss, according to the section headed "Unaudited pro forma of financial information of the Enlarged Group" as set out in Appendix III to the Circular. In view of the profit-making track record of the Target Group, it is expected that the Acquisition would bring a positive impact to the earnings position of the Company in the future.

(c) Gearing position

As at 30 June 2015, the Group had total assets of approximately HK$0.47 million and total liabilities of approximately HK$2,065.27 million. The debt to asset ratio of the Group was approximately 4,394.19 times, being the total liabilities divided by total assets. According to the section headed "Unaudited pro forma of financial information of the Group" set out in Appendix III to the Circular, assuming the Proposed Restructuring had been completed on 30 June 2015, the Enlarged Group would have total assets of approximately [REDACTED] and total liabilities of approximately [REDACTED]. Accordingly, the debt to asset ratio of the Enlarged Group would be reduced to approximately 0.48 times.

(d) Working capital

As at 30 June 2015, the Group had cash and bank balances of approximately HK$0.08 million and net current liabilities of approximately HK$2,065.70 million. According to the section headed "Unaudited pro forma of financial information of the Group" as set out in Appendix III to the Circular, assuming that the Proposed Restructuring took place on 30 June 2015, the Enlarged Group would have cash and bank balances of approximately [REDACTED] and net current assets of approximately [REDACTED]. Therefore, the working capital position of the Group will be substantially improved after the Proposed Restructuring.

RECOMMENDATIONS

Based on the abovementioned principal factors and reasons for the Proposed Restructuring and the Whitewash Waiver, and after taking into account that:

(i) the Capital Reorganisation and the Creditors Schemes will enable the Group to deal with its outstanding indebtedness in a formal and orderly manner which we consider to be essential to the Group's severe net liabilities position;

(ii) upon Completion, the Company shall be irrevocably released from any indebtedness owing by the Company to its creditors in full on the date on which the Creditors Schemes become effective;

(iii) the [REDACTED] provides the existing Shareholders an equal opportunity to participate in the growth of the Enlarged Group;

(iv) the [REDACTED] from the [REDACTED] and the Subscription will provide the capital needed for the implementation of the Proposed Restructuring and for the Group's general working capital;

(v) the relatively attractive [REDACTED], which is lower than the Subscription Price, i.e. the price per Share to be paid by the Qualifying Shareholders through the [REDACTED] is more favourable than that to be paid by the Subscribers through the Subscription;

(vi) the Stock Exchange will cancel the [REDACTED] of the Shares on the Stock Exchange if the Resumption Proposal fails to proceed;

(vii) upon the completion of the Acquisition, the Group will have a sufficient level of operation to support its continued [REDACTED] on the Stock Exchange;

(viii) the Disposal, which constitutes the Special Deal, would allow the Group to redeploy its resources to other investment opportunities which may bring better and attractive returns;

(ix) the approval of the Whitewash Waiver by the Independent Shareholders is one of the conditions precedent to the Acquisition Agreement which is crucial to the implementation of the Resumption Proposal; and

(x) the substantial improvement in the Group's financial position after Completion,

We are of the view that the terms and conditions of the Proposed Restructuring including but not limited to the [REDACTED], the Subscription, the Acquisition, the Whitewash Waiver, the Special Deal and the Disposal and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the

Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Capital Reorganisation, the [REDACTED], the Subscription, the Acquisition, the Whitewash Waiver and the Special Deal and the Disposal to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Goldin Financial Limited
Billy Tang
Director