

LETTER FROM THE BOARD



FIRST MOBILE GROUP HOLDINGS LIMITED
(第一電訊集團有限公司)*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 865)

Executive Directors

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29 February 2016

To the Shareholders

Dear Sirs or Madams,

- (1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ACQUISITION OF CHINA GENERAL (HK) COMPANY LIMITED
(中總(香港)有限公司);**
- (2) REVERSE TAKEOVER INVOLVING A NEW [REDACTED];**
- (3) PROPOSED CAPITAL REORGANISATION;**
- (4) CREDITORS SCHEMES;**
- (5) PROPOSED [REDACTED] OF [REDACTED] ON THE BASIS OF
TWO [REDACTED] FOR EVERY ONE NEW SHARE
HELD ON [REDACTED] RECORD DATE;**
- (6) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES
UNDER SPECIFIC MANDATE;**
- (7) APPLICATION FOR WHITEWASH WAIVER;**
- (8) SPECIAL DEAL AND MAJOR AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSAL;**
- (9) PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES;**
- (10) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS; AND**
- (11) NOTICE OF EXTRAORDINARY GENERAL MEETING**

* For identification purposes only

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1. INTRODUCTION

Reference is made to the announcement of the Company dated 7 June 2010. Trading in the Shares on the Stock Exchange has been suspended since 27 November 2009. By its letters to the Company on 3 June 2010 and 8 June 2012, respectively, the Stock Exchange set out the conditions for the resumption of trading in the Shares as follows:

- (i) publish all outstanding financial results and address any audit qualifications;
- (ii) demonstrate sufficiency of working capital for at least twelve months from the resumption date;
- (iii) demonstrate adequate internal controls to meet obligations under the Listing Rules;
- (iv) inform the market of all material information for it to appraise the Group’s position; and
- (v) the Company has a sufficient level of operations or assets of sufficient value to warrant its continued listing on the Stock Exchange under Rule 13.24 of the Listing Rules.

The Resumption Proposal which includes, among other things, the Capital Reorganisation, the Creditors Schemes, the Subscription, the [REDACTED] and the Original Acquisition was submitted by the Company to the Stock Exchange on 4 December 2012. Please refer to the announcement of the Company dated 21 December 2012 for further details of the Resumption Proposal.

Reference is made to the Announcements in relation to, among other things, the Proposed Restructuring. As set out in the Announcements, the Company entered into an acquisition agreement with Energy Industry and the Julong Management Shareholders, and an option agreement with Apex Ocean Holdings Limited (高海集團有限公司) (“**Apex Ocean**”), a company incorporated in Hong Kong on 9 January 2013, 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 new [REDACTED] of Julong. The [REDACTED] Committee also decided that if the Company fails to submit the new [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.

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Subsequent to the entering into of the agreements and in the course of preparing for the new [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 submit the new [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 the 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 [REDACTED] Committee issued a letter to the Company stating that the third [REDACTED] stage had expired on 19 December 2012 and the Company had failed to submit the application within the final deadline imposed by the [REDACTED] Committee. Accordingly, the [REDACTED] Committee decided to cancel the [REDACTED] of the Shares on the Stock Exchange under Practice Note 17 to the Listing Rules.

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

The Company received a letter dated 11 September 2014 from the [REDACTED] (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 new [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 [REDACTED] (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 new [REDACTED] relating to the Target Group fails to proceed for any reasons. The Company submitted the New [REDACTED] on 30 October 2014.

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The purpose of this circular is to provide the Shareholders with further information in connection with the Proposed Restructuring, among other things, (i) the Capital Reorganisation; (ii) the [REDACTED]; (iii) the Acquisition; (iv) the Whitewash Waiver; (v) the Subscription; (vi) the Special Deal; (vii) the adoption of the New Memorandum and Articles; and (viii) the proposed appointment of proposed Directors, and to give a notice to the Shareholders of the EGM. This circular also provides additional information on the Creditors’ Scheme and the Target Group as required under the Listing Rules in connection with the New [REDACTED].

2. PROPOSED CAPITAL REORGANISATION

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

- (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) 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 authorised but un-issued Shares will be cancelled in their 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.

Fractional New Shares will be disregarded and not be issued to the Shareholders but all such fractional New Shares will be aggregated and, if possible, sold for the benefit of the Company.

Effects of the Capital Reorganisation

Other than the relevant expenses incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Company and the Group or the rights of the Shareholders.

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The following table sets out the effect of the Capital Reorganisation on the share capital of the Company, that is, before and after completion of the Capital Reorganisation:

	Immediately before the Capital Reorganisation	Immediately after the Capital Reorganisation
Nominal value	HK\$0.10	[REDACTED]
Authorised share capital	HK\$300,000,000 divided into 3,000,000,000 Shares	[REDACTED]
Issued and paid-up share capital	HK\$194,599,656.50 divided into 1,945,996,565 Shares	[REDACTED]

Status of the New Shares after the Capital Reorganisation

The New Shares after the Capital Reorganisation will be identical and rank pari passu in all respects with each other.

Conditions of the Capital Reorganisation

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

[REDACTED] and dealings

An application will be made by the Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the New Shares in issue arising from the Capital Reorganisation. Subject to the granting of the [REDACTED] of, and permission to deal in, the New Shares on the Stock Exchange, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or

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such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

No part of the equity or debt securities of the Company is [REDACTED] or dealt in on any other stock exchanges other than the Stock Exchange and no such [REDACTED] or permission to deal in is being or is currently proposed to be sought from any other stock exchange.

Expected effective date of the Capital Reorganisation

Upon the conditions mentioned above being fulfilled, the Capital Reorganisation will become effective immediately after the registration of the Grand Court order and the minutes as referred to in condition (iii) above. An application will be made to the Grand Court for the approval of the Capital Reduction as soon as practicable.

Reasons for the Capital Reorganisation

The Board considers that 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.

The Capital Reorganisation is subject to the approval of the Shareholders at the EGM and the Capital Reorganisation becoming effective is one of the conditions precedent under the Acquisition Agreement and the Subscription Agreements. Accordingly, the Directors are of the view that the implementation of the Capital Reorganisation is in the best interests of the Company and the Shareholders as a whole.

Latest time for lodging transfer of Shares and closure of register of members

In order to be registered as a member to qualify for the posting of new share certificates for the New Shares, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with [REDACTED], the branch share registrar and transfer office of the Company in Hong Kong, at [REDACTED], by [REDACTED] on [REDACTED].

Subject to completion of the Capital Reorganisation, the Company's register of members will be closed from [REDACTED] to [REDACTED] (both dates inclusive), for the purpose of, among other things, establishing entitlements for the posting of new share certificates for the New Shares. No transfer of Shares will be registered during this period.

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Posting of new certificates to the Shareholders

Subject to completion of the Capital Reorganisation, the Company will post the new share certificates in jumbo lot for the New Shares to the Shareholders at the Company's expense. The old share certificates for existing Shares will be void automatically upon the despatch of the new share certificates.

3. CREDITORS SCHEMES

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

- (1) 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;
- (2) 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;
- (3) 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 the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors upon the Creditors Schemes becoming effective;
- (4) 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 the Scheme Company for settlement;
- (5) all or any claims of the Disposed Group 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 Disposed Group to the Scheme Company or the Scheme Administrators (or their nominees) for the benefit of the Scheme Creditors upon the Creditors Schemes becoming effective; and
- (6) 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.

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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. 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 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.

4. THE [REDACTED]

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] Record Date. A total of [REDACTED] will be allotted and issued by the Company to the Qualifying Shareholders and/or the [REDACTED] at the [REDACTED] of [REDACTED] for each [REDACTED]. The [REDACTED] will be conditional upon Completion.

The terms of the proposed [REDACTED] are set out below:

Issue statistics

Basis of the [REDACTED]	: Two (2) [REDACTED] for every one (1) New Share held by the Qualifying Shareholders on the [REDACTED] Record Date
[REDACTED]	: [REDACTED] per [REDACTED] payable in full upon application
Number of New Shares expected to be in issue as at the [REDACTED] Record Date	: 194,599,656 [REDACTED]
Number of [REDACTED]	: [REDACTED], representing (i) approximately 20.0% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 66.7% of the issued share capital of the Company immediately after the Capital Reorganisation and upon completion of the [REDACTED]; and (iii) approximately 6.67% of the issued share capital of the Company upon Completion

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Enlarged issued share capital upon : 583,798,968 [REDACTED]
completion of the
Capital Reorganisation and
the [REDACTED] and before
the Subscription and
the Acquisition

[REDACTED] from : Approximately [REDACTED]
the [REDACTED]

Save as disclosed in this circular, the Company had no share options, warrants, derivatives or other securities convertible into or exchangeable for the Shares outstanding as at the Latest Practicable Date.

Status of the [REDACTED]

The [REDACTED], when allotted, issued and fully paid, will rank pari passu with the then existing New Shares in issue on the date of allotment of the [REDACTED] in all respects. Holders of such [REDACTED] will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the [REDACTED].

Qualifying Shareholders

The [REDACTED] is only available to the Qualifying Shareholders. To qualify for the [REDACTED], a Shareholder must, at the close of business on the [REDACTED] Record Date:

- (i) be registered as a member of the Company on the register of members of the Company; and
- (ii) not be a Non-qualifying Shareholder.

In order to be registered as members of the Company on the [REDACTED] Record Date, all transfers of New Shares must be lodged (together with the relevant share certificate(s)) with the Company's branch share registrar and transfer office in Hong Kong, [REDACTED], at [REDACTED] by [REDACTED] on [REDACTED]. It is expected that the last day of dealing in the New Shares on a cum-entitlement basis is Monday, 13 June 2016 and the New Shares will be dealt with on an ex-entitlement basis from Tuesday, 14 June 2016.

Subject to the allotment and issue of New Shares otherwise than on a pro rata basis as required under Section 140 of the Hong Kong Companies Ordinance and the [REDACTED] being approved at the EGM, the Company will despatch the [REDACTED] Documents to each of the Qualifying Shareholders and, for information only, the [REDACTED] to each of the Non-qualifying Shareholders (if any) on or about [REDACTED].

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The Board has not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up their respective [REDACTED] under the [REDACTED].

Non-qualifying Shareholders

The [REDACTED] Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders (as defined below) may not be eligible to take part in the [REDACTED] as explained below.

If, at the close of business on the [REDACTED] Record Date, any Shareholder whose address as shown on the register of members of the Company is in a place outside of Hong Kong (the “**Overseas Shareholders**”), such Shareholder(s) may not be eligible to take part in the [REDACTED]. The Board will, if necessary, make enquiries with its legal advisers regarding the legal restrictions under the law of the relevant jurisdiction and the requirements of the relevant regulatory body or stock exchange. If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient not to offer the [REDACTED] to such Overseas Shareholders, the [REDACTED] will not be available to such Overseas Shareholders. Accordingly, the [REDACTED] will not be extended to the Non-qualifying Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the [REDACTED].

Based on the register of members of the Company, as at the Latest Practicable Date, there were three Overseas Shareholders (holding in aggregate approximately 250,858 Shares) whose addresses as shown in the register of members of the Company were in Malaysia, which were outside Hong Kong.

In compliance with the necessary requirements of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the [REDACTED] to the Overseas Shareholders. Based on the legal advice provided by the legal advisers in Malaysia, no legal or regulatory compliance is required to be made in Malaysia. Accordingly, the [REDACTED] will be extended to the Shareholders in Malaysia. As such, there will be no Non-qualifying Shareholders under the [REDACTED].

It is the responsibility of any person (including but not limited to nominee, agent and trustee) outside Hong Kong wishing to apply for the [REDACTED] to satisfy himself or herself or itself as to the full observance of the laws of the relevant places and the requirements of the relevant regulatory bodies, including obtaining any governmental or other consents and paying any taxes, duties and other amounts required to be paid in the relevant places in connection therewith. Shareholders should consult their professional advisers if in doubt.

Closure of register of members

The register of members of the Company will be closed from [REDACTED] to [REDACTED], both dates inclusive, to determine the eligibility of the Shareholders to the [REDACTED]. No transfers of New Shares will be registered during this period.

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No application for excess [REDACTED]

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.

Fractional entitlements

Fractions of [REDACTED] will not be allotted to the Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number. Any [REDACTED] created from the aggregation of fractions of [REDACTED] will be taken up by the [REDACTED].

Application for [REDACTED]

The Company will apply to the [REDACTED] Committee of the Stock Exchange for the [REDACTED] of, and permission to deal in, the [REDACTED]. Dealings in the [REDACTED] will be subject to the payment of stamp duty, Stock Exchange trading fee and any other applicable fees and charges in Hong Kong.

Subject to the granting of the approval for the [REDACTED] of, and permission to deal in, the [REDACTED] on the Stock Exchange, the [REDACTED] will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the [REDACTED] on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Share certificates for the [REDACTED]

Subject to the fulfillment of the conditions of the [REDACTED], certificates for all fully-paid [REDACTED] are expected to be posted to those entitled thereto by [REDACTED] at their own risk.

Conditions for the [REDACTED]

The [REDACTED] is conditional upon, inter alia, the fulfillment of the conditions set out under the paragraph below headed “Conditions of the [REDACTED] Agreement” in this section. Therefore, the [REDACTED] may or may not proceed.

[REDACTED] Agreement

Issuer : the Company

[REDACTED] : Asian Capital, who is (i) not acting in concert with any member of the Concert Group; and (ii) save for being the financial adviser to the Company, an Independent Third Party

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Number of [REDACTED] : [REDACTED]
to be [REDACTED] by
the [REDACTED]

[REDACTED] : [REDACTED] per [REDACTED]

[REDACTED] commission : [REDACTED]

Terms of the [REDACTED] Agreement were determined after arm’s length negotiations between the Company and the [REDACTED]. The Directors are of the opinion that the terms of the [REDACTED] Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the [REDACTED] Agreement

The [REDACTED] Agreement is conditional upon the following conditions being fulfilled:

- (a) the conditions precedent to the Acquisition Agreement having been fulfilled;
- (b) all of the conditions precedent to the Subscription Agreements having been duly satisfied or waived in accordance with the terms set out therein;
- (c) the delivery to the Stock Exchange for authorisation, and the registration with the Registrar of Companies in Hong Kong, respectively, not later than the [REDACTED] Posting Date, of one copy of each of the [REDACTED] Documents for use by the Qualifying Shareholders to apply for the [REDACTED] under their entitlements, duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached to it) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);
- (d) the posting of the [REDACTED] Documents to the Qualifying Shareholders and, if required by or in compliance with the Listing Rules, a copy of the [REDACTED] stamped “For Information Only” to the Non-qualifying Shareholders on the [REDACTED] Posting Date;
- (e) the approval of the [REDACTED], the [REDACTED] Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM;
- (f) the approval of the Whitewash Waiver by the Independent Shareholders at the EGM by way of poll;
- (g) the grant of the Whitewash Waiver by the Executive;

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- (h) the approval of the Special Deal by the Independent Shareholders by way of poll and the consent of the Special Deal granted by the Executive;
- (i) the grant or the agreement to grant (subject to allotment) by the [REDACTED] Committee, and not having withdrawn or revoked such grant, of the [REDACTED] of and permission to deal in all the [REDACTED], either unconditionally or subject to such conditions as are accepted by the Company;
- (j) the Stock Exchange having conditionally or unconditionally approved, or decided to allow the Company to proceed with, the resumption of trading in the New Shares on the Stock Exchange and all the conditions attached to such approval or decision (if any) having been fulfilled (other than those conditions relating to or in connection with restoration of public float) or waived by the Stock Exchange; and
- (k) all other necessary waivers, consents and approval including but not limited to those from the Stock Exchange, the SFC and any other relevant government or regulatory authorities, which are required (if any) for the implementation of the resumption proposal and all transactions contemplated thereunder.

Except for condition (h), all the other conditions are not waivable. None of the conditions precedent has been fulfilled up to the Latest Practicable Date. If any of the conditions of the [REDACTED] Agreement is not fulfilled in whole (or waived where applicable) by [REDACTED] (or such other time and/or date as the Company and the [REDACTED] may determine in writing), or shall become incapable of being fulfilled, all obligations and liabilities of the parties under the [REDACTED] Agreement shall cease, and no party shall have any claim against the other party of the [REDACTED] Agreement and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

The [REDACTED] shall pay to the Company on 15 July 2016 (or such other time or date as may be agreed between the Company and the [REDACTED]) the aggregate [REDACTED] in respect of all the [REDACTED].

Termination of [REDACTED] Agreement

If, prior to 4:00 p.m. on [REDACTED] or such later date or time as the Company and the [REDACTED] may agree in writing, being the latest time to terminate the [REDACTED] Agreement (the **"Latest time for Termination"**):

- (1) in the reasonable opinion of the [REDACTED], the success of the [REDACTED] would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the sole and reasonable opinion of

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the [REDACTED], materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the [REDACTED]; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and reasonable opinion of the [REDACTED], materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the [REDACTED] or otherwise makes it inexpedient or inadvisable to proceed with the [REDACTED]; or
 - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (2) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and reasonable opinion of the [REDACTED] is likely to materially and adversely affect the success of the [REDACTED] or otherwise makes it inexpedient or inadvisable to proceed with the [REDACTED]; or
 - (3) there is any change in the circumstances of the Company or any member of the Group which in the sole and reasonable opinion of the [REDACTED] will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
 - (4) the circular, [REDACTED] or announcements of the Company published since the date of the [REDACTED] Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the [REDACTED] Agreement been publicly announced or published by the Company and which may in the sole and reasonable opinion of the [REDACTED] is material to the Group as a whole and is likely to affect materially and adversely the success of the [REDACTED] or might cause a prudent investor not to accept the relevant [REDACTED] to it,

the [REDACTED] shall, by notice in writing to the Company served prior to the Latest Time for Termination, be entitled to terminate the [REDACTED] Agreement.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE NEW SHARES

The [REDACTED] is conditional upon, inter alia, the fulfillment of the conditions set out under the paragraph “Conditions of the [REDACTED] Agreement” above in this circular. Therefore, the [REDACTED] may or may not proceed.

Any dealing in the New Shares from the date of this circular up to the date on which all the conditions of the [REDACTED] Agreement are fulfilled will accordingly bear the risk that the [REDACTED] may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the New Shares are recommended to consult their own professional advisers. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the New Shares.

5. THE SUBSCRIPTION

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) respectively 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 HK\$0.155 per New Share.

Subscription by Jinwu

Subscription Shares	: 954,694,714 New Shares, representing approximately 49.1% of the issued share capital of the Company as at the Latest Practicable Date
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LETTER FROM THE BOARD

Subscription Price : Approximately HK\$148 million (equivalent to approximately HK\$0.155 per New Share)

Conditions Precedent : The completion of the Amended Subscription Agreement is conditional upon fulfilment of, among other things, the Capital Reorganisation, the Shareholders passing the ordinary resolutions at the EGM approving the share subscription thereunder and the [REDACTED] Committee granting approval for the [REDACTED] of, and permission to deal in the New Shares to be allotted and issued thereunder.

In the event that any of the conditions are not satisfied by [REDACTED] or such later date as may be agreed between Jinwu and the Company, the Amended Subscription Agreement shall be terminated.

Completion : Following the fulfillment of the conditions precedent, the Company will issue and deliver a completion notice to Jinwu accompanied by documents evidencing the satisfaction of the conditions precedent. Completion shall take place within ten business days upon receipt of such completion notice by Jinwu or at such other time as the parties may agree.

Subscription by Time Boomer

Option : The Company agreed to grant Time Boomer the New TB Option.

Option Period : The option period of the New TB Option shall commence from the fulfillment of all the conditions precedent to the Amended Subscription Agreement (unless the same is waived by Jinwu) to the date of the completion of the Subscription.

Exercise Price : The exercise price for the New TB Option shall be HK\$0.155 per New Share, and shall be equal to and no less favourable than the Subscription Price with an aggregate exercise price of HK\$13 million.

Option Shares : 83,870,968 New Shares, representing approximately 4.3% of the issued share capital of the Company as at the Latest Practicable Date

LETTER FROM THE BOARD

- Conditions Precedent** : The completion of the Amended TB Option Agreement is conditional upon fulfilment of, among other things, the Shareholders passing the ordinary resolutions at the EGM approving the granting of the New TB Option and the New TB Subscription Shares; the [REDACTED] Committee granting approval for the [REDACTED] of, and permission to deal in the New TB Subscription Shares; and the fulfillment of all the conditions (unless the same is waived by Jinwu) under the Amended Subscription Agreement.
- The Company shall use its best endeavours to ensure that completion of the conditions are fulfilled prior to [REDACTED]. In the event that any of the conditions are not fulfilled on or before [REDACTED] or such later date as may be agreed between Time Boomer and the Company, the Amended TB Option Agreement shall be terminated.
- Set-off** : At the completion, Time Boomer shall be entitled at its absolute discretion to satisfy the exercise price (or any part thereof) for the New TB Subscription Shares in the following manner:
- (a) to pay the same (or any part thereof) by way of cashier order drawn on a licensed bank in Hong Kong in favour of the Company or by way of remitting the same to a bank account in the name of the Company as designated by the Company; and/or
 - (b) to satisfy, discharge and set-off the same (or any part thereof) by way of assigning to the Company all of the outstanding loan, interest and other sums payable by MDL to Time Boomer under the TB Loan Agreement by giving the Company and MDL written notice.
- Completion** : Subject to fulfillment of the conditions precedent as detailed above and exercise of the New TB Option by Time Boomer within the option period of the New TB Option, the completion of the Amended TB Option Agreement shall take place simultaneously with the Subscription.

LETTER FROM THE BOARD

Upon the completion and the issue of the written notice assigning to the Company all of the outstanding loan, interest and other sums payable by MDL to Time Boomer under the TB Loan Agreement:

- (a) Time Boomer shall be and be deemed to have assigned and transferred to the Company all of the outstanding loan, interest and other sums payable by MDL to Time Boomer under the TB Loan Agreement and all rights and obligations of Time Boomer under the TB Loan Agreement, on the condition that Time Boomer shall not be entitled to issue the written notice for any amount less than all of the outstanding loan, interest and other sums payable by MDL under the TB Loan Agreement;
- (b) the exercise price payable by Time Boomer for the New TB Subscription Shares shall be satisfied, discharged and set off against an amount equivalent to all of the outstanding loan, interest and other sums payable by MDL under the TB Loan Agreement, and Time Boomer is only liable to pay the remaining amount of the exercise price, if any, to the Company;
- (c) in the event where all of the outstanding loan, interest and other sums payable by MDL under the TB Loan Agreement exceeds the exercise price payable by Time Boomer for the New TB Subscription Shares, such amount (if any) shall be paid by the Company to Time Boomer at the completion; and
- (d) MDL shall become liable to repay all of the outstanding loan, interest and other sums payable by MDL under the TB Loan Agreement to the Company in accordance with the terms of the TB Loan Agreement, and MDL's liability to repay all of the outstanding loan, interest and other sums payable by MDL under the TB Loan Agreement to Time Boomer shall be discharged absolutely.

Transferability : The New TB Option may be assigned or transferred by Time Boomer with the consent of Jinwu.

LETTER FROM THE BOARD

Subscription by First Apex

- Option** : The Company agreed to grant to First Apex the New FA Option.
- Option Period** : The option period of the New FA Option shall commence from the fulfillment of all the conditions precedent to the Amended Subscription Agreement (unless the same is waived by Jinwu) to the date of the completion of the Subscription.
- Exercise Price** : The exercise price for the New FA Option shall be HK\$0.155 per New Share, and shall be equal to and no less favourable than the Subscription Price with an aggregate exercise price of HK\$20 million.
- Option Shares** : 129,032,258 New Shares, representing approximately 6.6% of the issued share capital of the Company as at the Latest Practicable Date
- Conditions Precedent** : The completion of the New FA Option Agreement is conditional upon fulfillment of, among other things, the Shareholders passing at the EGM ordinary resolutions approving the granting of the New FA Option and the allotment and issue of the New FA Subscription Shares to First Apex; the [REDACTED] Committee granting approval for the [REDACTED] of, and permission to deal in the New FA Subscription Shares; and the fulfillment of all the conditions (unless the same is waived by Jinwu) under the Amended Subscription Agreement.

The Company shall use its best endeavours to ensure that completion of the conditions are fulfilled prior to [REDACTED]. In the event that any of the conditions are not fulfilled on or before [REDACTED] or such later date as may be agreed between First Apex and the Company, the New FA Option Agreement shall be terminated.

LETTER FROM THE BOARD

Set-off : At the completion, First Apex shall be entitled at its absolute discretion to satisfy the exercise price (or any part thereof) for the New FA Subscription Shares in the following manner:

- (a) to pay the same (or any part thereof) by way of cashier order drawn on a licensed bank in Hong Kong in favour of the Company or by way of remitting the same to a bank account in the name of the Company as designated by the Company; and/or
- (b) to satisfy, discharge and set-off the same (or any part thereof) by way of assigning to the Company all of the outstanding loan, interest and other sums payable by MDL to First Apex under the FA Loan Agreement by giving the Company and MDL written notice.

Completion : Subject to fulfillment of the conditions precedent as detailed above and exercise of the New FA Option by First Apex within the option period of the New FA Option, the completion of the New FA Option Agreement shall take place simultaneously with the completion of the Subscription.

Upon the completion and the issue of the written notice assigning to the Company all of the outstanding loan, interest and other sums payable by MDL to First Apex under the FA Loan Agreement:

- (a) First Apex shall be and be deemed to have assigned and transferred to the Company all of the outstanding loan, interest and other sums payable by MDL to First Apex under the FA Loan Agreement and all rights and obligations of First Apex under the FA Loan Agreement, on the condition that First Apex shall not be entitled to issue the written notice for any amount less than all of the outstanding loan, interest and other sums payable by MDL under the FA Loan Agreement;
- (b) the exercise price payable by First Apex for the New FA Subscription Shares shall be satisfied, discharged and set off against an amount equivalent to all of the outstanding loan, interest and other sums payable by MDL under the FA Loan Agreement, and First Apex is only liable to pay the remaining amount of the exercise price, if any, to the Company;

LETTER FROM THE BOARD

- (c) in the event where all of the outstanding loan, interest and other sums payable by MDL under the FA Loan Agreement exceeds the exercise price payable by First Apex for the New FA Subscription Shares, such amount (if any) shall be paid by the Company to First Apex at the completion; and
- (d) MDL shall become liable to repay all of the outstanding loan, interest and other sums payable by MDL under the FA Loan Agreement to the Company in accordance with the terms of the FA Loan Agreement, and MDL's liability to repay all of the outstanding loan, interest and other sums payable by MDL under the FA Loan Agreement to First Apex shall be discharged absolutely.

Transferability : The New FA Option may be assigned or transferred by First Apex with the consent of Jinwu.

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

6. REASONS FOR THE [REDACTED], THE SUBSCRIPTION AND THE WORKING FACILITY CAPITALISATION AND THE USE OF [REDACTED]

The [REDACTED] and the Subscription form part of the Resumption Proposal seeking the resumption of trading in the New Shares, which has been suspended since 27 November 2009.

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

No cash will be generated from the 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.

LETTER FROM THE BOARD

7. THE ACQUISITION

Under the Acquisition Agreement, the Company will purchase from the Vendors the Sale Equity Interest. Set out below are the salient terms of the Acquisition Agreement:

Date

31 March 2014 (as supplemented and amended by a supplemental agreement dated 27 October 2014 and a second supplemental agreement dated 30 April 2015)

Parties to the Acquisition Agreement

- (i) the Company, being the purchaser;
- (ii) the Vendors (namely, Mr. Shie and Mr. Tsoi), being the vendors; and
- (iii) Mr. Ng, being the purchaser's guarantor.

To the best of the Director's knowledge, information and belief and having made all reasonable enquires, the Vendors are third parties independent of and not connected with, the Company and connected persons of the Company. The Vendors have also confirmed to the Company that no member of the Concert Group is acting in concert with any of the Subscribers and their respective associates. The Subscribers are Independent Third Parties.

Asset to be acquired

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

The 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 (equivalent to approximately HK\$573.6 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, based on publicly available information from, amongst other sources, the 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 (a company whose business is operating property searching platform in the PRC) (in respect of historical selling prices of the Binjiang International Project (one of the residential property development projects of the Target Group)), as

LETTER FROM THE BOARD

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 issue of the Consideration Shares at the Consideration Price of HK\$0.20 each upon completion of the Acquisition.

An application will be made by the Company to the Stock Exchange for the [REDACTED] of, and the permission to deal in the Consideration Shares.

Conditions precedent to the Acquisition Agreement

Conditions precedent to the Acquisition Agreement include, among others, the followings:

- (a) the Creditors Schemes becoming effective no later than completion of the Acquisition;
- (b) the entering into of the Subscription Agreements to amend the terms of the Original Subscription Agreement, the FA Option Agreement and the TB Option Agreement;
- (c) signed written consents from the Subscribers having been obtained for the Company to enter into the Acquisition Agreement and the transactions contemplated thereunder;
- (d) written consent from Deloitte Touche Tohmatsu as agent to the participating creditors having been obtained for the Company to enter into the Acquisition Agreement and the transactions contemplated thereunder, if applicable;
- (e) passing of resolutions of the Independent Shareholders at the EGM by way of poll approving (i) the Capital Reorganisation; (ii) the [REDACTED]; (iii) the Acquisition; (iv) the Whitewash Waiver; (v) the Subscription; and (vi) the Special Deal;
- (f) the Whitewash Waiver having been granted by the Executive to the Vendors and the Whitewash Waiver not subsequently being revoked or withdrawn;
- (g) the Special Deal having been consented to by the Executive and the conditions attached (if any) to such consent having been satisfied;
- (h) the Grand Court granting an order confirming the Capital Reduction;
- (i) all consents from, and filings with, any government authority or any court or judicial body and other relevant third parties which are required or appropriate necessary for the implementation of the Proposed Restructuring;

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- (j) the Company having completed the due diligence review of the legal, financial and business affairs of the Target Group and the results of such review being reasonably satisfactory to the Company;
- (k) the Vendors having completed the due diligence review of the legal, financial and business affairs of the Company and the results of such review being reasonably satisfactory to the Vendors;
- (l) the [REDACTED] of and permission to deal in all of the New Shares upon completion of the Capital Reorganisation and the New Shares allotted and issued pursuant to the Subscription, the Acquisition and the [REDACTED], having been granted by the [REDACTED] Committee and such permission not subsequently being revoked or withdrawn;
- (m) submission of a new [REDACTED] in respect of the Target Group to the Stock Exchange by the Company and the receipt of the approval in principle from the [REDACTED] Committee by the Company and such approval not being subsequently revoked or withdrawn;
- (n) the Shares or the New Shares remain to be [REDACTED] on the main board of the Stock Exchange;
- (o) the entering into of the Disposal Agreement and the fulfilment or waiver of all the conditions precedents set out therein;
- (p) where applicable, the Company having received from the Stock Exchange the in-principle approval letter in respect of the amendments to the Proposed Restructuring submitted to the Stock Exchange on 31 March 2014; and
- (q) the Vendors having completed the reorganisation in respect of the Target Group to the satisfaction of the Company; and the Target Group shall have the full legal ownership of The Cullinan Bay Project and the Binjiang International Project.

The conditions precedent to the Acquisition Agreement (a) to (q) set out above cannot be waived by the parties to the Acquisition Agreement.

As at the Latest Practicable Date, condition (b), (c) and (d) have been fulfilled. Completion of the Acquisition and the allotment and issue of the Consideration Shares, Subscription Shares and [REDACTED] will take place simultaneously on the date falling after 5 Business Days upon the fulfilment or waiver of the conditions precedent to the Acquisition Agreement pursuant to the terms thereto or such other date as agreed between the parties in writing.

If any of the conditions above is not fulfilled on or before [REDACTED] or such other date as the Company and the Vendors may agree in writing, the Acquisition Agreement will be terminated and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

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Reasons for the Acquisition

The Acquisition forms part of the Resumption Proposal seeking the resumption of trading in the New Shares, which has been suspended since 27 November 2009.

Upon completion of the Acquisition, the Group will have a sufficient level of operation on the basis that the Target Group will continue to (i) sell the property units of the Binjiang International Project that approximately 19,368 sq.m. of its total saleable GFA was available for sale as at 30 September 2015; (ii) develop and sell the property units of The Cullinan Bay Project that its various phases or stages are expected to commence pre-sale or delivery in the next four years; and (iii) actively identify potential land parcels suitable for its property development projects and expand its land reserves, which will promote the sustainable growth of the Target Group and thereby enabling the Group to have a sufficient level of operation upon completion of the Acquisition. Meanwhile, the [REDACTED] from the [REDACTED] will improve the financial and liquidity position of the Group based on the financial effect of the Proposed Restructuring, details of which are set out in the section headed “Financial effects of the Proposed Restructuring” in this circular.

Taking into account that (a) the Consideration of approximately HK\$817.0 million, which was arrived at after arm’s length negotiations between the parties to the Acquisition Agreement and determined with reference to (i) the unaudited combined net asset value of the Target Group as at 31 December 2013, being approximately RMB480.0 million (equivalent to approximately HK\$573.6 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, based on publicly available information from, amongst other sources, the 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 (a company that operates a property searching platform in the PRC) (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, representing a discount of approximately 6.74% to the adjusted net assets attributable to owners of the Target Group of approximately RMB693.87 million (equivalent to approximately HK\$829.1 million); (b) the prolonged suspension of trading in the Shares; (c) the Resumption Proposal being the only proposal that the [REDACTED] (Review) Committee will consider for the purpose of Resumption and not any other proposals; and (d) the Company will be [REDACTED] if the Resumption Proposal failed to proceed, the Directors believe that the terms of the Acquisition Agreement are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Reverse takeover and new [REDACTED]

The Acquisition also constitutes a reverse takeover for the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that the Acquisition (i) is a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) is regarded as resulting in a change in control of the Company to the Vendors, which falls within the bright line tests of Rule 14.06(6)(a) of the Listing Rules. Accordingly, the Company will be treated as if it were a new [REDACTED] applicant under Rule 14.54 of the Listing Rules. The Enlarged Group or the Target Group must be able to meet the requirements of Rule 8.05 of the Listing Rules and the Enlarged Group must be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules.

In this regard, the Company has appointed the [REDACTED] and other professional parties to assist it to prepare the New [REDACTED]. The Company has made the New [REDACTED] to the Stock Exchange on 30 October 2014.

Financial effects of the Acquisition on the Company

Immediately following completion of the Acquisition, China General will be wholly-owned by the Company and the results of the Target Group will be consolidated into the accounts of the Company.

(i) Effect on earnings

As set out in the section headed “Unaudited pro forma financial information of the Enlarged Group” in Appendix IV to the circular, assuming the Acquisition had been completed on 1 January 2014, the loss for the year ended 31 December 2014 of the Enlarged Group would be approximately [REDACTED], after taking into account of the Deemed [REDACTED] expenses as defined in Appendix IV to this circular. In view of the profit-making track record of the Target Group, the Directors expect that the earnings of the Group will be enhanced upon Completion.

(ii) Effect on assets value

As set out in the section headed “Unaudited pro forma financial information of the Enlarged Group” in Appendix IV to this circular, assuming the Acquisition had been completed on 30 June 2015, the assets value of the Group as at 30 June 2015 will be improved from approximately [REDACTED] to the assets value of the Enlarged Group of approximately [REDACTED]. Based on the above, the Directors expect that the assets position of the Group will be enhanced upon Completion.

LETTER FROM THE BOARD

(iii) Effect on net assets value

As set out in the section headed "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to this circular, assuming the Acquisition had been completed on 30 June 2015, the net liabilities value of the Group as at 30 June 2015 will be improved from approximately [REDACTED] to the net assets value of the Enlarged Group of approximately [REDACTED]. Based on the above, the Directors expect that the net assets position of the Group will be enhanced upon Completion.

For further details in relation to the unaudited pro forma financial information of the Enlarged Group, please refer to Appendix IV to this circular.

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

8. THE [REDACTED], THE SUBSCRIPTION SHARES AND THE CONSIDERATION SHARES

Number of the New Shares

The [REDACTED] to be allotted and issued at the [REDACTED] of [REDACTED] each represent:

- (i) approximately 200.0% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 22.2% 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
- (iii) approximately 6.7% of the issued shares 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.

The 1,167,597,940 Subscription Shares, of which 954,694,714 Subscription Shares, 83,870,968 Subscription Shares and 129,032,258 Subscription Shares to be allotted and issued to Jinwu Limited, Time Boomer and First Apex respectively, at the Subscription Price of HK\$0.155 each represent:

- (i) approximately 600.0% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) 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
- (iii) approximately 20.0% of the issued shares 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.

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The 4,086,592,788 Consideration Shares to be allotted and issued at the Consideration price of HK\$0.20 each represent:

- (i) approximately 2,100.0% of the issued shares of the Company upon completion of the Capital Reorganisation;
- (ii) approximately 233.3% 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
- (iii) approximately 70.0% of the issued shares 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.

Price of the New Shares

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\$1,997.7 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 Date; 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\$1,997.7 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective).

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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.

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\$1,997.7 million as at 31 December 2014 and 194,599,656 New Shares upon the Capital Reorganisation becoming effective).

The Consideration 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 Vendors have been involved in the Proposed Restructuring.

Issue under specific mandate

The [REDACTED], the Subscription Shares and the Consideration Shares will be issued pursuant to a specific mandate to be obtained upon approval by the Shareholders, or Independent Shareholders, as the case may be, at the EGM.

LETTER FROM THE BOARD

9. CHANGES IN SHAREHOLDING STRUCTURE

The tables below set out the changes in the shareholding structure of the Company arising from the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition. For illustrative purposes only, two cases, which assume (I) none of the Existing Shareholders subscribed for the [REDACTED] and the [REDACTED] takes up the [REDACTED] in full; and (II) all Existing Shareholders subscribed for the [REDACTED], are shown below:

Case (I) — none of the Existing Shareholders subscribed for the [REDACTED]

Name of shareholders	As at the Latest Practicable Date		(I) Immediately after the Capital Reorganisation		(II) Immediately after the Capital Reorganisation and upon completion of the [REDACTED]		(III) Immediately after the Capital Reorganisation, the [REDACTED] and the Subscription		(IV) Immediately after the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition		(V) Immediately after the Capital Reorganisation, the [REDACTED], the Subscription, the Acquisition and the [REDACTED] down	
	(Shares)	(%)	(Shares)	(%)	(Note 2) (Shares)	(%)	(Note 2) (Shares)	(%)	(Note 2) (Shares)	(%)	(Note 5) (Shares)	(%)
Subscribers												
Jinwu Limited	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Time Boomer	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
First Apex	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Existing Controlling Shareholders												
Mr. Ng Kok Hong	596,766,389	30.7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Tan Sook Kiang	9,088,625	0.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NKT Holdings Sdn. Bhd (Note 1)	596,766,389	30.7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Ng Kok Yang	146,944,889	7.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	1,349,566,292	69.4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Public (Note 3)	596,430,273	30.6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Shie	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Tsoi	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	1,945,996,565	100.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

LETTER FROM THE BOARD

Case (II) — all Existing Shareholders subscribed for the [REDACTED]

Name of shareholders	As at the Latest Practicable Date		(I) Immediately after the Capital Reorganisation		(II) Immediately after the Capital Reorganisation and upon completion of the [REDACTED] (Note 2)		(III) Immediately after the Capital Reorganisation, the [REDACTED], and the Subscription (Note 2)		(IV) Immediately after the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition (Note 2)		(V) Immediately after the Capital Reorganisation, the [REDACTED], the Subscription, the Acquisition and the [REDACTED] down (Note 5)	
	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)
Subscribers												
Jinwu Limited	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Time Boomer	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
First Apex	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	—	—	—	—	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Existing Controlling Shareholders												
Mr. Ng Kok Hong	596,766,389	30.7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Tan Sook Kiang	9,088,625	0.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
NKT Holdings Sdn. Bhd (Note 1)	596,766,389	30.7	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Ng Kok Yang	146,944,889	7.5	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	1,349,566,292	69.4	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Public (Note 3)	596,430,273	30.6	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Shie	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Tsoi	—	—	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	1,945,996,565	100.0	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note 1: NKT Holdings Sdn. Bhd is jointly owned by Mr. Ng Kok Tai and Md. Siew Ai Lian.

Note 2: The completion of the [REDACTED], the Subscription and the Acquisition will take place simultaneously. Shareholders and public investors should note that the above changes in shareholding structure are for illustration purpose only. The Subscribers and the [REDACTED] would not hold more than 30% of the total issued share capital of the Company in any circumstance.

Note 3: The Subscribers, and the Vendors (if necessary), will take appropriate steps, which may include arrangement with a [REDACTED] agent to place down a portion of the New Shares, to ensure that the minimum public float as required under the Listing Rules is maintained before the resumption of trading in the Shares. Further announcement(s) will be made in relation to the arrangements, as and when appropriate.

Note 4: Shareholders and public investors should note that the above changes in shareholding structure of the Company are for illustration purpose only.

Note 5: Assuming the Subscribers place down an aggregate of 584,382,770 New Shares by proportion.

[REDACTED] down to restore public float

In order to restore the public float of the Company upon completion of the Capital Reorganisation, the [REDACTED], the Subscription and the Acquisition, the Subscriber(s), and the Vendors (if necessary), will take appropriate steps, including entering into a [REDACTED] arrangement with a third party broker or agent to place down not less than 584,382,770 New Shares as set out in the various scenarios below to

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independent [REDACTED], to restore sufficient public float of the Company. Firstly, the Subscriber(s) will place down an aggregate of not less than 584,382,770 New Shares to restore the sufficient public float of the Company. In the event that the sufficient public float of the Company cannot be restored after completion of the said [REDACTED] by the Subscriber(s), the Vendors will place down a portion of the New Shares to ensure that the minimum public float as required under the Listing Rules is maintained before the Resumption.

The Stock Exchange has indicated that if, upon completion of the Proposed Restructuring, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued share capital, are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market, trading in the Shares will remain suspended.

Under the proposed [REDACTED] arrangement, it is expected that the [REDACTED] agent will place the aforementioned number of New Shares in the relevant scenarios on a fully underwritten basis.

10. FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

According to Appendix II to this circular, the Group's total assets and liabilities as at 30 June 2015 were approximately HK\$0.5 million and approximately HK\$2,065.7 million respectively, representing a net liability position of approximately HK\$2,065.3 million.

Based on the current estimation of the Company, if the Proposed Restructuring had been completed on 30 June 2015, the Enlarged Group will have a net assets position.

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Upon Resumption and assuming that completion of the Acquisition would take place in July 2016, the Enlarged Group expects to record a net loss of not more than RMB301 million for the year ending 31 December 2016, which is prepared in accordance with the bases and assumptions as set out in Appendix V to this circular. Major items causing the loss for year ending 31 December 2016 will be the Deemed [REDACTED] expenses of the Proposed Restructuring. Assuming the completion of the Proposed Restructuring takes place in July 2016, it is expected that the Deemed [REDACTED] expenses will be charged to the profit or loss for the year ending 31 December 2016. For the purpose of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group which is set out in Appendix IV to this circular, the Proposed Restructuring was assumed to have taken place on 1 January 2014, and the Deemed [REDACTED] expenses of approximately HK\$404.9 million are charged to the profit or loss. Please refer to note 12(a) of Appendix IV to this circular for details. Furthermore, the Group expects to record a net loss of not more than RMB135 million for the year ended 31 December 2015, which is prepared in accordance with the bases and assumptions as set out in Appendix V to this circular. Such loss is mainly due to the finance costs which are mainly interest expenses on bank borrowings and convertible loans of the Group on a non-recurring basis. The said finance costs are not expected to recur since the relevant indebtedness shall be settled in accordance with the terms of the Creditors Schemes. For details, please refer to the section headed “Appendix II — Financial information of the Group”. For further information about the profit estimate of the Group for the year ended 31 December 2015 and the profit forecast of the Enlarged Group for the year ending 31 December 2016, please refer to the section headed “Appendix V — Letters from the reporting accountant of the Group and the Independent Financial Adviser on loss estimate of the Group, loss forecast of the Enlarged Group and the unaudited financial information of the Target Group”.

11. INFORMATION OF THE GROUP

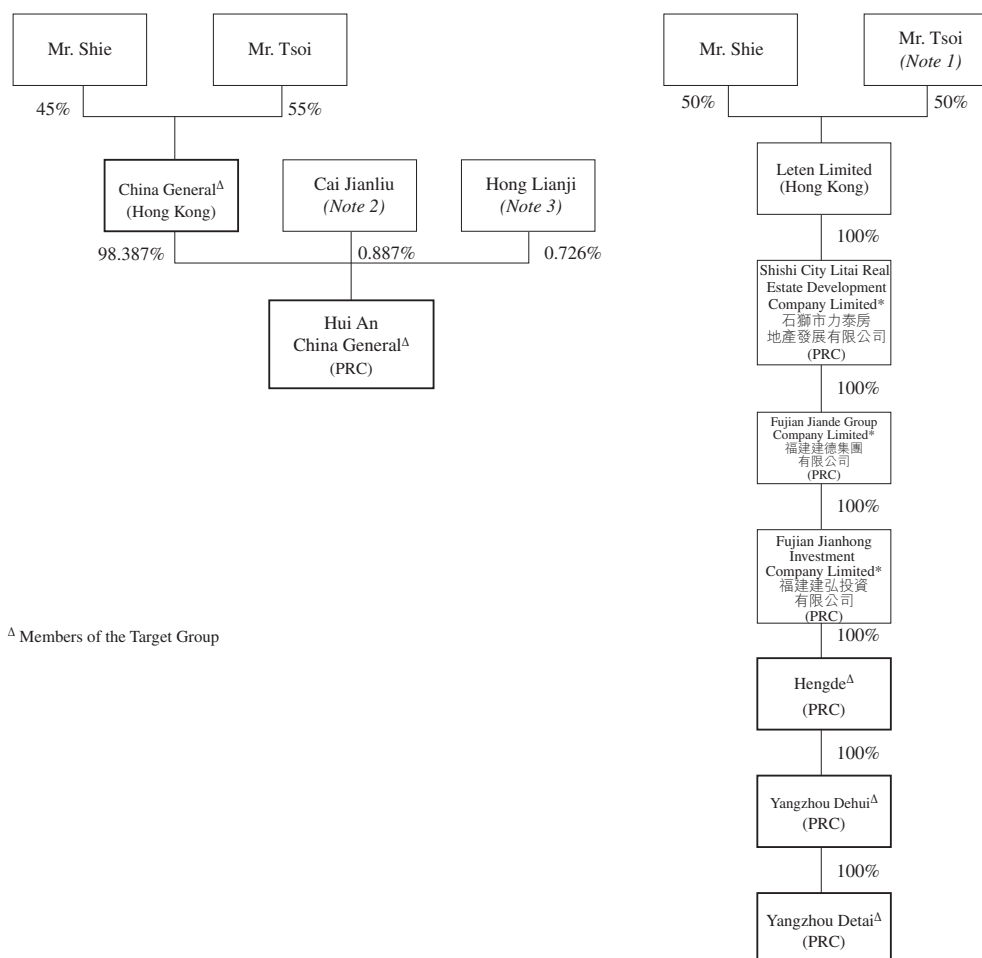
The Company is an investment holding company. The Company, through its subsidiaries, is principally engaged in the trading and distribution of mobile phones and related accessories.

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12. INFORMATION OF THE TARGET GROUP

The Target Group is primarily engaged in development and sale of residential properties in Quanzhou, Fujian Province and Yangzhou, Jiangsu Province of the PRC. As at the Latest Practicable Date, the property portfolio of the Target Group comprised two property development projects, namely, the Binjiang International Project in Fujian Province and The Cullinan Bay Project in Jiangsu Province.

Corporate structure of the Target Group before the Group Reorganisation and the Acquisition



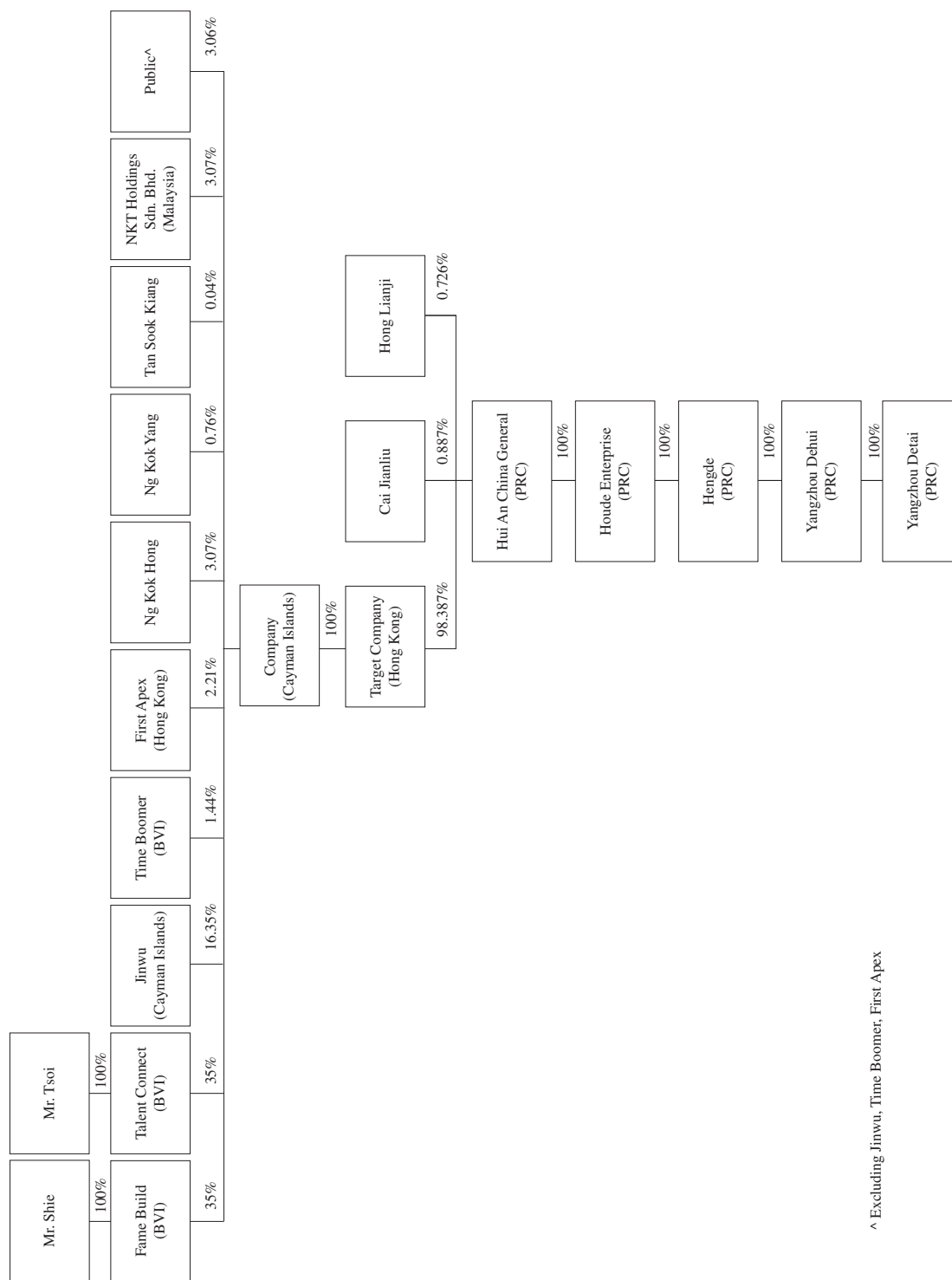
Note 1: The shares of Leten Limited were held on trust by Ms. Tse Lai Fung, the wife of Mr. Tsoi, in favour of Mr. Tsoi.

Note 2: Mr. Cai Jianliu is the younger brother of Mr. Tsoi.

Note 3: Mr. Hong Lianji is an Independent Third Party.

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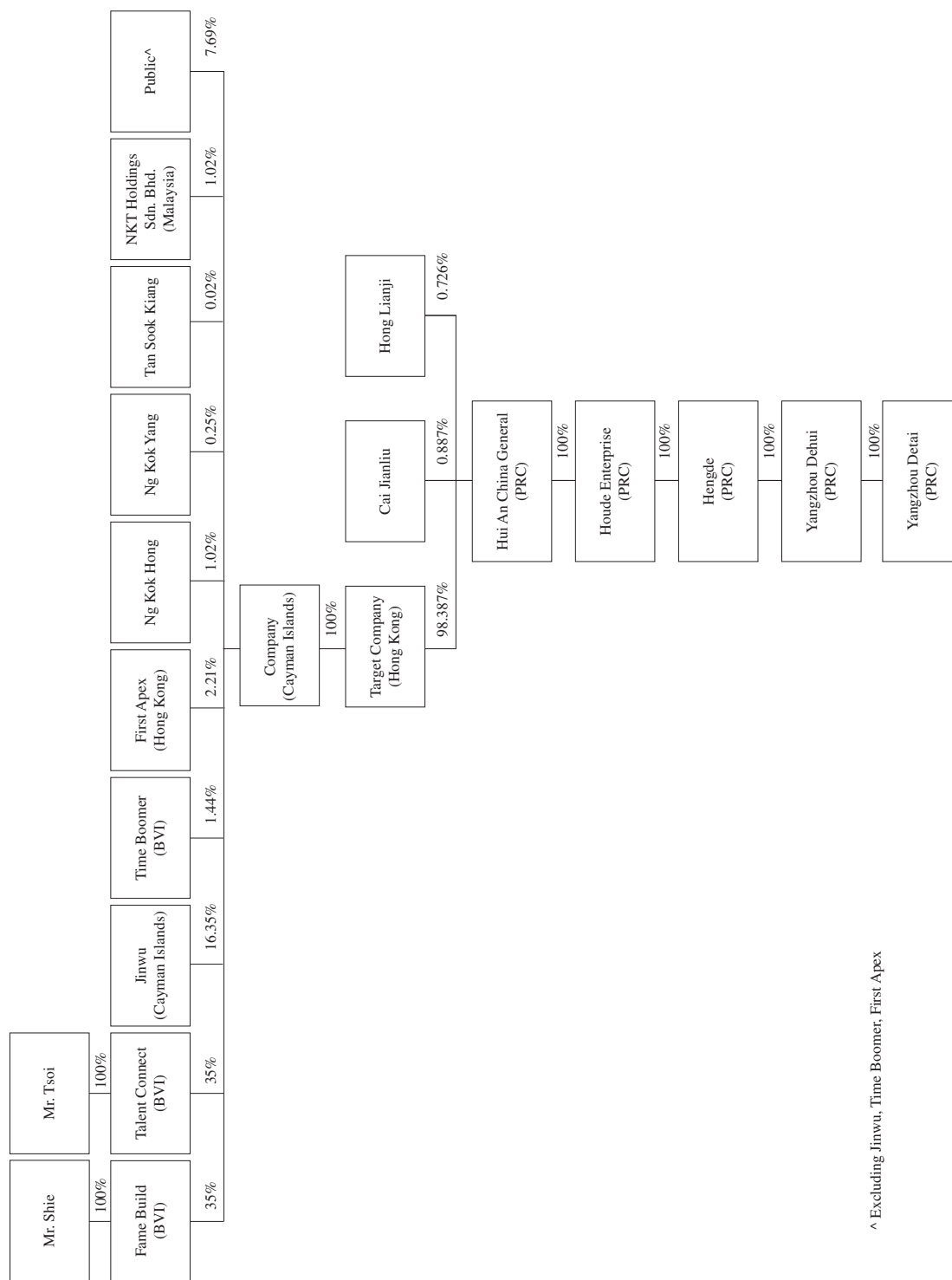
Corporate structure of the Target Group/and the Group after the Group Reorganisation and the Acquisition assuming all the Existing Shareholders fully subscribed for the [REDACTED]



^ Excluding Jinwu, Time Boomer, First Apex

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Corporate structure of the Target Group/and the Group after the Group Reorganisation and the Acquisition assuming none of the Existing Shareholders subscribed for the [REDACTED]



^ Excluding Jinwu, Time Boomer, First Apex

LETTER FROM THE BOARD

Change of principal business activities of the Enlarged Group after Resumption

The Vendors do not intend to continue the existing businesses of the Group. After completion of the Acquisition and the Disposal (as detailed in the section below), the Enlarged Group will primarily focus on the development and sale of residential properties in the PRC after Resumption. Other than the introduction of the business of the Target Group and the Disposal, the Vendors do not intend to introduce any major change to the Enlarged Group’s business (including any re-deployment of the Enlarged Group’s fixed assets) nor does it intend to discontinue the employment of any of the Group’s employees after Resumption.

Each of the Company, the Vendors, the Subscribers and the Directors (including the proposed Directors), confirms that, save for the Disposal, each of them has not entered into any agreement or arrangement or has any intention and/or plan, in respect of the Company’s business and/or the Enlarged Group’s business, about any acquisition, disposal of interest in companies or assets, and/or to carry out a principal business other than the Enlarged Group’s business within 24 months after the Resumption. The Vendors have confirmed that, save for the proposed [REDACTED] of new Shares for the purpose of meeting the public float requirement as disclosed in the sub-paragraph headed “[REDACTED] down to restore public float” in the paragraph headed “Changes in shareholding structure” of this section, which the Vendors’ participation is necessary, the Vendors have no intention or plan to dispose of their respective interests in the Company within 24 months after the Resumption.

Business review of the Target Group

For the property development, the Target Group focuses on, among others, identifying and acquiring suitable sites for development, planning and design of property development projects and formulating sales and marketing strategy. To implement its strategy and achieve its goal, the Target Group engages qualified contractors, construction supervision companies, agencies and property management company (for the Binjiang International Project) to provide design, construction, sales and marketing and property management services and supervises their performance and manages the overall project development process.

Property development projects held by the Target Group

Binjiang International Project

The Binjiang International Project is a residential project consisting primarily of high-rise residential buildings. It also includes ancillary retail shops, clubhouse, swimming pool, car parking spaces and kindergarten. The project is located in Huian County, Quanzhou, Fujian Province and developed by the Target Group.

The project consisted of four phases. As at the Latest Practicable Date, the Target Group has completed the construction of the project.

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The Cullinan Bay Project

The Cullinan Bay Project is a residential project consisting primarily of high-rise residential buildings. It also includes ancillary retail shops and clubhouse. The project currently being developed by the Target Group is located in the west of Wangjiang Road, north of Dingxing Road and east of Linjiang Road in Yangzhou, Jiangsu Province.

The project consisted of two phases. The Target Group has completed construction of Stage 1 of Phase 1 and commenced construction of Stage 2 of Phase 1 of this project.

Future plans

The Target Group plans to manage its expansion plan mainly from the following aspects:

- To continue to acquire land for residential property development in prime locations in cities with high economic growth potential, in particular, the third and fourth tier cities in the PRC.
- To continue to focus on providing quality residential properties with a living community to customers.
- To strengthen its corporate recognition and presence in the property market.
- To continue to develop existing property development projects and acquire land reserves to sustain future growth.
- To continue to exercise prudent financial control in order to ensure sustainable growth and sufficient financial resources.
- To attract, retain and motivate talented personnel by offering competitive remuneration packages.

Management profile of the Target Group

The Target Group has experienced management teams with an average of about seven years of experience in the real estate industry. The Company believes that the Target Group’s experienced and stable management team has contributed to the success of the Target Group and will further enhance the Target Group’s execution capabilities.

Financial information of the Target Group

The audited consolidated net asset value of the Target Group was approximately RMB521.9 million as at 31 October 2015, assuming the related capitalisation of debts having been completed.

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The net profits (both before and after taxation) attributable to the assets that are the subject of the Acquisition, i.e. the Target Group, for the years ended 31 December 2012, 2013 and 2014 are set out as follows:

	For the year ended 31 December 2012 <i>RMB'000</i>	For the year ended 31 December 2013 <i>RMB'000</i>	For the year ended 31 December 2014 <i>RMB'000</i>	For the ten months ended 31 October 2015 <i>RMB'000</i>
Audited net profit before taxation of the Target Group	22,447	39,736	53,661	39,822
Audited net profit after taxation of the Target Group	15,295	27,372	35,813	20,985

13. INFORMATION ON THE SUBSCRIBERS AND THE VENDORS

The Subscribers

Jinwu is a special purpose investment company owned by Daxin Investment Fund, being an investment fund established under the laws of the Cayman Islands, managed by Greater China Capital Limited. Greater China Capital Limited is an investment advisory firm established under the laws of Hong Kong.

Time Boomer is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Tai Kai Hing. Mr. Tai is an experienced investor while Time Boomer is principally an investment holding company.

First Apex is a limited liability company incorporated in Hong Kong and is wholly and beneficially owned by Mr. Benjamin Kumar Sharma, a businessman involved in the distribution of major-brand mobile phones and accessories with over 30 years of experience in this industry. First Apex is principally an investment holding company.

Each of Jinwu, Time Boomer and First Apex and their respective beneficial owners are third parties independent of the Company and its connected persons and the Concert Group.

The Vendors

Mr. Shie and Mr. Tsoi are the proposed executive Directors immediately following the completion of the Acquisition. Please refer to the section headed “Directors and senior management of the Enlarged Group” for details of biographical information of Mr. Shie and Mr. Tsoi.

LETTER FROM THE BOARD

14. THE DISPOSAL

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 Group.

The Disposal Agreement

Date

27 October 2014 (as supplemented by a supplemental agreement dated 30 April 2015)

Parties

- (i) the Company, being the vendor; and
- (ii) the Purchaser, being the purchaser which is solely and beneficially owned by Mr. Ng.

Assets to be disposed of

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 Disposed Group which will be disposed of under the Proposed Restructuring. Upon completion of the Disposal, the Company will no longer be interested in the Disposed Group.

The consideration

The Disposed Group 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 value of the Disposed Group as at 30 June 2015, which amounts to approximately HK\$84.5 million, by reference to the management account of the Disposed Group.

The consideration shall be satisfied in cash upon completion of the Disposal.

Conditions precedent

Completion of the Disposal shall be subject to and conditional upon the fulfillments of the following conditions:

- (1) the passing by the Independent Shareholders at an extraordinary general meeting of the Company resolutions approving the transactions contemplated in the Disposal Agreement in accordance with all applicable requirements under the Listing Rules and the Takeovers Code;

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- (2) consent from the Executive in relation to the transactions contemplated in the Disposal Agreement, which constitute a special deal in accordance with Rule 25 of the Takeovers Code being obtained;
- (3) all necessary authorisations of all relevant governmental or regulatory authorities, agencies or bodies, or any other third party (including banks), required for the implementation of the transactions contemplated in the Disposal Agreement being obtained and maintained;
- (4) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on the ability of the Company to perform or observe any of its obligations, undertakings or covenants under the Disposal Agreement;
- (5) there being no applicable law which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated in the Disposal Agreement;
- (6) there being no bona fide or other proceedings in effect, pending or genuinely threatened as at completion of the Disposal before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seeks to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated in the Disposal Agreement; and
- (7) the fulfilment of the conditions under the Acquisition Agreement other than the condition relating to the fulfilment or waiver of the conditions precedent under the Disposal Agreement.

Save and except for the conditions precedent set out in paragraphs (1) and (2) above which cannot be waived in any circumstance, the Purchaser shall be entitled to waive any of the conditions precedent. In the event that the above conditions are not fulfilled on or before 31 March 2016 (or such earlier or later date as may be agreed by the Company and the Purchaser in writing), the Disposal Agreement shall lapse and the Company does not need to proceed with the Disposal.

As at the Latest Practicable Date, none of the above conditions precedent have been fulfilled.

Completion

Completion of the Disposal shall take place within five business days from the date on which all the conditions precedent as set out above are fulfilled (or such earlier or later date as may be agreed by the Vendors and the Purchaser in writing). As the completion of the Disposal is conditional on the fulfillment of the conditions under the Acquisition Agreement, it is anticipated that the completions of the Disposal, the Acquisition, the [REDACTED] and the Subscription will take place on the same day.

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Information on the Purchaser

The Purchaser is a company incorporated in the British Virgin Islands, which is wholly and beneficially owned by Mr. Ng and principally engaged in investment holding. Mr. Ng is also the sole director of the Purchaser.

As at the Latest Practicable Date, Mr. Ng is interested and deemed to be interested in an aggregate of 605,855,014 Shares, representing approximately 31.1% of the issued share capital of the Company. The Purchaser and Mr. Ng are therefore connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

Information on the Disposed Group

The Disposed Group, which include the Disposed Companies, 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. MDL was incorporated in Hong Kong. Marzo Holdings and Value Day were incorporated in the British Virgin Islands.

Set out below is the audited consolidated financial results of each of the Disposed Companies for each of the three financial years ended 31 December 2014.

Marzo Holdings

	For the year ended 31 December 2012 HK\$'000	For the year ended 31 December 2013 HK\$'000	For the year ended 31 December 2014 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.

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Value Day

	For the year ended 31 December 2012 HK\$'000	For the year ended 31 December 2013 HK\$'000	For the year ended 31 December 2014 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 HK\$'000	For the year ended 31 December 2013 HK\$'000	For the year ended 31 December 2014 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.

Financial effect of the Disposal and the use of proceed from the Disposal

Upon completion of the Disposal, each of the Disposed Group will cease to be a subsidiary of the Company and their respective financial results will not be consolidated in the Group’s financial statements.

The Disposal is expected to record an unaudited gain on deconsolidation of the Disposed Group 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.

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Reasons for the Disposal

The Group is principally engaged in the business of trading and distribution of mobile phones and related accessories. Following completion of the Acquisition and the Disposal respectively, the Group will be interested in the entire issued share capital of China General. As such, the Group’s principal business will then be engaged in development and sales of residential properties.

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.

The Board considers that the terms of the Disposal Agreement are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

15. PROPOSED APPOINTMENT OF PROPOSED DIRECTORS

For further details of the proposed Directors and biographical and other information related to any proposed Directors, please refer to the section headed “Directors and senior management of the Enlarged Group” in this circular.

16. PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES

The Existing Memorandum and Articles has been adopted since 2000 and was amended in 2003, 2004 and 2006 respectively. In connection with the Proposed Restructuring, the Board proposes to seek the approval of the Shareholders at the EGM for the adoption of the New Memorandum and Articles to substitute the Existing Memorandum and Articles, the provisions of which will comply with the requirements of the Listing Rules and Cayman Islands laws. Below is a short summary of the major changes to the Existing Memorandum and Articles:

- (a) to allow the Company to use the Company’s website and other electronic means to send or make available notices or documents to the Shareholders, subject to compliance with the Listing Rules and applicable laws of the Cayman Islands, where notice is published on the Company’s website the Shareholders concerned should be notified that it has so been published;
- (b) to reflect the result of the Capital Reorganisation, including the changes made to the Company’s authorised share capital;
- (c) to specify that all resolutions at general meetings of the Company shall be decided by poll (except that the chairman of the general meetings may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands);

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- (d) to align with the latest changes to the Listing Rules on the Directors' requirement of not voting on any resolution of the Board approving any contract or arrangement in which the Director or any of his associates is materially interested; and
- (e) to align with the requirements of the Listing Rules that matter in which a substantial shareholder or a Director has a conflict of interest which is considered to be material by the Board should be dealt with by a physical Board meeting rather than a written resolution.

A summary of the principal terms of the New Memorandum and Articles is set out in Appendix VIII to this circular.

The adoption of the New Memorandum and Articles is conditional upon (i) the passing of a special resolution by the Shareholders at the EGM to approve the Capital Reorganisation and adopt the New Memorandum and Articles in substitution for the Existing Memorandum and Articles; (ii) approval of the Capital Reduction by the Cayman Islands Court; (iii) registration by the Registrar of Companies of the Cayman Islands of the order of the Cayman Islands Court confirming the Capital Reduction and the minute approved by the Cayman Islands Court containing the particulars required under the Companies Law in respect of the Capital Reduction; (iv) compliance with any condition as may be imposed by the Cayman Islands Court in relation to the Capital Reduction; and (v) the [REDACTED] Committee granting the [REDACTED] of, and permission to deal in, the New Shares in issue, upon the date on which the Capital Reduction becomes effective. The New Memorandum and Articles will substitute the Existing Memorandum and Articles on the date of satisfaction of the foregoing conditions.

Shareholders are advised that the New Memorandum and Articles are written in English only and there is no official Chinese translation. The Chinese translation of the New Memorandum and Articles is for reference purpose only. In case of any inconsistency, the English version shall prevail.

17. FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months before the Latest Practicable Date.

18. IMPLICATIONS UNDER THE LISTING RULES

The Capital Reorganisation

As the passing of the special resolution by the Shareholders at the EGM of the Capital Reorganisation is one of the conditions precedent to completion of the Subscription and the Acquisition, Shareholders who are required to abstain from voting on the Proposed Restructuring and/or the Whitewash Waiver and the transactions contemplated thereunder are also required to abstain from voting on the resolution to approve the Capital Reorganisation at the EGM.

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The Subscription

The Subscribers, their respective associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and the transactions contemplated thereunder, including the Concert Group, shall abstain from voting on the resolution to approve the Subscription at the EGM.

The Acquisition

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 New [REDACTED] Application by the [REDACTED] Committee.

The Vendors, their respective associates and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver and the transactions contemplated thereunder shall abstain from voting on the resolution at the EGM to approve the Acquisition.

The [REDACTED]

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 Independent 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, and any Shareholders (if any) who are involved in or interested in the Proposed Restructuring and/or the Whitewash Waiver, including the Concert Group, 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.

The Disposal

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 a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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As the Purchaser is a company which is wholly-owned by Mr. Ng, the Disposal also constitute connected transactions of the Company pursuant to Chapter 14A of the [REDACTED] Rules and is subject to the reporting, announcement and approvals by the Independent Shareholders at the EGM.

Given the material interests of Mr. Ng in the Disposal, Mr. Ng had abstained from voting at the Board meeting approving the Disposal Agreement and the transactions contemplated thereunder and the Purchaser, Mr. Ng and parties acting in concert with any of them and any Shareholders who are involved in or interested in the Disposal will also abstain from voting on the resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the EGM.

Others

Save as disclosed above, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, none of the other Shareholders and its associates is required to abstain from voting on any resolutions to be proposed at the EGM.

For the avoidance of doubt, none of the Shareholders is required to abstain from voting on the resolutions in relation to the proposed appointment of the proposed Directors and the adoption of the New Memorandum and Articles. Voting on the resolutions at the EGM will be taken by poll.

The Company will apply to the Stock Exchange for the [REDACTED] of and permission to deal in the [REDACTED], the Consideration Shares and the Subscription Shares.

19. IMPLICATIONS UNDER THE TAKEOVERS CODE

Whitewash Waiver

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 [REDACTED] 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

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Proposed Restructuring and/or the Whitewash Waiver 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 [REDACTED] 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.

Special Deal

As the Disposal will not be extended to other existing Shareholders, the Disposal constitutes a special deal under Note 4 to Rule 25 of the Takeovers Code, and will be conditional upon obtaining the prior consent of the Executive under Rule 25 of the Takeovers Code. An application has been made to the Executive for consent under Rule 25 of the Takeovers Code for the Disposal. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly states that in its opinion the terms of the Special Deal are fair and reasonable; and (ii) the Special Deal is approved by the Independent Shareholders at the EGM by way of poll.

Shareholders including (i) the Purchaser, Mr. Ng and parties acting in concert with any of them; and (ii) any Shareholders (if any) who are involved in or interested in the Proposed Restructuring and/or the Special Deal, including the Concert Group, will be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

20. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, the Concert Group confirms that, save as disclosed in this circular,

- (a) none of the members of the Concert Group owns or has control or direction over any existing Shares, rights over Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) other than the entering into of the Acquisition Agreement, none of the members of the Concert Group has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the Acquisition Agreement and up to the Latest Practicable Date;
- (c) none of the members of the Concert Group has received any irrevocable commitment in relation to voting of the resolutions in respect of the Capital Reorganisation, the Acquisition, the Subscription, the [REDACTED], the [REDACTED] Agreement, the Whitewash Waiver, the Special Deal, the proposed appointment of the proposed Directors, the adoption of the New Memorandum and Articles or any transactions contemplated thereunder at the EGM;
- (d) there is no outstanding derivative in respect of the securities of the Company which has been entered into by any members of the Concert Group;

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- (e) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of any of the members of the Concert Group or the Company and which might be material to the Acquisition Agreement, the Subscription Agreements, the [REDACTED], the [REDACTED] Agreement, the Whitewash Waiver, the Special Deal, the proposed appointment of the proposed Directors, the adoption of the New Memorandum and Articles or any transactions contemplated thereunder;
- (f) there is no agreement or arrangement to which any members of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition Agreement, the Subscription Agreements, the [REDACTED], the [REDACTED] Agreement, the Whitewash Waiver, the Special Deal, the proposed appointment of the proposed Directors, the adoption of the New Memorandum and Articles or any transactions contemplated thereunder, including any break fees being payable; and
- (g) none of members of the Concert Group has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As at the Latest Practicable Date, the issued share capital of the Company comprises 1,945,996,565 Shares and, other than the New TB Option and the New FA Option, the Company does not have any options, warrants or convertible securities in issue.

21. EGM

A notice of the EGM to be held at Room 101, The Boys' & Girls' Clubs Association of Hong Kong, 3 Lockhart Road, Wanchai, Hong Kong on Monday, 18 April 2016 at 2:00 p.m. is set out on pages EGM-1 to EGM-7 of this circular for the purpose of considering and, if thought fit, approving the Capital Reorganisation, the [REDACTED], the Acquisition, the Whitewash Waiver, the Subscription, the Special Deal, the adoption of the New Memorandum and Articles and the proposed appointment of the proposed Directors. Voting on the resolutions at the EGM will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, [REDACTED] at [REDACTED] as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending, and voting in person at the EGM or any adjournment thereof if you so desire.

22. GENERAL

It should be noted that the transactions contemplated are subject to a number of conditions, which may or may not be fulfilled. In addition, the approval of the New [REDACTED], the Whitewash Waiver and the Special Deal may or may not be granted. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.

LETTER FROM THE BOARD

23. RECOMMENDATIONS

The Directors consider that the terms of (i) the Capital Reorganisation; (ii) the [REDACTED]; (iii) the Acquisition; (iv) the Whitewash Waiver; (v) the Subscription; (vi) the Special Deal; (vii) the adoption of the New Memorandum and Articles; and (viii) the proposed appointment of proposed Directors are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. The Directors accordingly recommend (i) the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Capital Reorganisation, the [REDACTED], the Acquisition, the Whitewash Waiver, the Subscription and the Special Deal; and (ii) the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the adoption of the New Memorandum and Articles and the proposed appointment of the proposed Directors.

Goldin Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard. The text of the letter from the Independent Financial Adviser, containing its advice to the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice, is set out on pages 93 to 131 of this circular.

24. FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this circular, which contain further information on the Target Group and other information required to be disclosed under the Takeovers Code and the Listing Rules.

By order of the Board
First Mobile Group Holdings Limited
Ng Kok Hong
Executive Chairman