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# **FLYKE**

**FLYKE INTERNATIONAL HOLDINGS LTD.**

**飛克國際控股有限公司**

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

**(Stock Code: 01998)**

**(A) PROPOSED RESTRUCTURING  
INVOLVING**

**(1) PROPOSED CAPITAL REORGANISATION  
AND CHANGE IN BOARD LOT SIZE;**

**(2) VERY SUBSTANTIAL ACQUISITION, CONNECTED TRANSACTION AND  
REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION;**

**(3) PROPOSED SUBSCRIPTION OF SUBSCRIPTION SHARES  
UNDER SPECIFIC MANDATE;**

**(4) PROPOSED PLACING OF PLACING SHARES UNDER SPECIFIC MANDATE;**

**(5) PROPOSED OPEN OFFER OF OFFER SHARES ON THE BASIS OF  
THREE (3) OFFER SHARES FOR EVERY FIVE (5)  
ADJUSTED ORDINARY SHARES**

**HELD ON OPEN OFFER RECORD DATE;**

**(6) CREDITORS SCHEMES AND DEEMED MAJOR TRANSACTION  
RELATING TO THE DISPOSAL;**

**(7) APPLICATION FOR WHITEWASH WAIVER;**

**(8) SPECIAL DEAL;**

**(B) PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES;**

**(C) PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME  
AND ADOPTION OF NEW SHARE OPTION SCHEME;**

**(D) PROPOSED APPOINTMENT OF PROPOSED DIRECTORS;  
AND**

**(E) UPDATE ON THE STATUS OF THE RESUMPTION**

**Financial adviser to the Company**



**INCU Corporate Finance Limited**

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



**Alliance Capital Partners Limited  
同人融資有限公司**

## **THE RESTRUCTURING AGREEMENT**

On 9 January 2017, the Company entered into the Restructuring Agreement with Investor A, Investor B (being Vendor A and Vendor B) and Mr. Yang, pursuant to which the Investors and the Company conditionally agreed to undertake the Proposed Restructuring, while Mr. Yang has agreed to guarantee the performance of the obligations of Investor B under the Restructuring Agreement.

Pursuant to the Restructuring Agreement, the Company and the Investors agreed to undertake the Proposed Restructuring comprising (i) the Capital Reorganisation, (ii) the Acquisition, (iii) the Subscription, (iv) the Placing, (v) the Open Offer, and (vi) the Creditors Schemes.

### **CAPITAL REORGANISATION AND CHANGE IN BOARD LOT SIZE**

As part of the Proposed Restructuring, the Company proposes to implement the Capital Reorganisation which comprises (i) the Share Consolidation which involves the consolidation of every two (2) existing issued Shares of HK\$0.10 each into one (1) Consolidated Share of HK\$0.20 each; (ii) the Capital Reduction, whereby the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 each by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share; (iii) the Authorised Share Capital Diminution; (iv) the Authorised Share Capital Increase; and (v) the Share Premium Cancellation.

The existing board lot size is 2,000 Shares. Upon the Capital Reorganisation becoming effective, the Adjusted Ordinary Shares will be traded in board lot size of 20,000 Adjusted Ordinary Shares each.

### **THE ACQUISITION**

Pursuant to the Restructuring Agreement, the Company has conditionally agreed to acquire and Vendor A and Vendor B have conditionally agreed to sell the Sale Shares at a consideration of HK\$1,151,721,733, which shall be payable by the Company to Vendor A and Vendor B or their respective nominee(s) in proportion to their shareholding interests in the Target Company (as to HK\$1,065,342,603 to Vendor A and as to HK\$86,379,130 to Vendor B). The Acquisition Consideration shall be settled by the Company (i) as to HK\$166,000,000 in cash to Vendor A and (ii) as to HK\$985,721,733 by way of allotment and issue of a total of 5,003,663,621 Consideration Shares (4,565,190,878 Consideration Shares to Vendor A or its nominee(s) and 438,472,743 Consideration Shares to Vendor B or its nominee(s)) at the Issue Price of HK\$0.197 per Consideration Share upon Completion.

## **THE SUBSCRIPTION**

Pursuant to the Restructuring Agreement, the Company has conditionally agreed to issue to Investor A and Investor A has conditionally agreed to subscribe for 126,903,553 Subscription Shares at the Issue Price of HK\$0.197 per Subscription Share for the aggregate subscription price of HK\$25,000,000. The Subscription Consideration shall be partially settled by way of setting off against the Working Capital Advance and the remaining balance to be settled in cash at Completion.

## **THE PLACING**

As part of the Proposed Restructuring, the Company will enter into the Placing Agreement with placing agent(s), being Independent Third Party(ies) prior to the despatch of the Circular. The placing agent(s) will procure Independent Third Parties as the placees to subscribe for the Placing Shares (i.e. 1,324,873,096 Adjusted Ordinary Shares) at the Issue Price. It is currently intended that there will be more than 6 placees for the Placing. The gross proceeds from the Placing before expenses will amount to HK\$261.0 million.

## **CREDITORS SCHEMES**

As part of the Proposed Restructuring, the Company proposes to transfer the Scheme Companies to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes, pursuant to which the Creditors will accept in full and final discharge of their Claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 out of the Subscription Consideration; (b) 129,949,239 Scheme Shares to be allotted and issued at the Issue Price, in aggregate amounting to HK\$25,600,000; and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies upon Completion.

## **THE OPEN OFFER**

To enable the existing Shareholders to participate in the fund raising exercises under the Proposed Restructuring, the Company proposes to conduct the Open Offer on the basis of three (3) Offer Shares for every ten (10) existing Shares (equivalent to five (5) Adjusted Ordinary Shares) held by the Qualifying Shareholders on the Open Offer Record Date to raise approximately HK\$48.02 million before expenses by issuing 243,780,000 Offer Shares to the Qualifying Shareholders at the Issue Price to be fully underwritten by Investor A. The Company and Investor A intend to enter into the Underwriting Agreement before the despatch of the Circular.

## **PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES**

The Existing Memorandum and Articles has been adopted since 2010 at the time of the listing of the Company. No amendment has been made to the Existing Memorandum and Articles to align with the provisions therein with the amendments to the applicable laws and rules. 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.

## **PROPOSED APPOINTMENT OF PROPOSED DIRECTORS**

Upon Completion, save for Mr. Chu Kin Wang, Peleus (to be remained as an independent non-executive Director), all other existing Directors will resign and the Board proposes the appointment of Mr. Yang, Mr. Yan Hongzhi, Ms. Wang Haiyan as executive Directors; Mr. Fan as an non-executive Director; and Mr. Wong Kun To and Mr. Yung Wing Ki, Samuel as independent non-executive Directors upon Completion.

## **PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME**

In order to provide the eligible participants of the Enlarged Group with suitable level of employee incentives in light of the recent development and circumstances of the Company, the Board has decided to terminate the Existing Share Option Scheme, and to adopt the New Share Option Scheme which will be effective for a period of ten (10) years commencing from the adoption date.

## **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 Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder are also required to abstain from voting on the resolution(s) to approve the Capital Reorganisation 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 100.0%, the Acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules. As Mr. Yang and Vendor A will become the controlling Shareholders and Mr. Yang will become an executive Director upon Completion, the Acquisition also constitute a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

In addition, 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 Mr. Yang and Vendor A, 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 listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the new listing application to be made by the Company. The Enlarged Group or the Target Group must be able to meet the requirements under Rule 8.05 of the Listing Rules and the Enlarged Group must also be able to meet all the other basic conditions set out in Chapter 8 of the Listing Rules.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Parties to the Concert Group, Mr. Lin, his associates and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder shall abstain from voting on the resolution(s) at the EGM to approve the Acquisition and the transactions contemplated thereunder.

### **The Creditors Schemes and the Disposal**

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Scheme Companies to be transferred under the Creditors Schemes are deemed to be disposed of. As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal are more than 25.0% but less than 75.0%, the Disposal constitutes a major transaction under Chapter 14 of the Listing Rules and therefore subject to the reporting, announcement and shareholder's approval requirements pursuant to the Listing Rules.

The Scheme Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Save for parties to the Concert Group, Mr. Lin (being one of the Scheme Creditors and holding approximately 59.07% of the total issued shares of the Company as at the date of this announcement), his associates and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder, no Shareholder will be required to abstain from voting on the resolutions to approve the Disposal and the transactions contemplated thereunder and the allotment and issue of the Scheme Shares at the EGM.

### **The Open Offer**

Pursuant to Rule 7.24(5) of the Listing Rules, if a proposed open offer would increase either the number of issued shares or the market capitalisation of the issue by more than 50%, the open offer must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates must abstain from voting in favour. Since the Open Offer would increase the issued share capital or the market capitalisation of the Company by more than 50%, the Open Offer will be subject to the Independent Shareholders' approval at the EGM. Further, as completion of the Open Offer is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Placing, the Disposal and the allotment and issue of the Scheme Shares, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal are also required to abstain from voting on the relevant resolution(s) to approve the Open Offer and the transactions contemplated under the Underwriting Agreement.

### **The Subscription**

The Subscription Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Parties to the Concert Group, Mr. Lin, his associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder, including the Concert Group, shall abstain from voting on the resolution to approve the Subscription at the EGM.



## **The Placing**

The Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. As completion of the Placing is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Open Offer, the Disposal and the allotment and issue of the Scheme Shares, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal are also required to abstain from voting on the relevant resolution(s) to approve the Placing.

## **Others**

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, save for Mr. Lin, his associates and parties acting in concert with any of them, who shall abstain from voting on the resolutions to approve the Capital Reorganisation, the Acquisition, the Disposal, the allotment and issue of the Scheme Shares, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal, none of the Shareholders and its associates is required to abstain from voting on any resolutions to be proposed at the EGM.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares, the Scheme Shares and the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE**

### **Whitewash Waiver**

As at the date of this announcement, 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 74.28% of the share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares and the Scheme Shares (assuming all Qualifying Shareholders do not take up their entitlement under the Open Offer) and 70.91% of the share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares and the Scheme Shares (assuming all Qualifying Shareholders take up their entitlement under the Open Offer), respectively.

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

The Investors will make 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, Mr. Lin, his associates and parties acting in concert with any of them, and those who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal will abstain from voting on the relevant resolution(s). If the Whitewash Waiver is granted by the Executive, the Investors will not be required to make a mandatory offer which would otherwise be required as a result of the Acquisition, the Subscription and the Open Offer. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will lapse and consequentially the Acquisition, the Subscription, the Placing, the Creditors Schemes and the Open Offer will lapse, and the Capital Reorganisation and the Resumption will not proceed.

### **Special Deal**

The proposed settlement of the indebtedness due to Mr. Lin (who holds approximately 59.07% of the total issued shares of the Company as at the date of this announcement) under the Creditors Schemes, which is not extended to all the other Shareholders, constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which parties to the Concert Group, Mr. Lin, his associates and parties acting in concert with any of them, and those who are interested in and involved in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolution(s). The Company will apply to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

### **GENERAL**

The Circular containing, among other things, further information in respect of (i) the Capital Reorganisation; (ii) the Acquisition including the information about the business of the Target Group including management team, industry overview, strategies and future plans and risk factors; (iii) the property valuation report of the Target Group prepared in compliance with Rule 11 of the Takeovers Code by DTZ Cushman & Wakefield Limited; (iv) the Open Offer including the Underwriting Agreement; (v) the Creditors Schemes; (vi) the Subscription; (vii) the Placing; (viii) the Whitewash Waiver; (ix) the Special Deal; (x) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal; (xi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal; and (xii) a notice of EGM will be despatched to the Shareholders as soon as practicable.

The EGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition, the Subscription, the Open Offer (including the Underwriting Agreement), the Placing, the Whitewash Waiver, the Special Deal, the Disposal, the allotment and issue of the Scheme Shares, the proposed appointment of proposed Directors, and adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe, has been established to advise the Independent Shareholders as to whether the Capital Reorganisation, the Acquisition, the Subscription, the Open Offer (including the Underwriting Agreement), the Placing, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote after taking into account the advice from the Independent Financial Adviser.

Alliance Capital Partners Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Open Offer (including the Underwriting Agreement), the Placing, the Whitewash Waiver and the Special Deal.

## **UPDATE ON THE STATUS OF THE RESUMPTION**

As at the date of this announcement, the audit for the Group has been carried out with full cooperation of the Company's management. The Board has obtained the draft auditor's reports of the Group for the four financial years ended 31 December 2013, 2014, 2015 and 2016. It is currently expected that the outstanding annual reports and interim reports of the Company will be issued in April 2017.

On 10 February 2017, the Company has engaged an independent professional firm, ZHONGHUI ANDA Risk Services Limited, to perform an internal control review of the Company to assist the Directors to assess if the Group's financial reporting procedure and internal control system are adequate to enable the Company to meet its obligations under the Listing Rules. The Company will make a further announcement to update Shareholders regarding the status of such review as and when appropriate.

On 11 January 2017, the Company submitted the Resumption Proposal containing information of the Proposed Restructuring to the Stock Exchange (as supplemented by subsequent submission by the Company).



## **CONTINUOUS SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 31 March 2014. Trading in the Shares will remain suspended until further notice. The Company will make further announcements on the latest development of the Group as and when appropriate pursuant to the requirements of the Listing Rules.

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. Shareholders and potential investors should note that the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Creditors Schemes, the Open Offer, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Acquisition and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed.**

## **BACKGROUND AND THE PROPOSED RESTRUCTURING**

Trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 31 March 2014. On 31 March 2014, the Company announced that as the audit work for the financial statements of the Group for the year ended 31 December 2013 were still in progress, the Company was not able to announce the audited results of the Group for the year ended 31 December 2013 within the time stipulated in Rule 13.49(1) of the Listing Rules. It was mentioned in the announcement that certain information requested by the then auditors of the Company remained outstanding and the management of the Company has yet to provide explanations to the satisfaction of the then auditors. Such information includes audit confirmations sent to the Company's suppliers which were not returned as scheduled or returned bearing information inconsistent with that provided by the Company.

A special investigation committee, comprising of Mr. Chu Kin Wang, Peleus, Mr. Wang Dong (Mr. Wang Dong has resigned as a director of the Company on 17 June 2016) and Mr. Zhu Guohe, all of whom were then independent non-executive Directors, was formed to investigate the Outstanding Audit Issues and to review the internal control procedures of the Group. In this connection, a firm of independent forensic accountants was engaged to carry out certain agreed upon procedures on the purchases of the Group from certain suppliers during the year ended 31 December 2013 and a risk advisory company was engaged to review internal control procedures on selected areas of the Group.

On 19 December 2014, written resolutions were passed by the board of directors of Flyke Hong Kong, then an indirectly wholly-owned subsidiary of the Company to wind up the company voluntarily. Flyke Hong Kong was directly interested in the entire issued share capital of Flyke China. Flyke China was engaged in the business of design, production and sales of footwear, apparels and accessories. For the reasons as mentioned in the announcement of the Company dated 19 December 2014, the then board of directors of the Company decided to cease the business of design, production and sales of footwear, apparels and accessories. Flyke Hong Kong was dissolved on 29 November 2016.

The investigation of the Outstanding Audit Issues and the review of the internal control procedures of the Group were completed in December 2014 and January 2015, respectively. Details of the findings of the independent forensic accountants and the risk advisory company were set out in the announcement of the Company dated 28 January 2015.

On 2 April 2015, the Company announced certain discrepancies in the bank balances shown in the statements as of 31 December 2013 of two bank accounts maintained by the PRC Subsidiaries, namely Flyke China and Fujian Xin Wei (the “Discrepancies”). Since then, the Company has not disclosed any further details about the Discrepancies. The SFC has commenced an investigation into the affairs of the Company and has serious concerns that the market for the Shares is not properly informed of its financial position and business prospects. The SFC alleges that the Company had materially overstated the balance sheet item “Bank balances and cash” in the financial statements for the periods ended 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 by about RMB273 million to RMB382 million. The SFC investigation is continuing.

The then board of directors of the Company set up a special committee comprising Mr. Chu Kin Wang, Peleus, Mr. Wang Dong (Mr. Wang Dong has resigned as a director of the Company on 17 June 2016) and Mr. Zhu Guohe, all of whom were then independent non-executive Directors, to look into the matter, including (i) making enquiries with the staff of the Company regarding contacts with banks, reconciliation of bank statements with the ledgers and procedures for obtaining bank confirmations; and (ii) contacting the relevant banks to understand the Discrepancies and the procedures for obtaining bank confirmations and bank statements.

As one of the steps taken to investigate the matter, two of the members of the special committee has visited the relevant banks in the PRC personally and obtained bank statements of the bank accounts concerned as of 31 December 2013. It was noted that the bank statements obtained confirmed the Discrepancies that had come to the attention of the then board of directors. The special committee was also informed that the accounting staff responsible for dealing with the matters relating to the bank accounts has left the employment of the Company. It was further noted that Mr. Lin, the then executive Director, Chairman, Chief Executive of the Company, was the authorised signatory of the bank accounts concerned. In light of the seriousness of the matter, the then board of directors resolved to empower the special committee to engage relevant professionals to undertake the investigation and that Mr. Lin’s duty as executive Director, Chairman and Chief Executive Officer of the Company be suspended pending the results of the forensic investigation.

On 23 October 2015, the special committee engaged RSM Corporate Advisory (Hong Kong) Limited as the independent forensic accountants (the “Independent Forensic Accountants”), to conduct an independent forensic accounting review of and/or investigation into (i) the Discrepancies; and (ii) the Outstanding Audit Issues.

Mr. Lin resigned as executive Director, Chairman, Chief Executive of the Company on 17 June 2016. However, he has not tendered his resignation as director and legal representative of the PRC Subsidiaries and also subsidiaries of the Company incorporated in jurisdictions outside the PRC. The Company has taken steps to remove Mr. Lin as a director of those subsidiaries incorporated in jurisdictions outside the PRC. The Company has also engaged a PRC legal adviser in relation to the potential legal matters arising from the change of legal representative of the PRC Subsidiaries. According to the letter of legal advice received in December 2016, the Board has resolved to adopt the recommendation of the PRC lawyer and has made attempts to contact Mr. Lin. Up to the date of

this announcement, the Board has been unable to contact Mr. Lin and has not taken any legal action against him. The Board will continue to explore alternative ways to locate Mr. Lin. However, as the Company intends to transfer the Scheme Companies (which include the PRC Subsidiaries) to the scheme administrators of the Creditors Schemes, following the advice of the PRC legal adviser, the Directors will not take further steps to remove Mr. Lin as a legal representative, of the PRC Subsidiaries and has no present intention to take any legal action against him.

In August 2016, the Company received a demand letter from Mr. Li, to whom Mr. Lin has assigned the shareholder's loan due from the Company in the aggregate amount of HK\$23,534,695 pursuant to a deed of assignment dated 11 May 2015 (the "Assignment"), demanding repayment of the amount outstanding. Up to the date of this announcement, no further demand has been received from Mr. Li and no action has been taken by the Company. In addition, as stated in the announcement of the Company dated 21 May 2015, Mr. Lin has charged his entire interest in the Company (the "Charge"), representing approximately 59.07% of the issued share capital of the Company to Mr. Li to secure a loan by Mr. Li to Mr. Lin (the "Loan"). To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, save from their respective positions as assignee and assignor under the Assignment, as lender and borrower under the Loan and as chargor and chargee under the Charge, the Board is not aware of any other relationship between Mr. Lin and Mr. Li and/or their respective associates.

On 10 November 2016, the Company announced that having considered the findings of an independent law firm qualified to advice on PRC laws on the assets and indebtedness of the PRC Subsidiaries, it is no longer in control of Flyke China and Fujian Xin Wei, the two indirectly wholly-owned subsidiaries of the Company established in the PRC. Furthermore, the PRC Subsidiaries have ceased operations.

On 25 November 2016, the Stock Exchange issued a letter to the Company informing the Company that it has placed the Company in the First Delisting Stage. The First Delisting Stage will expire on 24 May 2017 and the Company must submit a viable resumption proposal to demonstrate sufficient operations or assets as required under Rule 13.24 of the Listing Rules at least 10 Business Days before the expiry of the First Delisting Stage, i.e. 9 May 2017. The Stock Exchange also set out the resumption conditions which the Company must also fulfill for resumption of trading of its shares on the Stock Exchange:

- (i) address the Outstanding Audit Issues and the Discrepancies as mentioned in the Company's announcements dated 2 April and 21 May 2015, take all necessary remedial actions and inform the market of all material information;
- (ii) publish all outstanding financial results and address any audit qualifications; and
- (iii) demonstrate that the Company has in place adequate and effective financial reporting procedures and internal control systems to meet its obligations under the Listing Rules.

On 8 September 2016, Investor A and the Company entered into the non-legally binding exclusivity agreement in relation to the proposed restructuring of the business and finances of the Group. Subsequently, Vendor A and Investor A entered into the non-legally binding investment framework agreement with the Company on 18 October 2016 to undertake the Proposed Restructuring together.

On 9 January 2017, the Company entered into the Restructuring Agreement with the Investors

to implement a restructuring of the Company's equity and debt comprising (i) the Capital Reorganisation; (ii) the Acquisition; (iii) the Subscription; (iv) the Placing; (v) the Open Offer; and (vi) the Creditors Schemes.

On 11 January 2017, the Resumption Proposal which includes, among other things, the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer and the Creditors Schemes, was submitted by the Company to the Stock Exchange (as supplemented by subsequent submissions by the Company).

## **CAPTIAL REORGANISATION**

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

- (i) the Share Consolidation — every two (2) existing issued Shares of HK\$0.10 each will be consolidated into one (1) Consolidated Share of HK\$0.20 each;
- (ii) the Capital Reduction — upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 each by cancelling HK\$0.19 of the capital paid up on each issued Consolidated Share;
- (iii) the Authorised Share Capital Diminution — upon the Capital Reduction taking effect, all the authorised but unissued Shares (which shall include the authorised but unissued share capital arising from the Capital Reduction) will be cancelled in their entirety;
- (iv) the Authorised Share Capital Increase — upon the Authorised Share Capital Diminution taking effect, the Company's authorised share capital will be increased to HK\$1,000,000,000, divided into 100,000,000,000 Adjusted Ordinary Shares of HK\$0.01 each; and
- (v) the Share Premium Cancellation — the entire amount standing to the credit of the share premium account of the Company as at the effective date of the Capital Reorganisation will be cancelled.

Fractional Adjusted Ordinary Shares will be disregarded and not be issued to the Shareholders but all such fractional Adjusted Ordinary Shares will be aggregated and, if possible, sold and retained 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, business operations, management or financial position of the Company and the Group or the rights of the Shareholders.

A credit of approximately HK\$77.20 million will arise as a result of the Capital Reduction. Such

credit will be applied by the Board to set off against the accumulated losses of the Company on the date of the Capital Reorganisation becoming effective. The unaudited accumulated losses of the Company were approximately RMB102.40 million (equivalent to approximately HK\$114.69 million) as shown in the unaudited consolidated financial statements of the Company for the six months ended 30 June 2016.

The following table sets out the effect of the Capital Reorganisation on the existing share capital of the Company before and after completion of the Capital Reorganisation (assuming there is no change in the number of Shares from the date of this announcement to immediately before the Capital Reorganisation):

	<b>Immediately before the Capital Reorganisation</b>	<b>Immediately after the Capital Reorganisation</b>
Nominal value	HK\$0.10	HK\$0.01
Authorised share capital	HK\$200,000,000 divided into 2,000,000,000 Shares	HK\$1,000,000,000 divided into 100,000,000,000 Adjusted Ordinary Shares
Issued and paid up share capital	HK\$81,260,000 divided into 812,600,000 Shares	HK\$4,063,000 divided into 406,300,000 Adjusted Ordinary Shares

### **Status of the Adjusted Ordinary Shares**

The Adjusted Ordinary Shares will be identical and rank *pari passu* in all respects with each other. Holders of such Adjusted Ordinary Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Adjusted Ordinary Shares.

### **Conditions of the Capital Reorganisation**

The implementation of the Capital Reorganisation and the listing of the Adjusted Ordinary Shares are conditional upon:

- (a) the passing of a special resolution by the Shareholders by way of poll at the EGM to approve the Capital Reorganisation;
- (b) the Grand Court granting an order confirming the Capital Reduction;
- (c) the registration by the Registrar of Companies in the Cayman Islands of a copy of the Grand Court order approving the Capital Reduction and the minute containing the particulars required under the Companies Laws;



- (d) compliance with any conditions imposed by the Grand Court; and
- (e) the Listing Committee granting the listing of, and permission to deal in, the Adjusted Ordinary Shares in issue upon the Capital Reorganisation becoming effective.

As at the date of this announcement, none of the conditions described above has been fulfilled.

### **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 minute as referred to in condition (c) above. An application will be made to the Grand Court for the approval of the Capital Reorganisation as soon as practicable after the passing of the special resolution at the EGM.

### **Reasons for the Capital Reorganisation**

The Board considers that the Capital Reorganisation will provide greater flexibility to the Company to raise funds through the issue of new Adjusted Ordinary Shares in the future. In addition, the credit arising from the Capital Reduction and the 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 Restructuring Agreement.

The Board believes that the Capital Reorganisation will not have any adverse effect on the financial position of the Company and will not involve any diminution of liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company nor will it result in any change in the relative rights of the Shareholders. 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.

### **Posting of new share certificates to the Shareholders**

Subject to completion of the Capital Reorganisation, the Company will post the new share certificates in jumbo lot for the Adjusted Ordinary 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.

Further announcement(s) will be made to inform the Shareholders of the progress of the matter, including the proposed timetable, the arrangements of the free exchange of the new share certificates for the existing Share certificates, as and when appropriate.

## **Change in board lot size**

The Shares are currently traded in board lot of 2,000 Shares. Upon Completion, based on the Issue Price of HK\$0.197, the market value per board lot of the Adjusted Ordinary Shares will be HK\$394.00.

The Board believes that the change in board lot size may facilitate the trading in the Adjusted Ordinary Shares and save the transaction and registration costs incurred by the Shareholders and potential investors. Upon the change in board lot size becoming effective, based on the Issue Price of HK\$0.197, the Adjusted Ordinary Shares will be traded in board lot of 20,000 Adjusted Ordinary Shares and the estimated market value per board lot of the Adjusted Ordinary Shares will be HK\$3,940.00. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and the Shareholders as a whole.

## **THE ACQUISITION AND THE SUBSCRIPTION**

### **The Restructuring Agreement**

Set out below are the salient terms of the Restructuring Agreement in relation to the Acquisition and the Subscription:

***Date:***

9 January 2017

***Parties:***

- (i) the Company, being the purchaser
- (ii) Vendor A and Vendor B (i.e. Investor B), as the vendors;
- (iii) Mr. Yang, being the guarantor for Investor B; and
- (iv) Investor A, as the subscriber.

To the best of the Director's knowledge, information and belief and having made all reasonable enquiries, each of Vendor A, Vendor B, Investor A and their respective associates are Independent Third Parties and do not hold any Shares as at the date of this announcement.

### **The Acquisition**

Pursuant to the Restructuring Agreement, the Company has conditionally agreed to acquire and Investor B has conditionally agreed to sell the Sale Shares.

### ***Asset to be acquired***

The asset to be acquired under the Acquisition is the Sale Shares, being the entire issued share capital of the Target Company. As at the date of this announcement, the Target Company is owned as to 92.5% by Vendor A and 7.5% by Vendor B. Upon completion of the Acquisition, the Target Group will become wholly-owned subsidiaries of the Company. The Target Group is principally engaged in the development and sale of residential and commercial properties in Jilin City in the PRC. More details of the Target Group are set out under the section headed “INFORMATION OF THE TARGET GROUP” of this announcement. At Completion, Vendor A will assign to the Company the entire shareholder’s loan advanced to the Target Group prior to the date of Completion, which is currently estimated to be approximately US\$49.0 million (equivalent to approximately HK\$380.24 million).

### ***The Acquisition Consideration***

The Acquisition Consideration is HK\$1,151,721,733 and was arrived at after arm’s length negotiations between the Company, Investor B and Mr. Yang with reference to, among others, (i) the unaudited consolidated net asset value of the Target Group as at 30 September 2016 (excluding the unsettled part of the share capital of Tuohong Huixiang of RMB80 million, which became a member of the Target Group subsequent to 30 September 2016) of approximately RMB118.89 million (equivalent to approximately HK\$133.58 million); (ii) the valuation premium over the book value of the property interests held by the Target Group in an amount of approximately RMB729.36 million (equivalent to approximately HK\$819.51 million), based on the valuation of the property interests held by the Target Group as at 30 September 2016 in accordance with a draft valuation report prepared by an independent and duly qualified Hong Kong valuer, namely DTZ Cushman & Wakefield Limited (the finalised report on the property interests with an updated valuation date prepared in compliance with Rule 11 of the Takeovers Code will be included in the Circular); (iii) the shareholder’s loan of US\$49.0 million (equivalent to approximately HK\$380.24 million) from Vendor A, being the total expected amount currently estimated to be advanced into the Target Group prior to Completion; (iv) the historical performance of the Target Group; and (v) the business and future prospects of the Target Group.

The Acquisition Consideration shall be payable by the Company to Vendor A and Vendor B or their respective nominee(s) in proportion to their shareholding interests in the Target Company (as to HK\$1,065,342,603 to Vendor A and as to HK\$86,379,130 to Vendor B). The Acquisition Consideration shall be settled by the Company (i) as to HK\$166,000,000 in cash to Vendor A and (ii) as to HK\$985,721,733 by way of allotment and issue of a total of 5,003,663,621 Consideration Shares (4,565,190,878 Consideration Shares to Vendor A or its nominee(s) and 438,472,743 Consideration Shares to Vendor B or its nominee(s)) at the Issue Price upon Completion.

### ***Guarantee by Mr. Yang***

Mr. Yang unconditionally and irrevocably undertakes to the Company to procure the due and punctual performance by Investor B of all obligations under the Restructuring Agreement and undertakes to indemnify and keep effectively indemnified the Company against all liabilities, losses, damages, costs and expenses stipulated under the Restructuring Agreement or otherwise which the Company may suffer or incur in connection with any default or delay on the part of Investor B in the performance of such obligations.

## **The Subscription**

Pursuant to the Restructuring Agreement, the Company will issue to Investor A 126,903,553 Subscription Shares at the Issue Price for the aggregate Subscription Consideration of HK\$25,000,000, which shall be partially settled by setting off against the Working Capital Advance and the remaining balance to be settled in cash at Completion.

### **Conditions precedent to the Acquisition and the Subscription**

Completion of the Acquisition and the Subscription are conditional on each of the following conditions precedent being satisfied on or before the Long Stop Date or the Completion Date (as the case may be):

- (a) the Creditors Schemes becoming effective no later than the Completion Date;
- (b) all of the required corporate approvals or authorisations (including but not limited to those set out below) having been duly passed at the duly convened extraordinary general meeting(s) of the Company in accordance with the Listing Rules, the Takeovers Code and any other applicable law and regulations, and not having been revoked or vitiated:
  - (i) the Capital Reorganisation;
  - (ii) the Restructuring Agreement and the transactions therein under, including but not limited to the Acquisition, the Subscription, the allotment and issue of the Consideration Shares and the Subscription Shares;
  - (iii) the Placing and the allotment and issue of the Placing Shares;
  - (iv) the Open Offer;
  - (v) the allotment and issue of the Scheme Shares and, if required, the transfer of the Scheme Companies to the Creditors Schemes;
  - (vi) the Whitewash Waiver; and
  - (vii) any other necessary decisions to carry out transactions made under the Restructuring Agreement.
- (c) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (d) the listing of and permission to deal in all of the Adjusted Ordinary Shares of the Company (namely, the then existing shares of the Company upon completion of the Capital Reorganisation), the new Adjusted Ordinary Shares to be issued to Investor B by way of the Consideration Shares, the new Adjusted Ordinary Shares to be issued to Investor A under the Subscription, the new Adjusted Ordinary Shares to be issued to Creditors as part of the Creditors Schemes Consideration, the new Adjusted Ordinary Shares to be issued under the

- Placing, the new Adjusted Ordinary Shares to be issued under the Open Offer, having been granted by the Listing Committee of the Stock Exchange (either unconditionally or subject to conditions) and such permission not having been subsequently revoked or withdrawn;
- (e) the Resumption Proposal having been submitted to the Stock Exchange and the approval in-principle having been received from the Stock Exchange and such approval not having been subsequently revoked or withdrawn;
  - (f) the fulfillment of the resumption conditions set out in the letter from the Stock Exchange dated 25 November 2016 (and any other additional resumption condition(s) as the Stock Exchange may impose from time to time) to the satisfaction of the Stock Exchange;
  - (g) the deemed new listing application of the Company having been submitted to the Stock Exchange and the approval for the listing application having been granted by the Listing Committee and such approval not having been subsequently revoked or withdrawn;
  - (h) the entering into of the underwriting agreement in relation to the underwriting of the Open Offer and all conditions precedent set out therein having been fulfilled;
  - (i) the entering into of the placing agreement in relation to the Placing and all conditions precedent set out therein having been fulfilled;
  - (j) the Capital Reorganisation becoming effective;
  - (k) the Shares or the Adjusted Ordinary Shares (as the case may be) of the Company remaining listed on the Main Board of the Stock Exchange;
  - (l) the Company having obtained a valuation report on the properties of the Target Group as at 31 December 2016 (or any such other date as agreed by the Company and Investor B) for a value of an agreed amount from a qualified valuer engaged by the Company and such valuation shall have no material change in comparing with the draft valuation report;
  - (m) each of the warranties given by the Investors to the Company being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date; and
  - (n) each of the warranties given by the Company to the Investors being true and accurate in all material respects when made, and being true and accurate in all materials respects for the period from the date of the Restructuring Agreement and ending on the Completion Date.

None of the conditions above can be waived by any party to the Restructuring Agreement. As at the date of this announcement, none of the conditions above has been fulfilled.

Completion of the Acquisition, the Subscription, the Placing, the Creditors Schemes (including the Disposal and the allotment and issue of the Scheme Shares) and the Open Offer will take place simultaneously on the date falling after five (5) Business Days upon fulfilment of the conditions precedent to the Restructuring 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 30 September 2017 or such other date as the Company and the Investors may agree in writing, the Restructuring Agreement will be terminated and the parties thereto shall have no further obligations or liabilities thereunder save for antecedent breach.

## **THE OPEN OFFER**

To enable the existing Shareholders to participate in the Proposed Restructuring, the Company proposes to undertake the Open Offer on the basis of three (3) Offer Shares for every ten (10) existing Shares (equivalent to five (5) Adjusted Ordinary Shares) held by the Qualifying Shareholders on the Open Offer Record Date. A total of 243,780,000 Offer Shares will be allotted and issued by the Company to the Qualifying Shareholders and/or the underwriter (i.e. Investor A) at the Issue Price.

### **Issue statistics**

Basis of the Open Offer	:	Three (3) Offer Share for every ten (10) existing Shares (equivalent to five (5) Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) held by the Qualifying Shareholders on the Open Offer Record Date
Issue Price	:	HK\$0.197 per Offer Share
Number of Shares/Adjusted Ordinary Shares expected to be in issue as at the Open Offer Record Date	:	812,600,000 Shares (or 406,300,000 Adjusted Ordinary Shares)
Number of Offer Shares	:	243,780,000 Offer Shares (based on 406,300,000 Adjusted Ordinary Shares)
Gross proceeds from the Open Offer	:	Approximately HK\$48.02 million
Underwriting arrangement	:	Fully underwritten by Investor A

As at the date of this announcement, there are 12,000,000 outstanding share options to subscribe for an aggregate of 12,000,000 Shares, equivalent to 6,000,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective (subject to the adjustment in accordance with the terms of the Existing Share Option Scheme). The respective exercise prices of the outstanding share options and the period in which they are exercisable are as follows:

<b>Exercise Price</b>	<b>Number of outstanding share options</b>	<b>Exercisable Period</b>
HK\$1.726 per Share (equivalent to HK\$3.452 per Adjusted Ordinary Share)	2,800,000	31 December 2010 to 30 December 2020
HK\$1.62 per Share (equivalent to HK\$3.24 per Adjusted Ordinary Share)	9,200,000	4 May 2011 to 3 May 2021

Save as disclosed above, the Company has no other outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into Shares as at the date of this announcement.

There will be no eligible share option holders under the Existing Option Scheme, given that, based on the list of share option holders, those who have been granted share options by the Company have already resigned from the Group or are directors/employees of the Scheme Companies, which will cease to be members of the Group upon the Creditors Schemes becoming effective.

### **Qualifying Shareholders**

To qualify for the Open Offer, each Shareholder must be registered as a member of the Company at the close of business on the Open Offer Record Date and must be a Qualifying Shareholder. Each Qualifying Shareholder will be given an opportunity to participate in the Company's future development by subscribing for their respective entitlement under the Open Offer.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable or capable of renunciation and there will not be any trading in the assured entitlements on the Stock Exchange.

### **Rights of the Non-Qualifying Shareholders**

For the Non-Qualifying Shareholders, they may not be eligible to take part in the Open Offer as documents to be issued in connection with the Open Offer will not be registered and/or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong. The Board will make enquiries as to whether the issue of the Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2) of the Listing Rules.

If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, no issue of the Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Non-Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only and no Application Forms will be sent to them.

Overseas Shareholders should note that they may or may not be entitled to the Open Offer, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules.

### **No application for excess Offer Shares**

Considering that each of the Qualifying Shareholders will be given an opportunity to participate in the Company's future development by subscribing for their respective entitlement under the Open Offer and is negotiated on an arm's length basis with the underwriter (i.e. Investor A), if application for excess Offer Shares is arranged, the Company will be required to put in additional effort and costs to administer the excess application procedures. Accordingly, no excess Offer Shares will be offered to the Qualifying Shareholders. All Offer Shares not taken up by the Qualifying Shareholders will be underwritten by Investor A.

### **Fractional entitlements**

Fractions of Offer Shares will not be allotted to the Qualifying Shareholders and fractional entitlements will be rounded down to the nearest whole number. Any Offer Shares created from the aggregation of fractions of Offer Shares will be taken up by Investor A.

### **Odd lot arrangement**

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services. Shareholders should note that matching of the sale and purchase of odd lots of the Adjusted Ordinary Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed. Further details and expected timetable in respect of the odd lots arrangement will be set out in the Circular.

### **Conditions precedent to the Open Offer**

Completion of Open Offer is conditional on each of the following conditions precedent being satisfied on or before the Long Stop Date or the Completion Date (as the case may be):

- (a) the conditions precedent to the Restructuring Agreement having been fulfilled;
- (b) the delivery to the Stock Exchange for authorisation, and the registration with the Registrar of Companies in Hong Kong, respectively, not later than the Prospectus Posting Date, of one copy of Prospectus Documents for use by the Qualifying Shareholders to apply for the Offer Shares under their entitlements, duly signed by two Directors (or 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);
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and, if required by or in compliance with the Listing Rules, a copy of the Prospectus stamped "For Information Only" to the Shareholders other than the Qualifying Shareholders on the Prospectus Posting Date;

- (d) the approval of the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder by the Shareholders (other than those prohibited from voting on the resolutions at the EGM by the Listing Rules and/or the Takeovers Code) at a duly convened general meeting of the Shareholders;
- (e) the grant or the agreement to grant (subject to allotment) by the Listing Committee, and not having withdrawn or revoked such grant, of the listing of and permission to deal in all the Offer Shares, either unconditionally or subject to such conditions as are accepted by the Company;
- (f) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the resumption of the trading in the Adjusted Ordinary 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 the restoration of public float) or waived by the Stock Exchange; and
- (g) 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.

To the best of the Directors' knowledge, information and belief, up to the date of this announcement, save for (i) an order to be granted by the Grand Court regarding the Capital Reorganisation; (ii) the approval of the Creditors and sanction from the High Court and Grand Court to be obtained regarding the Creditors Schemes; and (iii) the approval from the Stock Exchange and the SFC to be obtained regarding the Proposed Restructuring, the Board is not aware of any other necessary waivers, consents and approval that are required for the implementation of the Proposed Restructuring and all transactions contemplated thereunder.

### **Underwriting Agreement**

Investor A will fully underwrite the Offer Shares. It is expected that the Underwriting Agreement in accordance with the above terms will be executed prior to the despatch of the Circular and details of the Underwriting Agreement will be set out in the Circular.

The Company will make further announcement in relation to the terms of the Underwriting Agreement and the expected timetable of the Open Offer as soon as the Underwriting Agreement is executed.

### **THE PLACING**

As part of the Proposed Restructuring, the Company will enter into the Placing Agreement with placing agent(s), being Independent Third Party(ies) prior to the despatch of the Circular. The placing agent(s) will procure Independent Third Parties as the places to subscribe for the Placing Shares (i.e. 1,324,873,096 Adjusted Ordinary Shares) at the Issue Price. It is currently intended that there will be more than 6 places for the Placing. The gross proceeds from the Placing before expenses will amount to HK\$261.0 million.

The Placing Agreement will be entered into between the Company and the placing agent(s) to be appointed prior to the despatch of the Circular. It is currently expected that the Company will procure Independent Third Party(ies) as placing agent(s) to place not less than 710,000,000 Placing Shares on a fully underwritten basis, raising an amount of approximately HK\$140 million to be used for partial payment for the Acquisition Consideration (settlement of the Creditors Schemes Consideration, professional fees and expenses for the Proposed Restructuring, Working Capital Advance and partial payment for the Acquisition Consideration will be financed by the proceeds from the Subscription and the Open Offer). The remaining portion of 614,873,096 Placing Shares will be conducted on a best effort basis, with the proceeds of approximately HK\$121 million for working capital purpose and as reserves for funding future investments (if any). However, such arrangement will be subject to further negotiation with the placing agent(s) and hence the actual amount to be raised from the Placing and the basis may differ from the abovementioned figures and basis. Further details of the Placing Agreement will be set out in the Circular.

### **Conditions precedent to the Placing**

Completion of the Placing is conditional on each of the following conditions precedent being satisfied:

- (a) the conditions precedent to the Restructuring Agreement having been fulfilled;
- (b) the approval of the Placing and the allotment and issue of the Placing Shares by the Shareholders (other than those prohibited from voting on the resolutions at the EGM by the Listing Rules and/or the Takeovers Code) at a duly convened general meeting of the Shareholders;
- (c) the grant or the agreement to grant (subject to allotment) by the Listing Committee, and not having withdrawn or revoked such grant, of the listing of and permission to deal in all the Placing Shares, either unconditionally or subject to such conditions as are accepted by the Company;
- (d) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the resumption of the trading in the Adjusted Ordinary 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 the restoration of public float) or waived by the Stock Exchange; and
- (e) 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.

To the best of the Directors' knowledge, information and belief, up to the date of this announcement, save for (i) an order to be granted by the Grand Court regarding the Capital Reorganisation; (ii) the approval of the Creditors and sanction from the High Court and Grand Court to be obtained regarding the Creditors Schemes; and (iii) the approval from the Stock Exchange and the SFC to be obtained regarding the Proposed Restructuring, the Board is not aware



of any other necessary waivers, consents and approval that are required for the implementation of the Proposed Restructuring and all transactions contemplated thereunder.

## **THE CREDITORS SCHEMES**

As part of the Proposed Restructuring, the Company proposes to transfer the Scheme Companies to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes, which will be Independent Third Parties to be appointed.

Pursuant to the Creditors Schemes, all the issued shares of the Scheme Companies will be transferred to a nominee of the scheme administrators from the Creditors Schemes upon Completion at the nominal value for the benefit of the Creditors and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Scheme Companies shall be released and discharged in full upon such transfer.

Upon the Creditors Schemes becoming effective, the scheme administrators will take steps to adjudicate the indebtedness of the Company and to distribute the scheme assets in settlement of the adjudicated indebtedness. The scheme administrators will also take appropriate steps to realise and recover the assets of the Scheme Companies (including the assets of the PRC Subsidiaries) and ascertain and settle the liabilities of the Scheme Companies (including the liabilities of the PRC Subsidiaries) from assets recovered and proceeds from realisation of assets of the Scheme Companies. To save any extra cost and resources in pursuing any claims against the Scheme Companies, all of the rights, causes of action or claims of the Company against the Scheme Companies in respect of transactions or events incurred up to the date the Creditors Schemes becoming effective will also be assigned by and transferred and/or novated (as the case may be) from the Company to such nominee of the scheme administrators. The Company will receive payment out of the realisation and/or recovery of any assets of the Scheme Companies in settlement of any amounts due and/or claims against such Scheme Companies. Proceeds from realisation of assets of the Scheme Companies after settlement of liabilities of the Scheme Companies and any surplus assets of the Scheme Companies will be available to the Creditors under the Creditors Schemes and excess amount, if any, under the Creditors Schemes after payment of all costs and settlement of all liabilities due to the Creditors will be returned to the Company.

Upon the Creditors Schemes becoming effective, the Creditors will accept in full and final discharge of their Claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 out of the Subscription Consideration; (b) 129,949,239 Scheme Shares to be allotted and issued at Issue Price, in aggregate amounting to HK\$25,600,000; and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies as explained above.

The Creditors Schemes Consideration was determined with reference to the Company's indebtedness as of 30 June 2016 and to be discharged under the Creditors Schemes which, based on the Company's books and records available amounts to approximately RMB27,644,000. Such amount comprises (i) amount due to Mr. Li of approximately RMB20,166,000; (ii) amount due to a deconsolidated subsidiary of approximately RMB6,142,000 and (iii) amount due to controlling shareholder (i.e. Mr. Lin) of approximately RMB1,336,000. Other than Mr. Lin holding approximately 59.07% issued share capital of the Company as at the date of this announcement, no other Creditors hold any equity interest in the Company.

Based on the exchange rate as of 30 June 2016 (HK\$:RMB = 1:0.8569), the Company estimates that it will recognise a loss of approximately RMB50,000, being sum of the Creditors Schemes Consideration of HK\$32,000,000 and related expenses of approximately HK\$323,000 (collectively, equivalent to approximately RMB27,694,000) less the Company's indebtedness to be discharged under the Creditors Schemes of approximately HK\$32,262,000 (equivalent to approximately RMB27,644,000), in the Company's statement of comprehensive income for the year ending 31 December 2017, assuming the Creditors Schemes become effective in the financial year ending 31 December 2017.

The Creditors Schemes, which are subject to the passing of the necessary resolutions at the EGM, shall become effective and legally binding on the Company and Scheme Creditors, including those voting against the Creditors Schemes and those not voting, if the requisite majority (being a majority in number representing seventy-five per cent in value of the Scheme Creditors who, either in person or by proxy, attend and vote at the scheme meetings convened with the leave of the relevant courts) votes in favour of the Creditors Schemes, the Grand Court and the High Court sanction the Creditors Schemes, and a copy of each of the relevant court orders sanctioning the Creditors Schemes is filed or as the case may be registered with the relevant companies registries in the Cayman Islands and Hong Kong respectively.

The Creditors Schemes are conditional upon each of the following conditions precedent being satisfied:

- (a) obtaining approval from the Creditors regarding the Creditors Schemes;
- (b) obtaining sanction of the Creditors Schemes from the High Court and the Grand Court; and
- (c) filing of the court orders with the relevant companies registries in Hong Kong and the Cayman Islands, respectively.

The implementation of each of the Creditors Schemes is also subject to the obtaining of the consent from the Executive in relation to the Special Deal and conditional on Completion and the Capital Reorganisation taking effect.

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Scheme Companies to be transferred under the Creditors Schemes are deemed to be disposed of.

Upon the Creditors Schemes becoming effective and subject to Completion, each of the Scheme Companies will cease to be a subsidiary of the Company.

Based on the Company's books and records available, certain unaudited financial information of the Scheme Companies (other than the PRC Subsidiaries, where the Directors have not been able to gain access to all their books and records) are as follows:

	For the year ended 31 December	
	2015	2016
	<i>RMB</i>	<i>RMB</i>
	(unaudited)	(unaudited)
Loss before tax	13,946	15,756
Loss after tax	<u>13,946</u>	<u>15,756</u>

The unaudited net liabilities of the Scheme Companies (other than the PRC Subsidiaries) as at 31 December 2016 was approximately RMB134,020,758.

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Scheme Companies (other than the PRC Subsidiaries where the Directors have not been able to gain access to all their books and records) in this announcement. Pursuant to Rule 10 of the Takeovers Code, the above unaudited financial information relating to the Scheme Companies (other than the PRC Subsidiaries) constitutes a profit estimate and should be reported on by the Company's financial adviser and reporting accountants (the "**Reports (Scheme Companies)**") under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties of including the Reports (Scheme Companies) in this announcement in terms of the additional time required for the preparation of the Reports (Scheme Companies) by the Company's financial advisers and reporting accountants, the financial information relating to the Scheme Companies (other than the PRC Subsidiaries) is not strictly in compliance with the requirements of Rule 10 of the Takeovers Code.

A full set of the audited financial information relating to the Group, including the Scheme Companies (other than the PRC Subsidiaries) prepared by ZHONGHUI ANDA CPA Limited under HKFRS, which will be in full compliance with the requirements of the Takeovers Code, will be included in the Circular to be issued by the Company to the Shareholders. Shareholders should note that there may be differences between the unaudited financial information relating to the Scheme Companies (other than the PRC Subsidiaries) as presented in this announcement and the audited financial information to be presented in the Circular to be issued by the Company to the Shareholders.

# **THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES, THE PLACING SHARES, THE SCHEME SHARES AND THE OFFER SHARES**

## **Number of Consideration Shares**

The 5,003,663,621 Consideration Shares to be allotted and issued under the Acquisition at the Issue Price represent:

- (i) approximately 769.70% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares;
- (ii) approximately 224.20% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the Placing Shares and the Scheme Shares; and
- (iii) approximately 69.15% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the issue and allotment of the Offer Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Consideration Shares after Completion.

## **Number of Subscription Shares**

The 126,903,553 Subscription Shares to be allotted and issued under the Subscription represent:

- (i) approximately 19.52% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares;
- (ii) approximately 1.79% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Consideration Shares, the Placing Shares and the Scheme Shares; and

- (iii) approximately 1.75% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Consideration Shares, the Placing Shares, the Scheme Shares and the Subscription Shares after Completion.

### **Number of Placing Shares**

The 1,324,873,096 Placing Shares to be allotted and issued under the Placing represent:

- (i) approximately 203.80% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares;
- (ii) approximately 22.42% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Consideration Shares, the Subscription Shares and the Scheme Shares; and
- (iii) approximately 18.31% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Subscription Shares, the Consideration Shares, the Creditors Shares and the Placing Shares after Completion.

### **Number of Scheme Shares**

The 129,949,239 Scheme Shares to be allotted and issued at the Issue Price under the Creditors Schemes represent:

- (i) approximately 19.99% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares;
- (ii) approximately 1.83% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Subscription Shares, the Consideration Shares and the Placing Shares; and
- (iii) approximately 1.80% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Subscription Shares, the Consideration Shares, the Placing Shares and the Scheme Shares after Completion.

### **Number of Offer Shares**

The 243,780,000 Offer Shares to be allotted and issued at the Issue Price under the Open Offer represent:

- (i) 60.00% of the issued share capital of the Company upon completion of the Capital Reorganisation;
- (ii) 37.50% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares; and



(iii) approximately 3.37% of the issued share capital of the Company upon completion of the Capital Reorganisation as enlarged by the allotment and issue of the Offer Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Consideration Shares after Completion.

### **Status of the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Offer Shares**

When allotted, issued and fully paid or credited as fully paid, the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Offer Shares will rank *pari passu* in all respects with the then Adjusted Ordinary Shares in issue on the date of allotment and issue of the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Offer Shares respectively. Holders of the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made and paid after the date of allotment and issue of the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Share and the Offer Shares respectively.

The Restructuring Agreement does not contain any restrictions on the sale of the Consideration Shares, the Subscription Shares, the Scheme Shares, the Placing Shares and the Offer Shares after Completion.

### **THE ISSUE PRICE OF THE CONSIDERATION SHARES, THE SUBSCRIPTION SHARES, THE PLACING SHARES, THE SCHEME SHARES AND THE OFFER SHARES**

The Issue Price for each of the Consideration Shares, the Subscription Shares, the Placing Shares, the Scheme Shares and the Offer Shares of HK\$0.197 represents:

- (i) a discount of approximately 74.08% to the theoretical quoted price of HK\$0.76 per Adjusted Ordinary Share (the quoted price of HK\$0.38 per Share has been adjusted to reflect the effects of the Capital Reorganisation) on 28 March 2014, being the last trading date before the suspension of trading in the Shares since 09:00 a.m. on 31 March 2014; and
- (ii) a discount of approximately 64.11% to the theoretical ex-rights price of approximately HK\$0.549 calculated based on the theoretical quoted price of HK\$0.76 per Adjusted Ordinary Share as derived in (i) above.

The Issue Price was arrived at after arm's length negotiation after taking into account (i) the funds required for the continuing operation of the Group; and (ii) the fact that trading in the Shares on the Stock Exchange has been suspended since 31 March 2014.

The Directors (except the independent non-executive Director whose opinions will be rendered after having obtained the advice from the Independent Financial Adviser) consider that the terms of the Acquisition, the Subscription, the Placing, the Creditors Schemes (including the Disposal and the allotment and issue of the Scheme Shares), the Open Offer (including the Underwriting Agreement) the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR THE ACQUISITION, THE SUBSCRIPTION, THE CREDITORS SCHEMES, THE PLACING AND THE OPEN OFFER AND USE OF PROCEEDS**

The Acquisition, the Subscription, the Placing, the Creditors Schemes and the Open Offer form part of the Resumption Proposal seeking the resumption of trading in the Adjusted Ordinary Shares, which has been suspended since 31 March 2014.

Upon Completion, the Group will have a sufficient level of operation on the basis that the Target Group will (i) continue to focus on its property development business in Jilin City; (ii) continue to work on the internal studies for the prospective land acquisition of a parcel of land near Zijin Jiangshang, which will be used to develop Phase IV and Phase V of Zijin Jiangshang; and (iii) actively identify potential land parcels suitable for its property development projects and expand its land reserves, in particular in tourism cities within the vicinity of Changbaishan, which will promote the sustainable growth of the Target Group and thereby enabling the Group to have a sufficient level of operation upon Completion.

In addition, having taken into account that (i) the Company has lost control over the PRC Subsidiaries; (ii) in the absence of books and records, the Company is not in a position to effect a voluntary winding up of the Scheme Companies; (iii) the Creditors Schemes are relatively time and cost saving, as compared to formal liquidation process; (iv) cost of the scheme administrators will be paid out of the assets of the Creditors Schemes rather than borne by the Company; and (v) the Creditors Schemes will assist the Group, which is currently hindered by the existence of potential contingent claim of the PRC Subsidiaries, to again focus on operations and business development, the Board consider the Creditors Schemes are the best solution available to the Group to resolve the issues in relation to the PRC Subsidiaries.

At the same time, the proceeds from the Subscription, the Placing and the Open Offer, after settlement of the Creditors Schemes Consideration and the cash portion of the Acquisition Consideration and payment of professional fees and expenses for the Proposed Restructuring, will be retained as working capital of the Enlarged Group which will improve the financial and liquidity position of the Group based on the financial effects of the Proposed Restructuring.

Taking into account that (a) the Acquisition Consideration of approximately HK\$1,151,721,733, which was arrived at after arm's length negotiations between the parties to the Restructuring Agreement; (b) the development prospects of the Target Group; (c) the prolonged suspension of trading in the Shares; (d) the Resumption Proposal being the only proposal that the Stock Exchange will consider for the purpose of Resumption and not any other proposals; and (e) the Company will be delisted if the Resumption Proposal failed to proceed, the Directors believe that the terms of the Restructuring Agreement are fair and reasonable and in the best interests of the Company and its Shareholders as a whole.

The gross proceeds from the Subscription (before deduction of the Working Capital Advance, which will be offset against the Subscription Consideration), the Placing and the Open Offer are HK\$25 million, HK\$261 million and approximately HK\$48.02 million respectively, and, in aggregate, amounts to approximately HK\$334.02 million, and the total gross proceeds (after excluding the Working Capital Advance in the amount of approximately HK\$3.92 million as at 28 February 2017 provided to the Group) amounts to approximately HK\$330.10 million. The net proceeds (after deducting the professional fees and expenses) will be applied as to the HK\$166 million to settle the cash portion of the Acquisition Consideration and as to HK\$6.4 million to settle the cash portion of the Subscription Consideration, and the balance shall be retained as the working capital of the Company after Completion and reserves for funding future investments (if any).

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

The Company has not conducted any equity fund raising activities in the past 12 months before the date of this announcement.

## CHANGES IN SHAREHOLDING STRUCTURE

The tables below set out the changes in the shareholding structure of the Company arising from the Capital Reorganisation, the Open Offer, the Acquisition, the Subscription, the Placing and the allotment and issue of the Scheme Shares. For illustrative purpose only, two cases, which assume (I) none of the Qualifying Shareholders subscribed for the Offers Shares and Investor A takes up the Offer Share in full; and (II) all Qualifying Shareholders subscribed for the Offer Shares, are shown below:

### Case (I) — none of the Qualifying Shareholders subscribed for the Offer Shares

Shareholders	As at the date of this announcement		Upon the Capital Reorganisation becoming effective		Immediately after the Capital Reorganisation and the Open Offer but before completion of the Acquisition, the Subscription, the Placing and the allotment and issue of the Scheme Shares ( <i>Note 5</i> )		Immediately after the Capital Reorganisation, the Open Offer, the Acquisition, the Subscription, the Placing and the allotment and issue of the Scheme Shares	
	No. of existing Shares	App. %	No. of Adjusted Ordinary Shares	App. %	No. of Adjusted Ordinary Shares	App. %	No. of Adjusted Ordinary Shares	App. %
<b>Substantial Shareholders</b>								
Vendor A	—	—	—	—	—	—	4,565,190,878	63.09%
Vendor B	—	—	—	—	—	—	438,472,743	6.06%
Investor A	—	—	—	—	243,780,000	37.50%	370,683,553	5.12%
							( <i>Note 2</i> )	
Super Creation International Limited and its concert parties ( <i>Note 1</i> )	480,000,000	59.07%	240,000,000	59.07%	240,000,000	36.92%	—	—
<b>Sub-total</b>	<b>480,000,000</b>	<b>59.07%</b>	<b>240,000,000</b>	<b>59.07%</b>	<b>483,780,000</b>	<b>74.42%</b>	<b>5,374,347,174</b>	<b>74.28%</b>
<b>Public Shareholders</b>								
Super Creation International Limited and its concert parties ( <i>Note 1</i> )	—	—	—	—	—	—	240,000,000	3.32%
Placee(s)	—	—	—	—	—	—	1,324,873,096	18.31%
Creditors	—	—	—	—	—	—	129,949,239	1.80%
Existing public shareholders	332,600,000	40.93%	166,300,000	40.93%	166,300,000	25.58%	166,300,000	2.30%
<b>Sub-total</b>	<b>332,600,000</b>	<b>40.93%</b>	<b>166,300,000</b>	<b>40.93%</b>	<b>166,300,000</b>	<b>25.58%</b>	<b>1,861,122,335</b>	<b>25.72%</b>
<b>Total</b>	<b>812,600,000</b>	<b>100.00%</b>	<b>406,300,000</b>	<b>100.00%</b>	<b>650,080,000</b>	<b>100.00%</b>	<b>7,235,469,509</b>	<b>100.00%</b>

## Case (II) — all the Qualifying Shareholders subscribed for the Offer Shares

Shareholders	As at the date of this announcement		Upon the Capital Reorganisation becoming effective		Immediately after the Capital Reorganisation and the Open Offer but before completion of the Acquisition, the Subscription, the Placing and the allotment and issue of the Scheme Shares (Note 5)		Immediately after the Capital Reorganisation, the Open Offer, the Acquisition, the Subscription, the Placing and the allotment and issue of the Scheme Shares	
	No. of existing Shares	App. %	No. of Adjusted Ordinary Shares	App. %	No. of Adjusted Ordinary Shares	App. %	No. of Adjusted Ordinary Shares	App. %
<b>Substantial Shareholders</b>								
Vendor A	—	—	—	—	—	—	4,565,190,878	63.09%
Vendor B	—	—	—	—	—	—	438,472,743	6.06%
Investor A	—	—	—	—	—	—	126,903,553	1.75%
Super Creation International Limited and its concert parties (Note 1)	480,000,000	59.07%	240,000,000	59.07%	384,000,000	59.07%	—	—
<b>Sub-total</b>	<b>480,000,000</b>	<b>59.07%</b>	<b>240,000,000</b>	<b>59.07%</b>	<b>384,000,000</b>	<b>59.07%</b>	<b>5,130,567,174</b>	<b>70.91%</b>
<b>Public Shareholders</b>								
Super Creation International Limited and its concert parties (Note 1)	—	—	—	—	—	—	384,000,000	5.31%
Placee(s)	—	—	—	—	—	—	1,324,873,096	18.31%
Creditors	—	—	—	—	—	—	129,949,239	1.80%
Existing public shareholders	332,600,000	40.93%	166,300,000	40.93%	266,080,000	40.93%	266,080,000	3.68%
<b>Sub-total</b>	<b>332,600,000</b>	<b>40.93%</b>	<b>166,300,000</b>	<b>40.93%</b>	<b>266,080,000</b>	<b>40.93%</b>	<b>2,104,902,335</b>	<b>29.09%</b>
<b>Total</b>	<b>812,600,000</b>	<b>100.00%</b>	<b>406,300,000</b>	<b>100.00%</b>	<b>650,080,000</b>	<b>100.00%</b>	<b>7,235,469,509</b>	<b>100.00%</b>

### Notes:

- As stated in the announcement of the Company dated 21 May 2015, the Company was informed by Mr. Lin, the then chairman and an executive director of the Company and the controlling shareholder of the Company who is interested in 480,000,000 shares, representing approximately 59.07% of the issued share capital of the Company as at the date of this announcement, that he has charged his entire interest in the Company to Mr. Li, an Independent Third Party, to secure a loan by Mr. Li to Mr. Lin. The Company also noticed that Mr. Li has filed a disclosure of interest form with the Company on 11 May 2015 notifying the Company that he has a security interest over 480,000,000 shares in the Company.
- The shareholding of Investor A comprises the Subscription Shares and the Underwritten Shares, assuming no acceptance by the Qualifying Shareholders under the Open Offer.
- None of the Directors holds any equity interests in the Company, as at the date of this announcement.
- Certain percentage figures included in this table are subject to rounding adjustment. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding them.
- This scenario is for illustration purpose only and will never occur. Pursuant to the Restructuring Agreement, completion of the Acquisition, the Subscription, the Placing, the Creditors Schemes (including the Disposal and the allotment and issue of the Scheme Shares) and the Open Offer will take place simultaneously.

## **Public float**

Upon completion of the Capital Reorganisation, the Acquisition, the Subscription, the Placing and the Open Offer and upon the allotment and issue of the Scheme Shares, (i) approximately 25.72% of the enlarged issued share capital will be held by public Shareholders assuming no acceptance by the Qualifying Shareholders under the Open Offer; and (ii) approximately 29.09% of the enlarged issued share capital will be held by public Shareholders assuming full acceptance by the Qualifying Shareholders under the Open Offer.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange. As mentioned in the announcement of the Company dated 10 November 2016, it is no longer in control of the PRC Subsidiaries which were principally engaged in the design, production and sales of footwear, apparels and accessories, and both of which have ceased operations.

Details of the background leading to the suspension of trading in the Shares and the Proposed Restructuring are set out in the paragraph headed “BACKGROUND AND THE PROPOSED RESTRUCTURING” in this announcement.

## **INFORMATION OF THE TARGET GROUP**

### **Business of the Target Group**

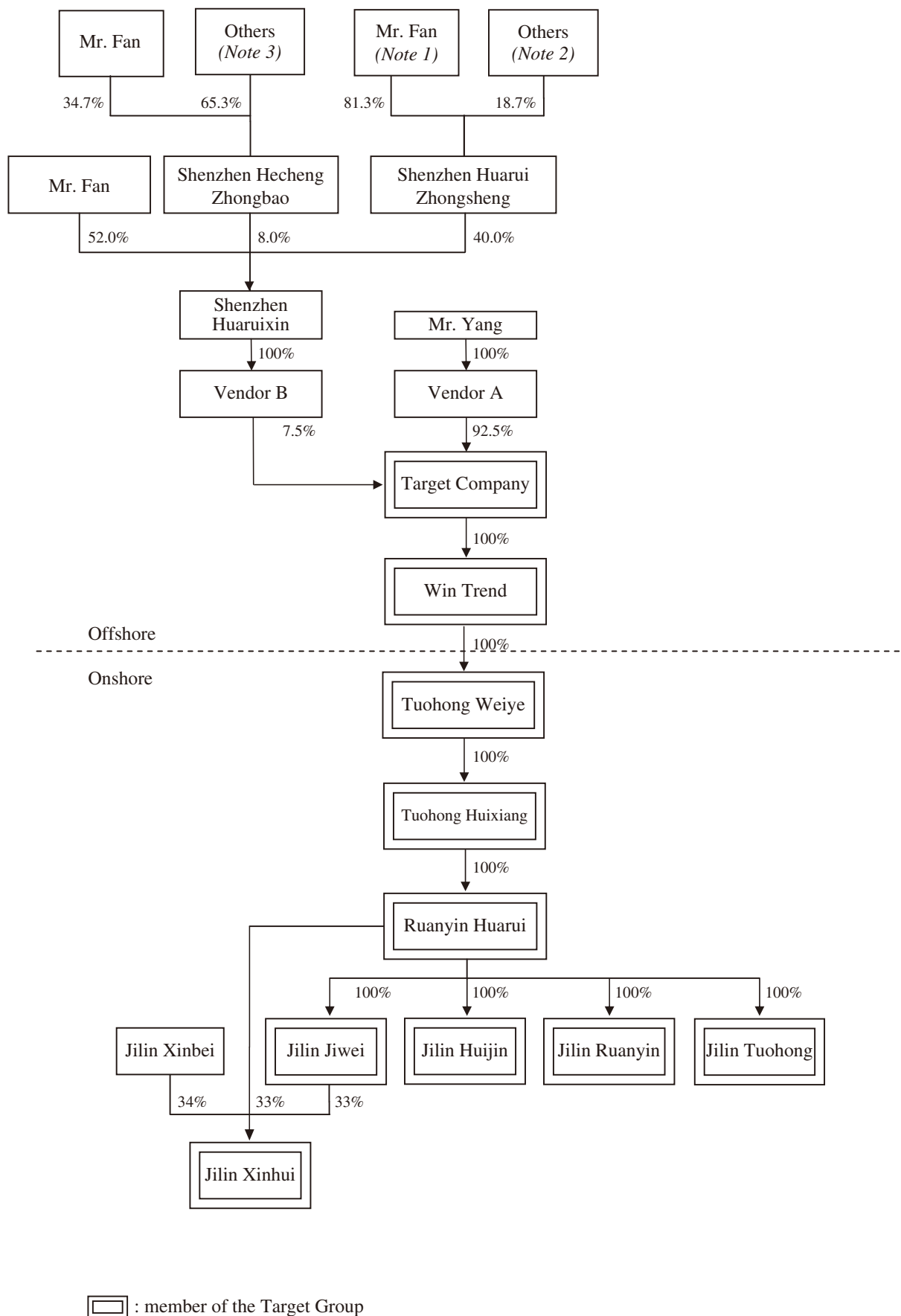
The Target Group is primarily engaged in the development and sale of residential and commercial properties in Jilin City in the PRC through its operating subsidiaries in the PRC.

As at the date of this announcement, the property portfolio of the Target Group comprised two property development projects under various stages of development, namely (i) one large-scale residential property project comprising three phases, namely Zijin Jiangshang (紫金 • 江尚); and (ii) one high-end residential and commercial complex property project comprising four phases, namely Lvzhou Gongyuan (綠洲 • 公元) in Jilin City in the PRC with a total GFA of approximately 813,985 sq.m. All three phases of Zijin Jiangshang have been completed by July 2015 and as at 31 December 2016, Phase I of Lvzhou Gongyuan has commenced construction and pre-sale of properties, while Phase II was in the process of applying for the requisite permits for the commencements of construction. As at 31 December 2016, Zijin Jiangshang and Lvzhou Gongyuan have an aggregate GFA of approximately 369,979 sq.m. of completed properties, an aggregate GFA of approximately 12,523 sq.m. of properties under development and an aggregate planned GFA of approximately 431,483 sq.m. of properties held for future development.



## Corporate structure of the Target Group

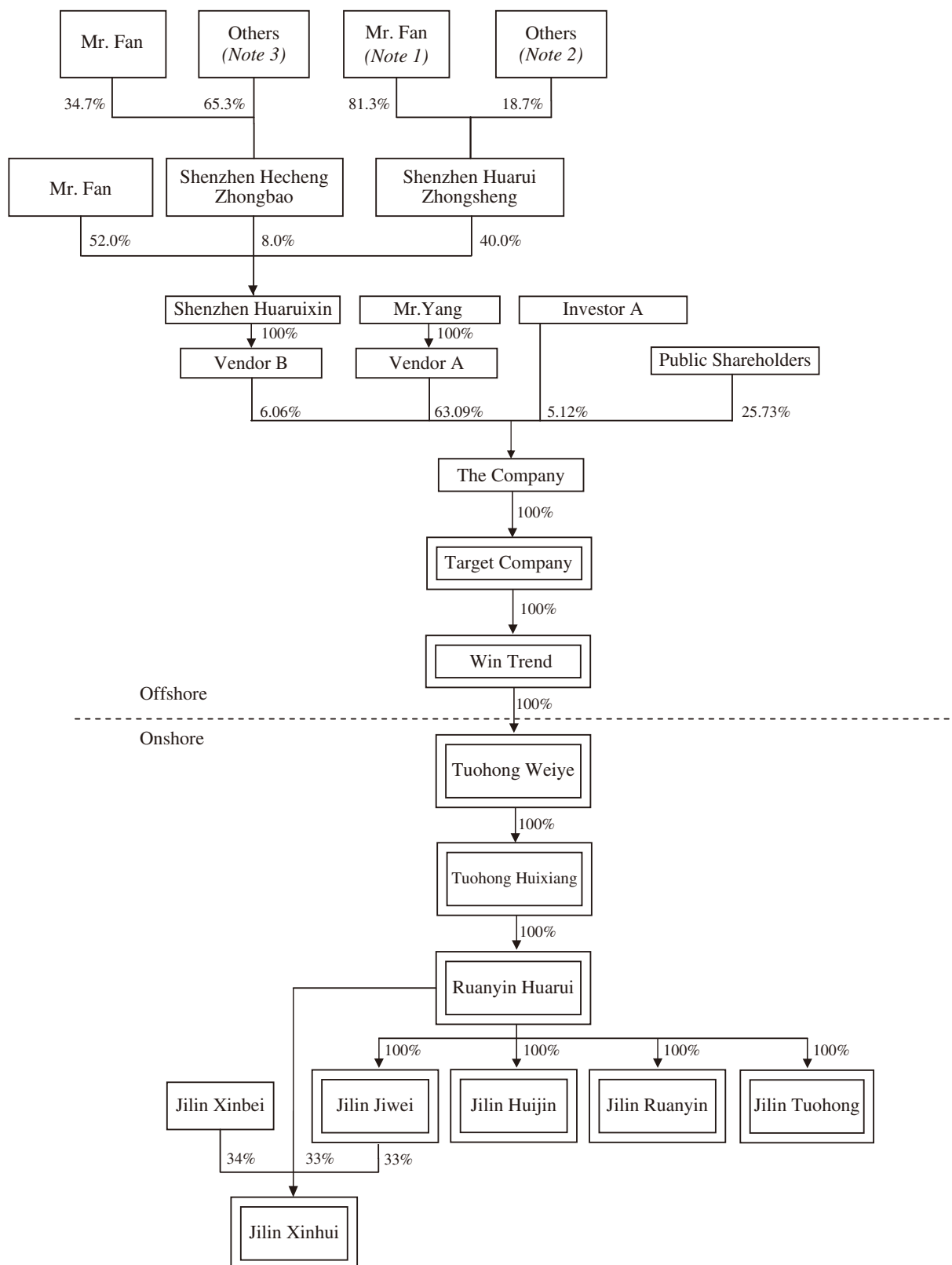
The following chart sets out the corporate and shareholding structure of the Target Group immediately prior to Completion:



*Notes:*

1. The equity interest is directly held as to 50% by Mr. Fan and as to approximately 31.3% by Ms. Yao Lingyan ( 姚玲燕女士 ), the spouse to Mr. Fan, on trust for Mr. Fan.
2. The equity interest is held (i) as to approximately 0.1% by Mr. Yao Anqing ( 姚安清先生 ), the brother-in-law of Mr. Fan; and (ii) as to approximately 18.6% by four individuals and one entity, each an Independent Third Party, where no shareholder is interested in 10% or more of the equity interest in Shenzhen Huarui Zhongsheng.
3. The equity interest is held (i) as to approximately 4.9% by Mr. Yao Anqing ( 姚安清先生 ), the brother-in-law of Mr. Fan; and (ii) as to approximately 60.4% by 14 individuals, each an Independent Third Party, where no shareholder is interested in 15% or more of the equity interest in Shenzhen Hecheng Zhongbao.

The following chart sets out the corporate and shareholding structure of the Target Group immediately after Completion (assuming no acceptance by the Qualifying Shareholders under the Open Offer):



  : member of the Target Group

Notes:

1. The equity interest is directly held as to 50% by Mr. Fan and as to approximately 31.3% by Ms. Yao Lingyan (姚玲燕女士), the spouse to Mr. Fan, on trust for Mr. Fan.
2. The equity interest is held (i) as to approximately 0.1% by Mr. Yao Anqing (姚安清先生), the brother-in-law of Mr. Fan; and (ii) as to approximately 18.6% by four individuals and one entity, each an Independent Third Party, where no shareholder is interested in 10% or more of the equity interest in Shenzhen Huarui Zhongsheng.
3. The equity interest is held (i) as to approximately 4.9% by Mr. Yao Anqing (姚安清先生), the brother-in-law of Mr. Fan; and (ii) as to approximately 60.4% by 14 individuals, each an Independent Third Party, where no shareholder is interested in 15% or more of the equity interest in Shenzhen Hecheng Zhongbao.

## **Property development projects held by the Target Group**

### ***Zijin Jiangshang***

Zijin Jiangshang is a large-scale residential project located at the intersection of Xinglong Street and Shenzhen Middle Road, Gaoxin District, Jilin City, Jilin Province, the PRC. It is a residential project consisting primarily of residential buildings which also includes ancillary retail shops, car parking spaces and other ancillary facilities.

The project consisted of three phases. As at the date of this announcement, the construction of this project was completed.

### ***Lvzhou Gongyuan***

Lvzhou Gongyuan is positioned as a high-end residential and commercial complex property project located at No. 1988, Shenzhen East Road, Gaoxin District, Jilin City, Jilin Province, the PRC. It is a project consisting primarily of residential buildings, such as townhouses, mid-rise apartments, and commercial buildings. It also includes recreational areas such as open space, greenery and parks and other ancillary facilities such as training centre.

The project consisted of four phases. As at the date of this announcement, the construction of a portion of Phase I of this project was completed but the construction of Phases II, III and IV has not been commenced.

## **Future plans**

With its proven track record in the property development market in Jilin City and in-depth market knowledge it has gained, the Target Group will continue to focus its property development business in Jilin City. Leveraging on its success in developing Zijin Jiangshang and to further enhance its brand awareness, the Target Group is currently working on its internal studies for prospective land acquisition of a parcel of land near Zijin Jiangshang, which will be used to develop Phase IV and Phase V of Zijin Jiangshang. On 11 November 2016, the Target Group entered into a letter of intent with Jilin High-tech Industry Development Zone Management Committee (吉林高新技術產業開發區管理委員會), pursuant to which the Target Group has indicated its interest to acquire the land according to public tender, auction and listing-for-sale procedure.

Jilin Province has accelerated the pace of urban integration between cities such as Changchun and Jilin. It has deepened the implementation of promoting the revitalisation of northeast old industrial base strategy and international cooperation in border areas, and has further opened up its market to the rest of the world, which has led to new economic growth in Northeast China, has enhanced the overall competitiveness, and has driven the growth of the real estate development of Jilin Province. Coupled with the economic upward trend, the Target Group intends to deploy its resources to property market in other cities in Jilin Province especially those tourism cities within the vicinity of Changbaishan.

### *Business review of the Target Group*

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. The Target Group has been positioning itself as one of the mid to high-class residential housing providers in Jilin City and it has been dedicated in delivering high quality property projects. To implement its strategy and achieve its goal, the Target Group engages qualified contractors, construction supervision companies and property management company to provide design, construction and property management services and supervises their performance and manages the overall project development process. Properties developed by the Target Group include townhouses, low-rise residential units, high-rise residential units, commercial units and mixed-use properties.

### **Management profile of the Target Group**

The Target Group has management teams with 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

Set out below is the unaudited consolidated financial information of the Target Group for the three years ended 31 December 2014, 2015 and 2016 as prepared in accordance with HKFRSs:

	For the year ended 31 December 2014 RMB'000 (unaudited)	For the year ended 31 December 2015 RMB'000 (unaudited)	For the year ended 31 December 2016 RMB'000 (unaudited)
Revenue	425,100	500,425	265,585
Gross Profit	109,924	153,084	66,278
Profit before taxation	70,269	117,032	39,388
Profit and total comprehensive income for the year	50,212	70,255	24,279
Profit after taxation attributable to owners of the Target Company	52,359	71,997	21,553
			As at 31 December 2016 RMB'000 (unaudited)
Current assets			93,474
Non-current assets			779,241
Current liabilities			561,884
Non-current liabilities			195,912
Net assets			114,919

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Target Group in this announcement. Pursuant to Rule 10 of the Takeovers Code, the above unaudited financial information relating to the Target Group constitutes a profit estimate and should be reported on by the Company's financial adviser and reporting accountants (the "**Reports (Target Group)**") under Rule 10.4 of the Takeovers Code. However, due to the practical difficulties to include the Reports (Target Group) in this announcement in terms of the additional time required for the preparation of the Reports (Target Group) by the Company's financial advisers and reporting accountants, those financial information relating to the Target Group is not strictly in compliance with the requirements of Rule 10 of the Takeovers Code. A full set of the accountants' reports relating to the Target Group prepared by Deloitte Touche Tohmatsu under HKFRS, which will be in full compliance with the requirements of the Takeovers Code, will be included in the Circular to be issued by the Company to the Shareholders. Shareholders should note that there may be differences between the financial information relating to the Target Group as presented in this announcement and the financial information to be presented in the Circular to be issued by the Company to the Shareholders.

**The Company would like to draw the attention of the Shareholders and potential investors that the above unaudited financial information of the Target Group does not meet the standard required by Rule 10 of the Takeovers Code. The Shareholders and potential investors should exercise caution in placing reliance on the above information in assessing the merits and demerits of the Acquisition as disclosed in this announcement.**

## **INFORMATION OF THE INVESTORS**

Apart from being the Investors under the Proposed Restructuring, there is no other relationships between Vendor A, Vendor B and Investor A.

### ***Vendor A***

Vendor A is an investment holding company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Yang. He also acts as the guarantor to Investor B and guarantees the performance of the obligations of Investor B under the Restructuring Agreement. Mr. Yang is a proposed executive Director immediately following Completion. Please refer to the section below headed “PROPOSED APPOINTMENT OF PROPOSED DIRECTORS” for the biographical details of Mr. Yang.

To the best of the knowledge of the Directors, having made all reasonable enquires, Vendor A, Mr. Yang and their respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

### ***Vendor B***

Vendor B is an investment holding company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Shenzhen Huaruixin which is in turn owned (i) as to 52.0% by Mr. Fan, (ii) as to 40.0% by Shenzhen Huarui Zhongsheng, and (iii) as to 8.0% by Shenzhen Hecheng Zhongbao. Shenzhen Huarui Zhongsheng is directly owned (i) as to 50.0% by Mr. Fan, (ii) as to approximately 31.3% by the spouse of Mr. Fan, on trust for Mr. Fan, (iii) as to approximately 0.1% by Mr. Yao Anqing, the brother-in-law of Mr. Fan, and (iv) as to approximately 18.6% by Independent Third Parties. Shenzhen Hecheng Zhongbao is directly owned (i) as to 34.7% by Mr. Fan, (ii) as to approximately 4.9% by Mr. Yao Anqing, the brother-in-law of Mr. Fan and (iii) as to 60.4% by Independent Third Parties. Hua Rui Xin is ultimately controlled by Mr. Fan. Mr. Fan is the proposed non-executive Director immediately following Completion. Please refer to the section below headed “PROPOSED APPOINTMENT OF PROPOSED DIRECTORS” for the biographical details of Mr. Fan.

To the best of the knowledge of the Directors, having made all reasonable enquires, Vendor B, Shenzhen Huaruixin, Mr. Fan, Shenzhen Hecheng Zhongbao, Shenzhen Huarui Zhongsheng, their respective ultimate beneficial owners and their respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

## ***Investor A***

Investor A is an investment holding company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Tai, an experienced investor. Investor A is also the underwriter to the Open Offer.

Mr. Tai Kai Hing, aged 42, graduated from the Chinese University of Hong Kong in 1996 majoring in Statistics with a minor certificate in Economics. He began his career in Andersen Consulting (now known as Accenture Company Ltd (埃森哲有限公司)) as a business consultant and participated in a number of major consultation projects for multinational corporations, including A.S. Watson, Siemens, Colgate-Palmolive Limited and Philip Morris Asia Limited. Mr. Tai held various management positions and obtained extensive experience in Informasia Holdings Limited and its subsidiaries.

To the best of the knowledge of the Directors, having made all reasonable enquiries, Investor A, Mr. Tai and their respective associates are Independent Third Parties, and are not acting in concert with, the Company, the Directors, the substantial Shareholders or any of their subsidiaries or their respective associates.

Vendor A, Vendor B and Investor A, each of whom being a party to the Restructuring Agreement, are regarded as parties acting in concert with each other.

## **INTENTION OF THE INVESTORS REGARDING THE GROUP**

The Investors do not intend to continue or resume the existing businesses of the Group. After Completion, the Enlarged Group will primarily focus on the development and sale of residential and commercial properties in the PRC. Save as disclosed, the Investors 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, Vendor A, Vendor B, Investor A and the Directors (including the proposed Directors), confirms that, 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 Investors have confirmed that they have no intention or plan to dispose of their respective interests in the Company within 24 months after the Resumption.

## **PROPOSED APPOINTMENT OF PROPOSED DIRECTORS**

Upon Completion, save for Mr. Chu Kin Wang, Peleus (to be remained as an independent non-executive Director), all other existing Directors will resign and the Board proposes the appointment of Mr. Yang, Mr. Yan Hongzhi, Ms. Wang Haiyan as executive Directors; Mr. Fan as a non-executive Director; and Mr. Wong Kun To and Mr. Yung Wing Ki, Samuel as independent non-executive Directors.

The following table shows certain information of the new Board and the roles and responsibilities of each of the Directors immediately following Completion:

<b>Name</b>	<b>Position/Title</b>	<b>Role and responsibilities (subject to actual appointment)</b>	<b>Date of appointment as a Director</b>	<b>Time of joining as a director/senior management of the Target Group</b>
Mr. Yang	Chairman and executive Director	Responsible for the overall corporate strategies formulation and management, and investment and financing management of the Enlarged Group	Upon Completion	March 2011
Mr. Yan Hongzhi	Executive Director	Responsible for the overall business management and property development, design, engineering of the Enlarged Group	Upon Completion	August 2013
Ms. Wang Haiyan	Executive Director	Responsible for the financial management of the Enlarged Group	Upon Completion	March 2011
Mr. Fan	Non-executive Director	Responsible for the investment management of the Enlarged Group	Upon Completion	June 2013
Mr. Wong Kun To	Independent non-executive Director	Serving as chairman of the remuneration committee and as a member of the audit and nomination committees; advising on corporate governance matters	Upon Completion	N/A
Mr. Yung Wing Ki, Samuel, S.B.S., M.H., J.P.	Independent non-executive Director	Serving as chairman of the nomination committee and as a member of the remuneration and audit committee; advising on corporate governance, connected transactions and other corporate and compliance matters	Upon Completion	N/A
Mr. Chu Kin Wang, Peleus	Independent non-executive Director (existing Director)	Serving as chairman of the audit committee and as a member of the remuneration and nomination committee; advising on corporate governance matters	February 2010	N/A

The information of the proposed directors to be appointed is set out below:

***Mr. Yang Hongpeng ( 楊宏鵬先生 ) (“Mr. Yang”)***

Mr. Yang, aged 48, founded the Target Group in March 2011 and he has been responsible for the overall corporate strategies planning, corporate development, investment, overall operations and management of the Target Group since 2011. Mr. Yang has been the legal representative, executive

director and general manager of Ruanyin Huarui from May 2012 to March 2014. Mr. Yang has also served as the supervisor of Jilin Xinhui since October 2015.

Prior to the establishment of the Target Group in 2011, Mr. Yang has been the supervisor of Beijing Tuohong, which is principally engaged in project management and investment management in the PRC, since November 2007, where he is responsible for supervising the overall management of the company. Since May 2002, Mr. Yang has been the legal representative, executive director and general manager of Beijing Tuohong Weiye Science and Technology Development Company Limited\* (北京拓宏偉業科技發展有限公司). Mr. Yang has been the director of Create World Real Estate Inc. (formerly known as Create World America Construction Management Inc.), a company incorporated in the U.S. on 16 June 2014. From September 1991 to April 2002, Mr. Yang served as the deputy general manager in Beijing Tian Di Jing Wei Ke Mao Company Limited\* (北京天地經緯科貿有限公司). He was appointed as executive vice president of Jilin Chamber of Commerce in Beijing (北京吉林企業商會常務副會長) for a period starting from 19 January 2016 to 15 April 2018.

Mr. Yang obtained a bachelor's degree in engineering majoring in macromolecular material processing machinery (高分子材料加工機械) from Beijing University of Chemical Technology (北京化工大學) (formerly known as Beijing Institute of Chemical Technology (北京化工學院)) in July 1991 and obtained a master degree in Executive Master of Business Administration (高級管理人員工商管理碩士) from Beijing University in the PRC in July 2007. Mr. Yang became an engineer in September 1996.

***Mr. Yan Hongzhi (嚴宏志先生) (“Mr. Yan”)***

Mr. Yan, aged 52, joined the Target Group in August 2013 as a manager of Jilin Tuohong and subsequently became the general manager in December 2015, where he is responsible for the overall management of the company and project management of Zijin Jiangshang. Mr. Yan has been the general manager of Jilin Huijin since December 2015, where he was responsible for the overall management of the company and project management of Lvzhou Gongyuan. Mr. Yan has also been a director of Ruanyin Huarui since April 2014 and the general manager since December 2015. He was appointed as the legal representative of Ruanyin Huarui in March 2016, where he has been responsible for overall management of Ruanyin Huarui. Mr. Yan has been the general manager of each of Jilin Jiwei, Jilin Huijin, Jilin Ruanyin and Jilin Tuohong since December 2015, where he is responsible for overall management. Prior to joining the Target Group, Mr. Yan was the general manager of Shandong Yancon Guotuo Science & Engineering Co., Ltd. (山東兗礦國拓科技工程有限公司), a company primarily engaged in chemical research and development related business in the PRC, from July 2010 to August 2013, where he was mainly responsible for the overall management of the company. Mr. Yan joined Daqing Oilfield Chemical Co., Ltd.\* (大慶油田化工有限公司), a company primarily engaged in natural gas and chemical industry, light hydrocarbon deep processing and surface active agent production business in the PRC from December 1995 to May 2008.

Mr. Yan obtained a bachelor's degree in Chemical Engineering from Dalian University of Technology (大連理工大學), which was formerly known as Dalian Institute of Technology\*(大連工學院) in the PRC in July 1985. He further obtained a master's degree in Business Administration with California American University through long-distance programme jointly held by California American University and Daqin Oil Management Bureau\* (大慶石油管理局) in the PRC in October 2002.



***Ms. Wang Haiyan ( 王海燕女士 ) (“Ms. Wang”)***

Ms. Wang, aged 42, joined the Target Group in March 2011 as the supervisor of Jilin Tuohong, where she is mainly responsible for investment and financing management.

Ms. Wang served successively as financial manager, chief financial officer and vice president and chief financial and legal director of Beijing Tuohong, which is principally engaged in project management and investment management in the PRC, from February 2008 to January 2017, where she was mainly responsible for the daily financing management. From June 2002 to February 2008, she was the finance manager of Shanghai Shide Investment Co., Ltd.\* ( 上海實德投資有限公司 ), a company primarily engaged in manufacturing of chemical construction materials in the PRC, where she was mainly responsible for regional finance and investment management. Ms. Wang joined Dalian Shide Group Co., Ltd.\* ( 大連實德集團有限公司 ), a company with diversified product profiles mainly involved in selling construction materials and home appliances, provision of finance and insurance services from October 1997 to June 2002.

Ms. Wang obtained a bachelor’s degree in investment economic management from Dongbei University of Finance and Economics ( 東北財經大學 ) in the PRC in July 1997. Ms. Wang further obtained a master’s degree in professional accounting from the Chinese University of Hong Kong in December 2008. Ms. Wang completed the Executive Master of Professional Accountancy Programme and obtained CFO Qualifying Training Certificate conferred by Shanghai National Accounting Institute in June 2008. Ms. Wang is a qualified PRC accountant.

***Mr. FAN Jiagui ( 范嘉貴先生 ) (“Mr. Fan”)***

Mr. Fan, aged 46, joined the Target Group in June 2013 as a director of Ruanyin Huarui, where he is mainly responsible for investment management. Mr. Fan has also been the general manager of Jilin Xinhui since October 2015, where he is responsible for overall management of Jilin Xinhui.

Prior to joining the Target Group, Mr. Fan has been the chairman of the board and general manager of Shenzhen Huaruixin since June 2011, where he was mainly responsible for the overall management of the company.

From November 1999 to August 2011, Mr. Fan worked at Ping An Bank Shenzhen Branch\* ( 平安銀行深圳分行 ), where he was general manager of investment department I and was mainly responsible for making investment related decisions.

Mr. Fan obtained a bachelor’s degree in economics from Zhengzhou University in the PRC in June 1993. Mr. Fan further obtained a master’s degree in business administration from the Chinese University of Hong Kong in December 2006. Mr. Fan obtained a qualification certificate of speciality and technology in financial economics from Ministry of Personnel of the PRC in October 1996.

***Mr. WONG Kun To ( 黃勤道先生 ) (“Mr. Wong”)***

Mr. Wong, aged 60, is currently a director of SOW Capital Limited, a company principally engaged in real estate investment and advisory, where he is responsible for overall investment strategy, corporate development and operation of the company. Prior to the establishment of SOW Capital

Limited, he was an executive director and managing director of Shui On Land Limited, the shares of which are listed on the Stock Exchange (stock code: 272) from January 2014 to June 2015. Mr. Wong was the non-executive director of SOCAM Development Limited (previously known as Shui On Construction and Materials Limited) (“SOCAM”), the shares of which are listed on the Stock Exchange (stock code: 983) from July 2013 to May 2015, the managing director of SOCAM from March 2011 to July 2013, the chief executive officer of SOCAM from April 2010 to July 2013 and the executive director of SOCAM from July 2009 to July 2013.

Mr. Wong obtained his bachelor’s degree in Engineering from McMaster University in Canada in May 1979. He is a member of the Hong Kong Institution of Engineers.

***Mr. Yung Wing Ki, Samuel (容永祺先生) S.B.S., M.H., J.P. (“Mr. Yung”)***

Mr. Yung, aged 58, is currently an executive district director of AIA International Limited, an insurance company. He is a member of the National Committee of the Chinese People’s Political Consultative Conference. He is an independent non-executive director of China South City Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 1668). Mr. Yung is also an independent non-executive director and chairman of the audit committee of China Overseas Property Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 2669).

Mr. Yung was an independent non-executive director of Fittec International Group Limited, the shares of which are listed on the Stock Exchange (stock code: 2662) from 21 January 2016 to 31 May 2016.

Mr. Yung was a member of Commission on Strategic Development, a member of Central Policy Unit and the chairman of Betting and Lotteries Commission. Mr. Yung was awarded degree of Executive Master of Business Administration from the Hong Kong University of Science and Technology in November 2006. Mr. Yung is a honorary university fellow, Open University of Hong Kong, a Certified Financial Planner, Registered Financial Consultant and, Chartered Life Practitioner.

Mr. Yung was also awarded Hong Kong Ten Outstanding Young Persons in 1994, the China Insurance Person 2011 and the Industry’s Achievement Award of the Life Underwriters Association of Hong Kong (2015) (香港人壽保險從業員協會行業成就獎 (2015)).

## **PROPOSED ADOPTION OF NEW MEMORANDUM AND ARTICLES**

The Existing Memorandum and Articles has been adopted since 2010 at the time of the listing of the Company. No amendment has been made to the Existing Memorandum and Articles to align with the provisions therein with the amendments to the applicable laws and rules. 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 be substituted in place of 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 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);
- (b) to align with the requirements of the Listing Rules on the notice period for annual general meeting and other general meetings;
- (c) to allow Directors to participate in any meeting of the Shareholders by means of a conference telephone, electronic or other communications equipment and, such participation shall constitute presence at a meeting as if those participating were present in person but Shareholders shall not be permitted to participate in any meeting of the Shareholders by means of a conference telephone, electronic or other communications equipment;
- (d) to allow the Company to appoint more than one chairman;
- (e) to allow the Shareholders to participate in capitalisation issue of the Company in such other proportions as may be determined by the Shareholders by way of ordinary resolution;
- (f) to align with the requirements of 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 close associates is materially interested; and
- (g) to align with the requirements of the Listing Rules on matters 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 will be set out in the Circular.

The adoption of the New Memorandum and Articles is conditional upon the passing of special resolutions 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. The New Memorandum and Articles will substitute the Existing Memorandum and Articles with immediate effect after passing of the special resolutions mentioned aforesaid.

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.

## **PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME**

In order to provide the eligible participants of the Enlarged Group with suitable level of employee incentives in light of the recent development and circumstances of the Company, the Board has decided to terminate the Existing Share Option Scheme, and to adopt the New Share Option Scheme which will be effective for a period of ten (10) years commencing from the adoption date. The purpose of the New Share Option Scheme is to enable the Company to grant share options to the eligible participants as incentives or rewards for their contribution to the long-term development

of the Enlarged Group and to provide the Enlarged Group with a more flexible means to reward, remunerate, compensate, attract, retain and/or provide benefits to the eligible participants. Although the Existing Share Option Scheme is valid until 2020, the Board considers that the longer validity period of ten (10) years (i.e. from 2017 to 2027) under the New Share Option Scheme is more compatible to the current needs of the Company to retain and to attract eligible participants who are or will potentially be critical to the long-term development of the Enlarged Group. Therefore, the Board proposes to recommend to the Shareholders to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

As at the date of this announcement, (i) save for the Existing Share Option Scheme, the Company has not adopted any other share option scheme; and (ii) as at the date of this announcement, the Company has 12,000,000 outstanding share options to subscribe for an aggregate of 12,000,000 Shares (equivalent to 6,000,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) under the Existing Share Option Scheme. The Directors confirm that no further share options will be granted under the Existing Share Option Scheme prior to the date of the EGM.

The terms of the New Share Option Scheme provide that in granting share options under the New Share Option Scheme, the Board may offer to grant any share options subject to such terms and conditions as the Board may determine in its absolute discretion. The Board will also determine the subscription price in respect of any share option pursuant to the terms of the New Share Option Scheme. The Board has the discretion to determine the restrictions and/or conditions for vesting or exercise of the share options appropriate in the circumstances, such as the minimum period that share options need to be held by the grantees and/or performance targets to be achieved before such share options can be exercised. Conditional grant of share options may provide incentives to the grantees to continue to contribute to the growth of the Enlarged Group and thus serves the purpose of the New Share Option Scheme.

Further details of the New Share Option Scheme will be set out in Circular.

### **Conditions of the New Share Option Scheme**

The New Share Option Scheme shall take effect subject to and is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM approving the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any shares falling to be issued pursuant to the exercise of any share options granted under the New Share Option Scheme; and
- (iii) the Completion having taken place.

Application will be made to the Listing Committee for the approval of the listing of, and permission to deal in, the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

The Company will comply with the requirements of the Listing Rules in granting share options and issuing shares pursuant to the New Share Option Scheme.

Adjusted Ordinary Shares which may fall to be issued upon the exercise of all share options to be granted under the New Share Option Scheme at any time may not exceed 10% of the total number of Adjusted Ordinary Shares in issue as at the date of adoption of the New Share Option Scheme.

On the basis of 812,600,000 Shares (equivalent to 406,300,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) in issue as at the date of this announcement and assuming that no further Shares or Adjusted Ordinary Shares (as the case may be) are issued or repurchased by the Company prior to the EGM, the scheme limit for the New Share Option Scheme will be 81,260,000 Shares (equivalent to 40,630,000 Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) under Rule 17.03(3) of the Listing Rules, should the New Share Option Scheme be adopted.

The Directors consider that it is not appropriate to state the value of the share options which may be granted under the New Share Option Scheme as if they had been granted as at the date of this announcement. The Directors believe that any statement regarding the value of the share options as at the date of this announcement will not be meaningful to the Shareholders, since the share options to be granted shall not be assignable, and no holder of the share options shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any share option.

In addition, any such valuation would have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions, including the subscription price, the exercise period, lock-up period (if any), interest rate, expected volatility and other variables. As no share option had been granted as at the date of this announcement under the New Share Option Scheme, certain variables are not available for calculating the value of the share options thereunder, the Directors believe that any calculation of the value of the share options under the New Share Option Scheme as at the date of this announcement based on a great number of speculative assumptions would not be meaningful and may be misleading to the Shareholders and the investors of the Company.

## **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 Acquisition and the Subscription pursuant to the terms of the Restructuring Agreement, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder are also required to abstain from voting on the resolution(s) to approve the Capital Reorganisation 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 for the Company under Rule 14.06(5) of the Listing Rules. As Mr. Yang and Vendor A will become the controlling Shareholders and Mr. Yang will become and an executive Director upon Completion, the Acquisition also constitute a connected transaction for the Company pursuant to Rule 14A.28 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

In addition, 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 Mr. Yang and Vendor A, 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 listing applicant under Rule 14.54 of the Listing Rules and the Acquisition is therefore subject to the approval by the Listing Committee of the new listing application to be made by the Company. The Enlarged Group or the Target Group must be able to meet the requirements under 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.

The Consideration Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Parties to the Concert Group, Mr. Lin, his associates and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder shall abstain from voting on the resolution(s) at the EGM to approve the Acquisition and the transactions contemplated thereunder.

## **The Subscription**

The Subscription Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Parties to the Concert Group, Mr. Lin, his associates, and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder, including the Concert Group, shall abstain from voting on the resolution to approve the Subscription at the EGM.

## **The Placing**

The Placing Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. As completion of the Placing is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Open Offer, the Disposal and the allotment and issue of the Scheme Shares, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal are also required to abstain from voting on the relevant resolution(s) to approve the Placing.

## **The Open Offer**

Pursuant to Rule 7.24(5) of the Listing Rules, if a proposed open offer would increase either the number of issued shares or the market capitalisation of the issue by more than 50%, the open offer must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates must abstain from voting in favour. Since the Open Offer would increase the issued share capital or the market capitalisation of the Company by more than 50%, the Open Offer will be subject to the Independent Shareholders' approval at the EGM. Further, as completion of the Open Offer is conditional upon the conditions precedent of the Restructuring Agreement having been fulfilled and are expected to be taken place simultaneously with the completion of the Subscription, the Acquisition, the Placing and the Disposal and the allotment and issue of the Scheme Shares, Shareholders who are required to abstain from voting on the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal are also required to abstain from voting on the relevant resolution(s) to approve the Open Offer and the transactions contemplated under the Underwriting Agreement.

## **The Creditors Schemes and the Disposal**

Pursuant to the Creditors Schemes, the Scheme Companies will be transferred from the Group to the scheme administrators of the Creditors Schemes or a company to be incorporated and to be held and controlled by the scheme administrators of the Creditors Schemes. Accordingly, the Scheme Companies to be transferred under the Creditors Schemes are deemed to be disposed of. As one or more of the applicable percentage ratios calculated under the Listing Rules in respect of the Disposal are more than 25.0% but less than 75.0%, the Disposal constitutes a major transaction under Chapter 14 of the Listing Rules and therefore subject to the reporting, announcement and shareholder's approval requirements pursuant to the Listing Rules.

The Scheme Shares will be allotted and issued pursuant to a specific mandate to be obtained at the EGM. Save for parties to the Concert Group, Mr. Lin (being one of the Scheme Creditors and holding approximately 59.07% of the total issued shares of the Company as at the date of this announcement), his associates and parties acting in concert with any of them, and those (if any) who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal and the transactions contemplated thereunder, no Shareholder will be required to abstain from voting on the resolutions to approve the Disposal and the transactions contemplated thereunder and the allotment and issue of the Scheme Shares at the EGM.

## **Others**

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, save for Mr. Lin, his associates and parties acting in concert with any of them, who shall abstain from voting on the resolutions to approve the Capital Reorganisation, the Acquisition, the Disposal, the allotment and issue of the Scheme Shares, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal, none of the 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 proposed Directors, the adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

The Company will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares, the Scheme Shares and the Adjusted Ordinary Shares which may fall to be issued pursuant to the exercise of the share options granted under the New Share Option Scheme.

## **IMPLICATIONS UNDER THE TAKEOVERS CODE**

### **Whitewash Waiver**

As at the date of this announcement, 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 74.28% of the share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares and the Scheme Shares (assuming all Qualifying Shareholders do not take up their entitlement under the Open Offer) and 70.91% of the share capital of the Company after the Capital Reorganisation and as enlarged by the Consideration Shares, the Subscription Shares, the Placing Shares, the Offer Shares and the Scheme Shares (assuming all Qualifying Shareholders take up their entitlement under the Open Offer), respectively.

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

The Investors will make 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, Mr. Lin, his associates and parties acting in concert with any of them, and those who are involved in or interested in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal will abstain from voting on the relevant resolution(s). If the Whitewash Waiver is granted by the Executive, the Investors will not be required to make a mandatory offer which would otherwise be required as a result of the Acquisition, the Subscription and the Open Offer. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will lapse and consequentially the Acquisition, the Subscription, the Placing, the Creditors Schemes and the Open Offer will lapse, and the Capital Reorganisation and the Resumption will not proceed.

As at the date of this announcement, the Company does not believe that the Proposed Restructuring gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Proposed Restructuring does not comply with other applicable rules and regulations.

## **Special Deal**

The proposed settlement of the indebtedness due to Mr. Lin (who holds approximately 59.07% of the total issued shares of the Company as at the date of this announcement) under the Creditors Schemes, which is not extended to all the other Shareholders, constitutes a special deal under Rule 25 of the Takeovers Code and therefore requires (i) consent by the Executive; (ii) the Independent Financial Adviser to publicly state that in its opinion the repayment and the terms thereunder are fair and reasonable; and (iii) approval by the Independent Shareholders at the EGM, in which parties to the Concert Group, Mr. Lin, his associates and parties acting in concert with any of them, and those who are interested in and involved in the Proposed Restructuring, the Whitewash Waiver and/or the Special Deal will be required to abstain from voting on the relevant resolution(s). The Company will apply to the Executive for its consent to the Special Deal under Rule 25 of the Takeovers Code.

## **INFORMATION REQUIRED UNDER THE TAKEOVERS CODE**

As at the date of this announcement, the Concert Group confirms that, save as disclosed in this announcement:

- (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 Restructuring 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 Restructuring Agreement and up to the date of this announcement;
- (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 Placing, the Open Offer (including the Underwriting Agreement), the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, and adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme 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;
- (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 Restructuring Agreement, the Placing Agreement, the Open Offer (including the Underwriting Agreement), the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, and adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme 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 Restructuring Agreement, the Placing Agreement, the Open

Offer (including the Underwriting Agreement), the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, and adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme or any transactions contemplated thereunder, including any break fees being payable; and

- (g) none of the 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.

Save for the transactions contemplated under the Restructuring Agreement (including the injection of the Target Group, the Subscription Consideration to be paid to the Company and the Consideration Shares to be allotted and issued to the Concert Group) as disclosed in this announcement, there are no other arrangement/agreement in whatsoever form between the Concert Group on one hand and the Company, Mr. Li, Mr. Lin, and their respective concert parties on the other hand in connection with the Proposed Restructuring or otherwise.

As at the date of this announcement, the issued share capital of the Company comprises 812,600,000 Shares and, other than the outstanding share options granted under the Existing Share Option Scheme, the Company does not have any options, warrants or convertible securities in issue.

## **GENERAL**

### **Circular**

The Circular containing, among other things, further information in respect of (i) the Capital Reorganisation; (ii) the Acquisition including the information about the business of the Target Group including management team, industry overview, strategies and future plans, and risk factors; (iii) the property valuation report of the Target Group prepared in compliance with Rule 11 of the Takeovers Code by DTZ Cushman & Wakefield Limited; (iv) the Open Offer (including the Underwriting Agreement); (v) the Creditors Schemes; (vi) the Subscription; (vii) the Placing; (viii) the Whitewash Waiver; (ix) the Special Deal; (x) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal; (xi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal; and (xii) a notice of EGM will be despatched to the Shareholders as soon as practicable.

Independent Shareholders are advised to read (i) the letter of advice from the Independent Board Committee; and (ii) the letter of advice from the Independent Financial Adviser as contained in the Circular before making their voting decisions in respect of the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal.



## The EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the proposed appointment of proposed Directors, and adoption of the New Memorandum and Articles and the proposed termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme. Voting on the resolutions at the EGM will be taken by poll.

### **Formation of the Independent Board Committee and appointment of the Independent Financial Adviser**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe, has been established to advise the Independent Shareholders as to whether the Capital Reorganisation, the Acquisition, the Subscription, the Open Offer (including the Underwriting Agreement), the Placing, the Whitewash Waiver and the Special Deal are fair and reasonable and in the interests of the Company and the Independent Shareholders taken as a whole and to advise the Independent Shareholders on how to vote after taking into account the advice from the Independent Financial Adviser.

Alliance Capital Partners Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscriptions, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal.

## UPDATE ON THE STATUS OF THE RESUMPTION

### **Outstanding Audit Issues**

Reference is made to the announcement of the Company dated 10 November 2016. The Directors have recently tried and have not been able to gain access to the plants of the Group located in the PRC and all the books and records of the PRC Subsidiaries. As a result, the Directors considered that the Company has lost the control over the PRC Subsidiaries.

After discussion with ZHONGHUI ANDA CPA Limited (the “**Auditor**”), the Directors expect to receive modified opinion on the consolidated financial statements of the Group for the years ended 31 December 2013, 2014, 2015 and 2016, as a result of the following matters:

#### *(i) Deconsolidation of the PRC Subsidiaries*

Due to the loss of control over the PRC Subsidiaries, the financial information of the PRC Subsidiaries was deconsolidated from the Group’s accounts since 1 January 2013. Given the limitation to gain access to the books and records of the PRC Subsidiaries, the Auditor considers that they are not given sufficient evidence as to ensure the completeness of the transactions of the Group throughout the years ended 31 December 2013, 2014, 2015 and 2016.



In this connection, the Auditor considers they are unable to ascertain the existence, presentation, completeness and accuracy of the following items: (i) opening balances and corresponding figures; (ii) loss on deconsolidation of subsidiaries; (iii) amounts due to a deconsolidated subsidiary; (iv) other payable/amount due to controlling shareholder; (v) commitments and contingent liabilities; and (vi) related party transactions and disclosures.

*(ii) Material uncertainty relating to the going concern basis*

The consolidated financial statements have been prepared on a going concern basis on the assumption that the Proposed Restructuring will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. Nevertheless, the Proposed Restructuring is subject to various conditions which may or may not be fulfilled, and therefore there is uncertainty relating to the Completion.

*(iii) Incomplete information relating to the share options granted*

Given that the supporting documents relating to the share options granted by the Company to its ex-directors and eligible persons were incomplete, the Auditor has been unable to obtain sufficient appropriate audit evidence to verify the presentation and accuracy of the carrying amount of the share option reserve.

*(iv) Insufficient audit evidence in respect of bank balances*

The Board has been unable to contact Mr. Lin, who is the authorised signatory of the Group's certain bank accounts. As a result, the Auditor has been unable to obtain sufficient evidence, including bank confirmations, for audit purpose.

After discussion with the Auditor, assuming the Completion successfully takes place in the financial year ending 31 December 2017, the Board expects that, taking into account, (i) the Company has no operating subsidiaries or other investments other than the Target Group after Completion; (ii) the PRC Subsidiaries will cease to be the members of the Group upon the Creditors Schemes becoming effective; (iii) the revenue, profit and assets of the Target Group is sufficient to meet the requirements of Rule 13.24 of the Listing Rules; (iv) the majority of the Group's liabilities prior to the Creditors Schemes becoming effective are not expected to recur; and (v) unqualified opinions are expected to be issued for the Target Group for each of the years ended 31 December 2014 and 2015 and 2016 (full reports will be set out in the Circular), the Outstanding Audit Issues will be resolved in the financial year ending 31 December 2017 and the audit qualifications arising from the deconsolidation of the PRC Subsidiaries and the material uncertainty relating to the going concern basis (save for the brought forward effect of corresponding figures in the next financial year upon Completion) will no longer have impact on the consolidated financial statements of the Enlarged Group after the financial year ending 31 December 2017.

In addition, there will be no eligible share option holders under the Existing Option Scheme, given that, based on the list of share option holders, those who have been granted share options by the Company have already resigned from the Group or are directors/employees of the Scheme Companies, which will cease to be the members of the Group upon the Creditors Schemes becoming effective. In this case, audit qualification in relation to the share options granted will be resolved upon Completion.

Furthermore, the Company is exploring possibilities to change the authorised signatory of the bank accounts concerned or otherwise close down the bank accounts. In any case, the audit qualification relating to bank balances will be resolved upon completion of the aforesaid actions.

As at the date of this announcement, the audit for the Group has been carried out with full cooperation of the Company's management. The Board has obtained the draft auditor's reports of the Group for the four financial years ended 31 December 2013, 2014, 2015 and 2016. It is currently expected that the outstanding annual reports and interim reports of the Company will be issued in April 2017.

### **Internal control procedures of the Company**

On 10 February 2017, the Company has engaged an independent professional firm, ZHONGHUI ANDA Risk Services Limited, to perform an internal control review of the Company to assist the Directors to assess if the Group's financial reporting procedure and internal control system are adequate to enable the Company to meet its obligations under the Listing Rules ("Internal Control Review").

The Internal Control Review is expected to commence on 20 February 2017, and the Board expects that an advance draft of the report on Internal Control Review will be available in March 2017. After obtaining the report, the Company will implement the recommended measures, if appropriate, in a timely manner for improvement.

The Company will make a further announcement to update Shareholders regarding the status of such review as and when appropriate.

### **Others**

Although the Company has experienced significant difficulties in providing certain information which has been requested by the Independent Forensic Accountant, the Board, having considered the need to use its best effort to complete the forensic accounting review, has contacted the Independent Forensic Accountant to resume the forensic accounting review based on information available. Further announcement will be made when the forensic review report is available and the Board will also consider if any further action is warranted having considered the forensic review report.

## **CONTINUOUS SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 31 March 2014. Trading in the Shares will remain suspended until further notice. The Company will make further announcements on the latest development of the Group as and when appropriate pursuant to the requirements of the Listing Rules.

**The publication of this announcement does not indicate any decision or conclusion from the Stock Exchange nor warrant any approval from the Stock Exchange on the resumption of trading in Shares. Shareholders and potential investors should note that the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Creditors Schemes, the Open Offer, the Whitewash Waiver and the Special Deal are subject to various conditions which may or may not be fulfilled, in particular, whether the Stock Exchange will allow the Acquisition and accompanying transactions to proceed. Therefore, such transactions may or may not materialise and proceed.**

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Company pursuant to the Restructuring Agreement
“Acquisition Consideration”	HK\$1,151,721,733, being the aggregate consideration for the Sale Shares (as to HK\$1,065,342,603 to Vendor A and as to HK\$86,379,130 to Vendor B)
“Adjusted Ordinary Shares”	the ordinary share(s) of the Company with par value of HK\$0.01 each upon the Capital Reorganisation becoming effective
“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“Authorised Share Capital Diminution”	the proposed cancellation of the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) in its entirety immediately upon the Capital Reduction taking effect
“Authorised Share Capital Increase”	the proposed increase of the authorised share capital of the Company to HK\$1,000,000,000 immediately following the Authorised Share Capital Diminution taking effect
“Beijing Tuohong”	Beijing Tuohong Huijin Investment Management Co., Ltd.*(北京拓宏匯金投資管理有限公司), a company established in the PRC with limited liability on 29 November 2007 and an Independent Third Party
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for business throughout their normal business hours in Hong Kong
“BVI”	the British Virgin Islands
“Capital Reduction”	the proposed reduction of par value of each Consolidated Share in issue from HK\$0.20 to HK\$0.01 by cancelling of an amount of HK\$0.19 from each Consolidated Share

“Capital Reorganisation”	the proposed reorganisation of the capital of the Company comprising, (i) the Share Consolidation, (ii) Capital Reduction, (iii) the Authorised Share Capital Diminution, (iv) the Authorised Share Capital Increase, and (v) the Share Premium Cancellation
“Cayman Companies Laws”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Circular”	the relevant circular in relation to, among others, the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer, the Creditors Schemes, the Whitewash Waiver and the Special Deal to be despatched by the Company
“Claim”	means any debt, liability or obligation of the Company, whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated and which includes without limitation a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution which would be admissible to proof in a compulsory winding-up of the Company under the Companies Ordinance and Cayman Companies Law
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Company”	Flyke International Holdings Ltd., a company incorporated in the Cayman Islands whose issued Shares are listed on the Stock Exchange (Stock Code: 1998)
“Completion”	completion of the Proposed Restructuring
“Completion Date”	the date which is the Long Stop Date or five (5) Business Days after the date on which the last of the conditions precedent of the Restructuring Agreement are satisfied or waived (as the case may be) by written notice, whichever is earlier, or any other date as agreed between the Company and Investors in writing
“Concert Group”	Investor A, Investor B and any parties acting in concert with any of them
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration Shares”	a total of 5,003,663,621 new Adjusted Ordinary Shares credited as fully paid at the Issue Price, to be allotted and issued by the Company, as to 4,565,190,878 new Adjusted Ordinary Shares to Vendor A and as to 438,472,743 new Adjusted Ordinary Shares to Vendor B (or their respective nominee(s)) as partial settlement for the Acquisition Consideration pursuant to the Restructuring Agreement, representing approximately 69.15% of the enlarged issued share capital of the Company at Completion
“Consolidated Share(s)”	the ordinary share(s) of the Company with par value of HK\$0.20 upon the Share Consolidation becoming effective
“Creditors”	means any person to whom or which the Company owes a Claim
“Creditors Schemes”	the schemes of arrangement proposed by the Company to its Creditors pursuant to the Companies Ordinance and the Cayman Companies Law on the terms that the Creditors accept in full discharge of their Claim at a rateable distribution from (a) the cash amount of HK\$6,400,000 out of the Subscription Consideration; (b) 129,949,239 Scheme Shares; and (c) such other sums as may be realised by the scheme administrators from the Scheme Companies which shall be transferred in full to the scheme administrators with, or subject to, any modification, addition or conditions approved or imposed by the High Court and the Grand Court
“Creditors Schemes Consideration”	the amount of HK\$32,000,000 comprising cash in the amount of HK\$6,400,000 and 129,949,239 Scheme Shares credited as fully paid at the Issue Price
“Director(s)”	the director(s) of the Company
“Discrepancies”	certain discrepancies in bank balances as shown in the bank statements of two bank accounts maintained with banks in the PRC by the two PRC Subsidiaries as at 31 December 2013
“Disposal”	the proposed transfer of the Scheme Companies to the administrators of the Creditors Schemes for the benefit of the Creditors pursuant to the terms of the Creditors Schemes

“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering, if thought fit, approving the resolutions in respect of, inter alia, the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer, the Disposal, the allotment and issue of the Scheme Shares, the Whitewash Waiver, the Special Deal, the adoption of the New Memorandum and Articles, the proposed appointment of proposed Directors and the proposed termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme
“Enlarged Group”	The Company and the Target Group upon completion of the acquisition of the Sale Shares by the Company pursuant to the Restructuring Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any of his delegate
“Existing Memorandum and Articles”	the existing memorandum of association and articles of association of the Company
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 24 February 2010
“Flyke China”	福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian*), a company established in the PRC with limited liability
“Flyke Hong Kong”	Flyke Hong Kong Holdings Limited, a wholly-owned subsidiary of the Company which has been wound up voluntarily pursuant to a resolution of its board of directors passed on 19 December 2014
“First Delisting Stage”	the first delisting stage, in which the Company was being placed by the Stock Exchange under Practice Note 17 of the Listing Rules, to be expired on 24 May 2017
“Fujian Xin Wei”	鑫威 (福建) 輕工有限公司 (Xin Wei (Fujian) Light Industry Co. Ltd.*), a company established in the PRC with limited liability
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong



“HKFRS”	Hong Kong Financial Reporting Standard
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors who have no direct or indirect interest in the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal
“Independent Financial Adviser”	Alliance Capital Partners Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and the Special Deal
“Independent Shareholder(s)”	shareholders of the Company other than (i) the Investors, their respective associates and parties acting in concert with any of them; (ii) Mr. Lin, his associates and parties acting in concert with any of them, and/or (iii) those shareholders of the Company who are interested or involved in (other than solely as a shareholder of the Company) the Capital Reorganisation, the Acquisition, the Subscription, the Placing, the Open Offer (including the Underwriting Agreement), the Whitewash Waiver and/or the Special Deal and therefore permitted to vote in relevant resolution(s)
“Independent Third Party(ies)”	a person who is (i) independent of and not connected with the Company and/or any of its connected persons and (ii) not a Shareholder
“Investor A”	Southern Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Investor B”	Vendor A and Vendor B
“Investors”	Investor A and Investor B

“Issue Price”	HK\$0.197, being the issue price per Adjusted Ordinary Share to be allotted and issued under the Subscription, the Acquisition, the Open Offer, the Placing and the Creditors Schemes
“Jilin Huijin”	吉林市匯金房地產開發有限公司 (Jilin Huijin Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability
“Jilin Jiwei”	吉林吉微房地產開發有限公司 (Jilin Jiwei Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability
“Jilin Ruanyin”	吉林市軟銀房地產開發有限公司 (Jilin Ruanyin Real Estate Development Co., Ltd.*), a company incorporated in the PRC with limited liability
“Jilin Tuohong”	吉林市拓宏前景置業有限公司 (Jilin Tuohong Qianjing Properties Co., Ltd.), a company incorporated in the PRC with limited liability
“Jilin Xinbei”	吉林市新北投資有限公司 (Jilin Xinbei Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“Jilin Xinhui”	吉林市新匯投資有限公司 (Jilin Xinhui Investment Co., Ltd*), a company incorporated in the PRC with limited liability
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited
“Long Stop Date”	30 September 2017 or such other date as the parties to the Restructuring Agreement may agree in writing
“Lvzhou Gongyuan”	綠洲 • 公元, being the residential and commercial complex property project located at No. 1988, Shenzhen East Road, Gaoxin District, Jilin City, Jilin Province currently held by the Target Group
“Mr. Fan”	Mr. Fan Jiagui ( 范嘉貴先生 ), who ultimately controls Vendor B
“Mr. Li”	Mr. Li Heshi ( 李和獅先生 )

“Mr. Lin”	Mr. Lin Wenjian (林文建先生), the existing controlling Shareholder holding approximately 59.07% of the total issued share capital of the Company as at the date of this announcement
“Mr. Tai”	Mr. Tai Kai Hing (戴啟興先生), the sole shareholder of Investor A
“Mr. Yang” or “Guarantor”	Mr. Yang Hongpeng (楊宏鵬先生), the sole shareholder of Vendor A and the guarantor of Investor B under the Restructuring Agreement
“New Memorandum and Articles”	the new memorandum of association and articles of association to be adopted by the Shareholders at the EGM, further information of which will be set out in the Circular
“New Share Option Scheme”	the share option scheme to be adopted by an ordinary resolution to be passed by the Shareholders at the EGM, further details of which will be set out in the Circular
“Non-Qualifying Shareholder(s)”	the Shareholder(s), whose addresses as shown on the register of members of the Company at the close of business on the Open Offer Record Date are in places outside Hong Kong where based on legal opinions to be provided by legal advisers, consider it necessary or expedient to exclude such Shareholder(s) from the Open Offer on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in such places
“Offer Share(s)”	a total of 243,780,000 Adjusted Ordinary Shares to be allotted and issued under the Open Offer
“Open Offer”	the offer of three (3) Adjusted Ordinary Shares for every ten (10) existing Shares (equivalent to every five (5) Adjusted Ordinary Shares upon the Capital Reorganisation becoming effective) to Qualifying Shareholders on the Open Offer Record Date at the Issue Price to be fully underwritten by Investor A
“Open Offer Record Date”	the date by reference to which entitlements under the Open Offer are to be determined
“Outstanding Audit Issues”	the audit issues mentioned in the announcement made by the Company dated 31 March 2014

“Placing”	the placing of 1,324,873,096 Placing Shares at the Issue Price by placing agent(s), being Independent Third Party(ies), pursuant to the terms and conditions of the Placing Agreement
“Placing Agreement”	the placing agreement to be entered into between the Company and a placing agent to be appointed in relation to the Placing
“Placing Share(s)”	a total of 1,324,873,096 new Adjusted Ordinary Shares to be placed pursuant to the Placing
“PRC”	the People’s Republic of China, which shall, for the purpose of this announcement, excluding Hong Kong, the Special Administrative Region of Macau and the territory of Taiwan
“PRC Subsidiaries”	Flyke China and Fujian Xin Wei
“Proposed Restructuring”	the proposed restructuring of the Group comprising the Capital Reorganisation, the Acquisition, the Subscription, the Open Offer, the Placing and the Creditors Schemes
“Prospectus”	the prospectus under the Open Offer
“Prospectus Documents”	the Prospectus and the application form in respect of the assured entitlement under the Open Offer
“Prospectus Posting Date”	the date on which the Prospectus Documents will be despatched
“Qualifying Shareholder(s)”	means the Shareholders whose names appear on list of shareholders of the Company as at the Open Offer Record Date, other than the overseas shareholder(s) whom the board of directors of the Company, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient to exclude them from the Open Offer
“Reorganisation”	the reorganisation of those members of the Target Group (other than the Target Company) to be held directly or indirectly by the Target Company
“Restructuring Agreement”	the restructuring agreement dated 9 January 2017 entered into between the Company, the Investors, Mr. Yang in respect of the Proposed Restructuring
“Resumption”	resumption of trading in the Shares or the Adjusted Ordinary Shares, as applicable, on the Stock Exchange
“Resumption Date”	the date of the Resumption

“Resumption Proposal”	means a proposal containing information as to the restructuring of the affairs, equity and debt obligations of the Company submitted to the Stock Exchange on 11 January 2017 for approval for the purpose of seeking a resumption of trading of its shares on the Main Board of the Stock Exchange, subject to such conditions as the Stock Exchange may direct
“RMB”	Renminbi, the lawful currency of the PRC
“Ruanyin Huarui”	吉林市軟銀華睿投資有限公司 (Jilin Ruanyin Huarui Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“Sale Shares”	the entire issued share capital of the Target Company
“Scheme Companies”	Win Eagle International Holdings Limited, Xinwei Hong Kong Investment Limited, 福建省飛克體育用品有限公司 (Feike Sports Products Co., Ltd. Fujian*) and 鑫威 (福建) 輕工有限公司 (Xin Wei (Fujian) Light Industry Co. Ltd.*)
“Scheme Share(s)”	a total of 129,949,239 new Adjusted Ordinary Shares credited as fully paid at the Issue Price as part of the Creditors Schemes Consideration
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time“
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Share Consolidation”	the consolidation of every two (2) Shares into one (1) Consolidated Share of HK\$0.20 each
“Share Premium Cancellation”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company as at the effective date of the Capital Reorganisation
“Shareholder(s)”	holder(s) of the Share(s) or Adjusted Ordinary Share(s) (as the case may be)
“Share Option Scheme”	the share option scheme of the Company approved and adopted by the Company at the extraordinary general meeting on 24 February 2010

“Shenzhen Hecheng Zhongbao”	深圳市合成中寶投資企業(有限合夥) (Shenzhen Hecheng Zhongbao Investment Limited*), a company incorporated in the PRC with limited liability, which is directly owned (i) as to approximately 34.7% by Mr. Fan, (ii) as to approximately 4.9% by Mr. Yao Anqing, the brother-in-law of Mr. Fan and (iii) as to approximately 60.4% by Independent Third Parties
“Shenzhen Huaruixin”	深圳市華睿信資產管理有限公司 (Shenzhen Huaruixin Asset Management Co., Ltd.*), an equity investment fund management company established in the PRC with limited liability, the equity interest of which is directly owned (i) as to 52.0% by Mr. Fan; (ii) as to 40.0% by Shenzhen Huarui Zhongsheng; and (iii) as to 8.0% by Shenzhen Hecheng Zhongbao
“Shenzhen Huarui Zhongsheng”	深圳市華睿中盛投資企業(有限合夥) (Shenzhen Huarui Zhongsheng Investment Limited*), a company incorporated in the PRC with limited liability, which is directly owned (i) as to 50% by Mr. Fan, (ii) as to approximately 31.3% by the spouse of Mr. Fan on trust for Mr. Fan, (iii) as to approximately 0.1% by Mr. Yao Anqing, the brother-in-law of Mr. Fan and (iv) as to approximately 18.6% by Independent Third Parties
“Special Deal”	the proposed settlement of the indebtedness due to Mr. Lin under the Creditors Schemes, which will constitute a special deal under Note 5 to Rule 25 of the Takeovers Code
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Investor A at the Issue Price pursuant to the Restructuring Agreement
“Subscription Consideration”	the aggregate amount of HK\$25,000,000, for the subscription of the Subscription Shares
“Subscription Share(s)”	126,903,553 new Adjusted Ordinary Shares
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“Target Company”	Forever Smart International Limited (俊永國際有限公司), a company with limited liability incorporated under the laws of the BVI



“Target Group”	Target Company and its subsidiaries, each a “member of the Target Group”
“Tuohong Huixiang”	廈門拓宏匯祥股權投資有限公司 (Xiamen Tuohong Huixiang Equity Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“Tuohong Weiye”	廈門拓宏偉業股權投資有限公司 (Xia Men Tuo Hong Wei Ye Equity Investment Co.,Ltd.*), a company incorporated in the PRC with limited liability
“Underwriting Agreement”	the underwriting agreement to be entered into between the Company and Investor A in relation to the Open Offer, pursuant to which Investor A will fully underwrite the Offer Shares under the Open Offer
“Underwritten Shares”	all Offer Shares
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor A”	Everlink Development Limited ( 聯永發展有限公司 ), a company incorporated in the BVI with limited liability and the entire issued share capital of which is owned by Mr. Yang
“Vendor B”	Hua Rui Xin Investment (Hong Kong) Limited ( 華睿信投資 ( 香港 ) 有限公司 ), a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of Shenzhen Huaruixin and is ultimately controlled by Mr. Fan
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligations on the Investors to make a mandatory general offer under Rule 26 of the Takeovers Code for all the issued Adjusted Ordinary Shares of the Company (not already owned or agreed to be acquired by the Concert Group) as a result of the allotment and issue of the Consideration Shares, the Subscription Shares and the Offer Shares
“Win Trend”	Win Trend Investment International Co., Limited, a company incorporated in Hong Kong with limited liability
“Working Capital Advance”	the aggregate amount of HK\$3,922,644 advanced by Investor A to the Company as at 28 February 2017 and further amounts to be advanced by Investor A to the Company from time to time prior to completion pursuant to the Restructuring Agreement

“Zijin Jiangshang”

紫金 • 江尚, being the residential property development project located at the intersection of Xinglong Street and Shenzhen Middle Road, Gaoxin District, Jilin City, Jilin Province, currently held by the Target Group

“%”

per cent

*For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of Hong Kong dollars into Renminbi and United States dollar into Hong Kong dollars are based on the approximate exchange rate of HK\$1.00 to RMB\$0.89 and US\$1.00 to HK\$7.76 respectively. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in Hong Kong dollars, Renminbi or United States Dollars have been, could have been or may be converted at such or any other rate or at all.*

*The English names of the Chinese companies, entities, departments, facilities, certificates, titles and the like marked with “\*” are translations of their Chinese names and are included in this announcement for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

For and on behalf of  
**Flyke International Holdings Ltd.**  
**FONG Sai Mo**  
*Executive Director*

Hong Kong, 20 March 2017

*As of the date of this announcement, the executive Directors are Mr. FONG Sai Mo and Mr. CHIN Chang Keng Raymond and the independent non-executive Directors are Mr. CHU Kin Wang, Peleus and Mr. ZHU Guohe.*

*As at the date of this announcement, the sole director of Vendor A is Mr. Yang; the sole director of Vendor B is Mr. Fan; and the sole director of Investor A is Mr. Tai.*

*All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Investors and the Target Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Mr. Tai, being the sole director of Investor A, accepts full responsibility for the accuracy of the information relating to Investor A contained in this announcement and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by the director of Investor A in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*Mr. Yang and Mr. Fan, being the respective director of Vendor A and Vendor B, jointly and severally accept full responsibility for the accuracy of the information relating to Investor B and the Target Group contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed by the respective director of Vendor A and Vendor B in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*