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

If you have sold or transferred all your shares in **C&D International Investment Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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C&D INTERNATIONAL INVESTMENT GROUP LIMITED

建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

**CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF PERPETUAL CONVERTIBLE BOND UNDER
SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

 **金融有限公司**
OCTAL Capital Limited

A notice convening the EGM to be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong at 10:00 a.m. on Friday, 17 February 2017 is set out on pages N-1 to N-3 of this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed with this circular for despatch to the Shareholders. Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed fethereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

26 January 2017

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DEFINITIONS

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for normal banking business in Hong Kong or the PRC
“C&D Real Estate”	C&D Real Estate Corporation Limited, which holds approximately 50.34% interest in the Company as at the Latest Practicable Date
“Company”	C&D International Investment Group Limited (建發國際投資集團有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the issue and subscription of the Perpetual Convertible Bond in accordance with the Subscription Agreement
“Completion Date”	the date of the Completion, which shall be the 5th Business Day after all conditions precedent are satisfied, or such other date as the parties may agree
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Conversion Right(s)”	the right(s) attaching to the Perpetual Convertible Bond to convert the principal amount or a part thereof into the Conversion Shares
“Conversion Share”	Share subscribed for by exercise of the Conversion Rights
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Friday, 17 February 2017 at 10:00 a.m. or any adjournment thereof (as the case may be), to consider and approve, among other things, the entering into of the Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Holder(s)”	holder(s) of the Perpetual Convertible Bond

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Initial Conversion Price”	HK\$4.6 per Conversion Share, subject to adjustments including, among others, as a result of consolidation, subdivision, capitalisation of profits or reserves, all distributions, rights issues or issue of options, warrants or other rights to subscribe for or purchase of the Shares, rights issues of securities
“Independent Board Committee”	an independent committee of the Board comprising all its independent non-executive Directors established for the purpose of considering and advising the Independent Shareholders on the terms of the Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial advisor appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the entering into of the Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the transactions contemplated under the Subscription Agreement
“Issue Date”	the date of issue of the Perpetual Convertible Bond
“Last Trading Date”	2 December 2016, being the last trading day prior to the signing of the Subscription Agreement
“Latest Practicable Date”	23 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
“Listing Committee”	the listing sub-committee of the board of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Perpetual Convertible Bond”	the perpetual convertible bond in an aggregate principal amount of HK\$500,000,000 having a denomination of HK\$1,000,000 each to be subscribed by Well Land pursuant to the Subscription Agreement

DEFINITIONS

“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Shareholder Loan”	the shareholder loan in the aggregate principal amount of not exceeding RMB5,000,000,000 granted or to be granted by C&D Real Estate to the Company pursuant to the Shareholder Loan Framework Agreement
“Shareholder Loan Framework Agreement”	the shareholder loan framework agreement dated 11 April 2016 entered into between the Company and C&D Real Estate in relation to the provision of the Shareholder Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 4 December 2016 entered into between the Company and Well Land
“Well Land” or “Subscriber”	Well Land International Limited (益能國際有限公司), a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder holding approximately 50.34% interest in the Company as at the Latest Practicable Date
“Yi Yue”	Xiamen Yi Yue Property Company Limited (廈門益悅置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned Subsidiary of the Company
“%”	per cent

LETTER FROM THE BOARD

C&D INTERNATIONAL INVESTMENT GROUP LIMITED
建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

Executive Directors:

Mr. Zhuang Yuekai (莊躍凱) (*Chairman*)

Mr. Shi Zhen (施震)

Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors:

Ms. Wang Xianrong (王憲榕)

Ms. Wu Xiaomin (吳小敏)

Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors:

Mr. Wong Chi Wai (黃馳維)

Mr. Wong Tat Yan, Paul (黃達仁)

Mr. Chan Chun Yee (陳振宜)

Registered office:

P.O. Box 10008,

Willow House,

Cricket Square,

Grand Cayman KY1-1001

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Office No. 3517, 35th Floor

Wu Chung House

213 Queen's Road East

Wanchai, Hong Kong

26 January 2017

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO
PROPOSED ISSUE OF PERPETUAL CONVERTIBLE BOND UNDER
SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 4 December 2016, whereby it was announced that the Company and Well Land entered into the Subscription Agreement in relation to the proposed issue of the Perpetual Convertible Bond under a specific mandate.

The purpose of this circular is (i) to provide the Shareholders with further information on the Subscription Agreement and the transactions contemplated thereunder; (ii) to set out the recommendations from the Independent Board Committee in relation to the entering into of the Subscription Agreement; (iii) to set out the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders a notice of the EGM and other information in accordance with the requirements of the Listing Rules.

LETTER FROM THE BOARD

As Completion is subject to the fulfilment of the conditions precedent under the Subscription Agreement, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

PROPOSED ISSUE OF PERPETUAL CONVERTIBLE BONDS

On 4 December 2016, the Company as issuer entered into the Subscription Agreement with Well Land as subscriber in relation to, among other things, the proposed issue of the Perpetual Convertible Bond under a specific mandate.

The Subscription Agreement

Date

4 December 2016

Parties

- (a) the Company (as issuer); and
- (b) Well Land (as subscriber)

Conditions precedent to the Subscription Agreement

The parties' obligations to proceed with Completion shall be conditional on all of the following conditions precedent being satisfied on or before the Completion Date:

- (a) Since the signing date, there have not been any changes which are substantially or potentially substantially adverse to the position (financial or otherwise), forecasts, revenues, businesses, operating results or general affairs of the Company, or any developments or events involving possible changes, or any material adverse effect events;
- (b) The Company has obtained all necessary approval(s) (including but not limited to the necessary approval(s) from the Independent Shareholders), consent(s) and/or waiver(s) from the Stock Exchange with respect to the Subscription Agreement and the transactions contemplated thereunder, and the listing of, and permission to deal in any Conversion Shares which may be issued to the Subscriber upon conversion of the Perpetual Convertible Bond;
- (c) The Company has held an EGM to obtain the Independent Shareholders' approval with respect to (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the issuance of the Perpetual Convertible Bond to the Subscriber by specific mandate;

LETTER FROM THE BOARD

- (d) The Board has approved the Subscription Agreement and the transaction contemplated thereunder, the issue of the Perpetual Convertible Bond to the Subscriber, and the issue and allotment of the Conversion Shares by specific mandate;
- (e) The Company has obtained all the necessary approval(s) or consent(s) from the Directors and/or any third party(ies) with respect to the entering into of the Subscription Agreement and the transactions contemplated thereunder, and made all the necessary filings or registrations. All applicable statutory or other obligations have been complied with;
- (f) The board of directors of the Subscriber has approved the Subscription Agreement and the transactions contemplated thereunder;
- (g) The representations and warranties set out in the Subscription Agreement remain true, complete and accurate in all material respects; and
- (h) The company's secretary or any director of the Company has delivered to the Subscriber a certificate which states the person authorised by the Board to execute the Subscription Agreement and any other documents related to the issue of the Perpetual Convertible Bond.

The mutual intention of the Company and the Subscriber is that none of the above conditions can be waived by the Subscriber or the Company. As at the Latest Practicable Date, save for the conditions set out in paragraphs (d) and (f) above which have been fulfilled, none of the other conditions have been fulfilled.

Completion

Subject to the satisfaction of the conditions precedent set out above, Completion shall take place on the Completion Date, on which the Subscriber shall pay the aggregate principal amount of the Perpetual Convertible Bond to the Company, and the Company shall deliver the instrument indicating the Subscriber as holder of the Perpetual Convertible Bond.

Events of default under the Subscription Agreement

The following constitutes an event of default under the Subscription Agreement:

- (a) any breach by the Company of the terms and conditions as set out in the Subscription Agreement or the Perpetual Convertible Bond, and such breach continues to exist fourteen Business Days after the Holder having issued a notice to the Company to request for remedial measures;
- (b) any other existing or future debts assumed by the Company with respect to funds borrowed or raised become due prior to the designated maturity date as a result of an event of default, or any of the above debts have not been repaid after they become mature or within the original grace period (as the case may be), or the Company fails to pay any of the sums due to be payable by it pursuant to any existing or future guarantees provided with respect to any funds borrowed or raised, provided that the relevant debts or total payables related to the events occurred shall be equal to or exceed HK\$100 million (or an equivalent amount in another currency);

LETTER FROM THE BOARD

- (c) any court order has been made demanding the Company to cease operations or dissolve;
- (d) all or substantially all of the assets or businesses of the Company have been taken over by the receiver;
- (e) any enforcement or seizure measures have been taken, enforced, or applied to be taken against substantially all of the property of the Company, and such measures have not been released within ten days;
- (f) the Company has not paid its debts when they fall due, or the Company is involved in proceedings pursuant to any applicable bankruptcy, restructuring or insolvency laws, or carries out transfer for the benefit of its creditors or enters into any resolution with its creditors;
- (g) any litigations have been commenced against the Company pursuant to any applicable bankruptcy, restructuring or insolvency laws, and such litigation proceedings have not been withdrawn or terminated within forty-five days after its commencement; or
- (h) the Shares are prohibited by the Stock Exchange from trading on the Stock Exchange for more than five trading days (save for normal suspensions), or the listing status of the Shares has been withdrawn;

Principal terms and conditions of the Perpetual Convertible Bond

Issuer	:	The Company
Subscriber	:	Well Land
Aggregate principal amount	:	HK\$500,000,000
Form and denomination	:	The Perpetual Convertible Bond will be issued in registered form in the denomination of HK\$1,000,000 each.
Issue price	:	100% of the principal amount of the Perpetual Convertible Bond, payable by the Subscriber at Completion.
Maturity date	:	No maturity date
Distribution rate	:	4%
Distribution	:	Subject to the provisions under the Subscription Agreement, the Perpetual Convertible Bond confers a right to receive distribution (“ Distribution ”) from the Issue Date at the distribution rate. Distributions shall be payable on the Perpetual Convertible Bond annually (each payment date, a “ Distribution Payment Date ”).

LETTER FROM THE BOARD

- Distribution deferral : The Company may, at its sole discretion, elect to defer in whole or in part of the Distribution which is otherwise scheduled to be paid on the Distribution Payment Date, to the next Distribution Payment Date by giving notice to the Subscriber not less than ten Business Days prior to the relevant Distribution Payment Date. The frequency of distribution and distribution deferral are not subject to any limitation.
- Restrictions in case of distribution deferral : If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Company shall not:
- (a) declare or pay any discretionary dividends or distributions or make any other payment, and will procure that no dividend, distribution or other payment is made on any Shares of the Company; or
 - (b) at its discretion, repurchase, redeem, acquire for any consideration any Shares or otherwise redeem any Shares prior to the stated maturity date,
- unless and until the Company has satisfied in full all outstanding arrears of Distribution.
- Status of the Perpetual Convertible Bond : The Perpetual Convertible Bond constitutes direct, unconditional, non-deferred and non-guaranteed obligations of the Company and shall at all times rank pari passu and without any preference among themselves.
- Conversion Right : Subject to the conditions precedent under the Subscription Agreement, a Holder has the right to convert its Perpetual Convertible Bond into Shares at any time from the Issue Date, provided that the Holder may only convert such number of Perpetual Convertible Bond as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.
- Initial conversion price : HK\$4.6 per Conversion Share, subject to adjustments (see below).

LETTER FROM THE BOARD

Adjustments to the Initial Conversion Price : If the following events occur, the Initial Conversion Price shall be adjusted:

(i) if the Company issues the following at any time after the Issue Date,

(a) any convertible bonds or perpetual convertible bonds of the same type, if their unpaid consideration (including convertible share price) or the paid consideration per share is lower than the conversion price before such issuance, the conversion price shall be reduced to the consideration per share at which the Company issues such convertible bonds or perpetual convertible bonds at the same time of issuance;

(b) any equity products apart from those under condition (i)(a) above, its unpaid consideration (including convertible share price) or the paid consideration per share is lower than the conversion price before such issuance, the conversion price shall be adjusted as below:

the total share capital before the issuance x the conversion price before the issuance + share capital of the new issuance x price of the new issuance

the total share capital before the issuance + share capital of the new issuance

(ii) consolidation or subdivision: if the nominal value of Shares changes because of consolidation or subdivision, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the change by the following fraction:

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

A = the nominal value per Share immediately after the change;

B = the nominal value per Share immediately before the change.

The adjustment shall become effective on the date of change.

LETTER FROM THE BOARD

(iii) capitalization of profits or reserves:

- (a) if the Company issues any shares credited as fully paid to the Shareholders through the capitalization of profits or reserves (including any share premium accounts), including shares paid with the distributable profits or reserves and / or from the issued share premium accounts, and such issuance does not constitute distribution, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the issuance by the following fraction:

A

—

B

A = the total nominal value of the issued shares immediately before the issuance;

B = the total nominal value of the issued shares immediately after the issuance.

The adjustment shall become effective from the next day after the registration date of issuance, and shall have retrospective effect as appropriate.

- (b) where shares are issued by way of promissory note dividend, if the prevailing market price of the shares on the date of publishing the terms of promissory note dividend exceeds the amount of relevant cash dividend or its relevant part, and the issuance does not constitute distribution, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the issuance of the shares by the following fraction:

A+B

—

A+C

LETTER FROM THE BOARD

A = the total nominal value of the issued shares immediately before the issuance;

B = the total nominal value of the shares issued by way of promissory note dividend multiply by the following fraction: (a) the numerator is the amount of the whole or relevant part of the relevant cash dividend, and (b) the denominator is amount calculated from the prevailing market price of the shares issued by way of promissory note dividend in lieu of the whole or relevant part of relevant cash dividend in respect of each existing share on the date of publishing the terms of promissory note dividend;

C = the total nominal value of the shares issued by way of promissory note dividend.

The adjustment shall become effective on the Issue Date of the shares.

(iv) If the Company makes any capital distribution to its Shareholders, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before such distribution by the following fraction:

$$(M - D) / M$$

D = the cash dividends per Share;

M = the price per Share before the distribution of dividends.

- Conversion Shares : Based on the Initial Conversion Price, a maximum of 108,695,652 Conversion Shares will be issued upon the full conversion of the Perpetual Convertible Bond, representing approximately 25.40% of the issued share capital of the Company as at the Latest Practicable Date and approximately 20.25% of the issued share capital of the Company as enlarged by the full conversion of the Perpetual Convertible Bond (assuming no other Shares are issued).
- No fixed maturity date : The Perpetual Convertible Bond are perpetual securities in respect of which there is no fixed maturity date.

LETTER FROM THE BOARD

- Optional redemption : The Company may at its option on the date falling three years from the Issue Date, or on any Distribution Payment Date after three years from the Issue Date, redeem in whole of the Perpetual Convertible Bond for the time being outstanding at the optional redemption price together with all outstanding Distributions for redemption.
- Mandatory redemption : Upon the occurrence of an event of default, a Holder can serve a notice on the Company requiring the Company to redeem the outstanding Perpetual Convertible Bond held by such Holder together with all outstanding Distributions.
- Undertakings : The Company undertakes and warrants that so long as any Perpetual Convertible Bond remains outstanding, among other things:
- (a) the relevant parties shall execute the instrument of the Perpetual Convertible Bond, and registration shall be made for the Subscriber or its designated party(ies) on the register of the Holders kept in the registered office of the Company; and
 - (b) the Company shall: (i) only carry out business within the usual scope of operations and in line with its previous practice; (ii) protect its existing business organisation and reputation from any prejudices; (iii) maintain its assets and property in the usual operating status and condition; and (iv) not carry out any material acquisitions and disposals with respect to any of its assets and property with a value equal to or exceeding HK\$100 million, or enter into any agreements for acquisitions or disposals (save as otherwise provided in the Subscription Agreement).
- Transferability : The Perpetual Convertible Bond will be freely transferrable except to the connected persons of the Company.
- Voting : The Holder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Holder.

LETTER FROM THE BOARD

- Transfer restrictions on the Holder : The Holder undertakes that, within a period of two years from the date on which the Conversion Shares are allotted and issued to it, it shall not sell, enter into any agreement to sell, or create any options, rights, interests or encumbrances over the Conversion Shares beneficially owned by it.
- Listing : No application will be made for the listing of the Perpetual Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Conversion Price

The Initial Conversion Price (being HK\$4.6 per Conversion Share) represents:

- (i) a discount of approximately 7.07% to the closing price of HK\$4.95 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a discount of approximately 0.86% to the average of the closing prices of approximately HK\$4.64 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 5.02% to the average of the closing prices of approximately HK\$4.38 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;
- (iv) a discount of approximately 5.93% over the average of the closing prices of approximately HK\$4.89 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (v) a premium of approximately 59.82% over the net asset value per Share of RMB2.46 based on the unaudited net asset value of the Company as at 30 June 2016; and
- (vi) a premium of approximately 15.87% over the placing price of the Shares of HK\$3.97 (the “**Placing Price**”), details of which are set out in the Company’s announcement dated 4 December 2016.

The Initial Conversion Price was determined after arm’s length negotiation between the Company and the Subscriber with reference to the prevailing market price of the Shares. Having considered that the Initial Conversion Price (i) represents a premium of approximately 15.87% over the Placing Price; (ii) represents a premium of approximately 59.82% over the net asset value of the Company as at 30 June 2016; (iii) is within the range of the lowest and highest closing prices of the Shares during 9 December 2015 up to and including the Latest Practicable Date (the “**Review Period**”); (iv) is higher than most of the closing prices during the Review Period; and (v) represents a premium of approximately 5.02% to the average of the closing prices as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date, which is close to the mean of the premium/(discount) represented by the conversion price of the perpetual convertible securities of other companies with similar business nature listed on the Stock Exchange

LETTER FROM THE BOARD

over/(to) the closing price of the shares of such companies on the last ten consecutive trading days up to and including the last trading day. The Directors consider that the Initial Conversion Price is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

Distribution deferral and maturity

Pursuant to the terms of the Perpetual Convertible Bond, the Company may elect to defer in whole or in part of the Distribution to the next Distribution Payment Date with no limits as to the number of times of deferral. This provides greater flexibility for the Company to manage its liquidity position and allows the Company to make better use of its cash flow so as to grasp investment opportunities which may arise in the future. Moreover, as the Perpetual Convertible Bond has no maturity date, the Group has more adequate time to develop its business. There is also no instant material cash outflow pressure on the Group before the repayment of the Perpetual Convertible Bond. The Board notes that such distribution deferral mechanism and the absence of a maturity date are common features of the perpetual convertible securities issued recently by other listed issuers.

Because of the above distribution deferral mechanism and that the Perpetual Convertible Bond has no fixed maturity date, the Perpetual Convertible Bond shall be booked and accounted for as equity instrument in the Company's accounts, and that the Company's auditors agree with such accounting treatment. As such, this will increase the net assets and scale of total assets of the Company. Hence, the issue of Perpetual Convertible Bond can improve the financial position of the Company, which in turn enhance the ability of the Group to obtain external financing in the future with a lower cost. Based on the above, the Board considers that the distribution deferral and the absence of a maturity date under the terms of the Perpetual Convertible Bond are fair and reasonable, and is in the interests of the Company and the Independent Shareholders as a whole.

Optional redemption

Pursuant to the terms of the Perpetual Convertible Bond, the Company may redeem in whole of the Perpetual Convertible Bond for the time being outstanding and all outstanding Distributions after three years from the Issue Date. This allows the Company to manage its working capital with flexibility and options whether to redeem according to its operating conditions. The Board also notes that such optional redemption mechanism is a common feature of the perpetual convertible securities issued recently by other listed issuers. As such, the Board considers that the optional redemption under the terms of the Perpetual Convertible Bond is fair and reasonable, and is in the interests of the Company and the Independent Shareholders as a whole.

Entitlement of the Holder

For the avoidance of doubt, the Holder is not entitled to the distribution of the Company, including bonus issue and dividends.

Public float requirement

Pursuant to the terms of the Perpetual Convertible Bond, although it is provided that the Holder is entitled to convert its Perpetual Convertible Bond into Shares at any time from the Issue Date, such

LETTER FROM THE BOARD

Conversion Right is restricted by the public float requirement under the Listing Rules. In other words, the Holder may only convert such number of Perpetual Convertible Bond into Shares which would not cause the Company to not comply with the public float requirement under the Listing Rules following the conversion.

Before the exercise of the Conversion Right, the Holder shall deliver a written conversion notice to the Company setting out the principal amount of Perpetual Convertible Bond to be converted into Conversion Shares. Having taking into account the Initial Conversion Price as adjusted by the occurrence of triggering events as mentioned above (if any), if the issue of the Conversion Shares pursuant to the exercise of the Conversion Right by the Holder would result in the Company to not comply with the public float requirement under the Listing Rules, then the Company shall not allow the Holder to exercise such Conversion Right so as to maintain the public float requirement, and the conversion notice shall be deemed withdrawn.

Changes to shareholding structure of the Company as a result of the proposed issue of Conversion Shares

As at the Latest Practicable Date, the Company has 428,000,000 Shares in issue. The following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon the full conversion of the Perpetual Convertible Bond (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares):

Name of Shareholders	As at the Latest Practicable Date		Immediately upon the full conversion of the Perpetual Convertible Bond	
	Number of Shares	Approximate % of Shares in issue	Number of Shares	Approximate % of Shares in issue
Well Land (<i>Note 1</i>)	215,472,000	50.34%	324,167,652	60.40%
Diamond Firetail Limited (“Diamond Firetail”)(<i>Note 2</i>)	50,580,000	11.82%	50,580,000	9.42%
Public Shareholders	<u>161,948,000</u>	<u>37.84%</u>	<u>161,948,000</u>	<u>30.18%</u>
Total	<u>428,000,000</u>	<u>100%</u>	<u>536,695,652</u>	<u>100%</u>

Notes:

- These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour International Limited (“Well Honour”). Well Honour is a wholly-owned subsidiary of C&D Real Estate Corporation Limited (“C&D Real Estate”). C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600153). As at the date of this announcement, Xiamen C&D Corporation Limited, a state-owned group of companies under the supervision of Xiamen Municipality, owns 45.89% interests in Xiamen C&D Inc.. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D Corporation Limited are deemed to be interested in the Shares in which Well Land is interested by virtue of the SFO.
- These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of Equity Trustee Limited (“Equity Trustee”). Equity Trustee is a trustee

LETTER FROM THE BOARD

of a discretionary trust and Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founders of the said discretionary trust. Therefore, Equity Trustee, Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

Dilution and financial effects of the issue of the Perpetual Convertible Bond

Upon full conversion of the Perpetual Convertible Bond at the initial Conversion Price, the Perpetual Convertible Bond will be convertible into 108,695,652 Shares, representing approximately 25.40% of the existing issued share capital of the Company and approximately 20.25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Bond. The shareholding of the Independent Shareholders will be diluted from approximately 37.84% before full conversion of the Perpetual Convertible Bond to approximately 30.18% immediately after full conversion of the Perpetual Convertible Bond. However, as mentioned above, it has been set out in the terms of the Perpetual Convertible Bond that the Holder may only convert such number of Perpetual Convertible Bond as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.

According to the 2016 interim report of the Company, the net asset value and net asset value per Share of the Company as at 30 June 2016 amounted to approximately RMB886.1 million and RMB\$2.46 (based on 360,000,000 Shares in issue as at 30 June 2016). Upon the Completion, the net asset value of the Company will be increased by the amount of the net proceeds. Moreover, the Shares in issue will be increased as a result of the full conversion of the Perpetual Convertible Bond. Therefore, since the increase in the net asset value is larger than the increase in the number of Conversion Shares due to the notable variance between the Initial Conversion Price (i.e. HK\$4.6 per Conversion Share) and the net asset value per Share as at 30 June 2016 (i.e. RMB\$2.46), the net asset value per Share after the Completion will increase.

Nonetheless, in view of (i) reasons for and benefits of entering into the Subscriptions Agreement as set out below; and (ii) the terms of the Subscription Agreement and the Perpetual Convertible Bond being fair and reasonable and in the interests of the Independent Shareholders as a whole, the Board is of the view that the aforementioned level of dilution to the shareholding interests of the Independent Shareholders is acceptable.

Fund raising activities of the Company in the past 12 months

Save for the fund raising activity mentioned below, the Company has not raised fund on any issue of equity securities in the past 12 months immediately before the date of this announcement.

Date of announcement	Description	Net proceeds	Intended use of proceeds
4 December 2016	Issue of 68,000,000 placing shares at a placing price of HK\$3.97 per placing share.	Approximately HK\$266,960,000.	The Company intends to apply (i) HK\$100,000,000 out of the net proceeds from the placing for the repayment of loans from Shareholders, and (ii) the remaining balance of the net proceeds from the placing for general working capital purposes.

LETTER FROM THE BOARD

Mandate to issue the Conversion Shares

The issue and allotment of the Conversion Shares under a specific mandate of the Company are subject to the approval of the Independent Shareholders at the EGM.

INFORMATION ABOUT THE PARTIES

The Company is an investment holding company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the businesses of property development, commercial operation and management, property leasing and the provision of contractor consultancy services in the PRC.

Well Land is an investment holding company incorporated in the British Virgin Islands with limited liability and is a controlling Shareholder of the Company. Well Land is principally engaged in investment holding.

USE OF PROCEEDS FROM PROPOSED ISSUE OF THE PERPETUAL CONVERTIBLE BOND

The gross proceeds from the issue of the Perpetual Convertible Bond are expected to be approximately HK\$500,000,000. After deducting the related professional fees and all related expenses, the net proceeds from the issue of the Perpetual Convertible Bond will amount to approximately HK\$499,400,000. The Company intends to apply all of the proceeds to repay the Shareholder Loan.

Pursuant to the Shareholder Loan Framework Agreement entered into between the Company and C&D Real Estate on 11 April 2016, C&D Real Estate agreed to grant the Shareholder Loan in the aggregate principal amount of not exceeding RMB5,000,000,000 to the Group. The maturity date of the Shareholder Loan shall be within 3 years from the drawdown date of the relevant Shareholder Loan to be granted under the Shareholder Loan Framework Agreement. The interest rate of the Shareholder Loan will be based on the benchmark RMB lending rate of the People's Bank of China (which is 4.75% as at the Latest Practicable Date), and there is no requirement of pledging any assets to C&D Real Estate under the Shareholder Loan Framework Agreement. Having considered (i) the request by financial institutions to pledge the assets of the Company and (ii) the higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People's Bank of China) that is likely to be charged by financial institutions if loan facilities are to be provided by financial institutions, the Directors considered that the Shareholder Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions. As C&D Real Estate is a controlling Shareholder and is therefore a connected person of the Company, the entering into of the Shareholder Loan Framework Agreement constituted connected transaction for the Company under the Listing Rules. As the Shareholder Loan was on terms better than normal commercial terms offered to the Group by independent third party financial institutions and no security over the assets of the Company was granted, the entering into of the Shareholder Loan Framework Agreement was exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, an aggregate of RMB1,082,000,000 Shareholder Loan has been drawn down by the Company. In view of the relatively high gearing ratio of approximately 96.4% of the Company as the Latest Practicable Date, the Company would not consider extending the Shareholder Loan in the near future as this may have an adverse impact to the financial position of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUBSCRIPTION AGREEMENT

References are made to the announcements of the Company dated 31 August 2015, 11 September 2015, 24 December 2015, 31 December 2015 and 18 August 2016 in relation to (i) acquisition of the land use rights in Changsha City; (ii) acquisition of the land use rights in Quanzhou, Fujian Province; (iii) acquisition of the land use rights in Fanhua Enterprise Company Limited; (iv) formation of a joint venture for an acquisition of a land in Zhangzhou City; and (v) capital increase agreement with Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited. In light of the expansion of the Company's business scale and the above material transactions which require substantial funding of the Group as supported by the Shareholder Loan, it is necessary for the Company to raise funds and broaden its financing channels in order to implement the Company's strategies. The entering into of the Subscription Agreement can optimize the debt structure of the Company and further enhance its risk-resisting capability and capability of sustainable development.

As (i) the Perpetual Convertible Bond has no maturity date; (ii) payments of distribution can be deferred at the discretion of the Company; and (iii) there is no limit as to the number of times of deferral of distribution (except when the Company elects to declare dividends to its Shareholders or repurchase or redeem or otherwise acquire any Shares), the Perpetual Convertible Bond shall be booked and accounted for as equity instrument in the Company's accounts. Therefore, the issue of Perpetual Convertible Bond can improve the financial position of the Company, which in turn enhance the ability of the Group to obtain external financing in the future with a lower cost. Upon Completion and the total proceeds from the Subscription Agreement being used for the repayment of the Shareholder Loan, the gearing ratio of the Group is expected to be improved substantially as a result of the combined effect of decrease in liabilities and increase in equity of the Company.

In addition, given that there is no fixed portfolio and repayment schedule under the terms of the Subscription Agreement, the Company can maintain high flexibility in cash management. This allows the Company to satisfy possible future operating and investment opportunities funding requirements as compared to the ordinary debt financing such as the Shareholder Loan where the Group is obliged to repay principal and interest according to a fixed schedule.

The Group has considered alternative fund raising methods such as obtaining financial assistance from independent financial institutions. However, since such financial institutions (i) require the Group to pledge the assets of the Group and (ii) will likely charge a higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People's Bank of China) if loan facilities are to be provided by such financial institutions, the Directors considered that the terms of the Subscription Agreement were better than the normal commercial terms of financial assistance offered to the Group by independent financial institutions. Moreover, the Group has also considered rights issue and open

LETTER FROM THE BOARD

offer. However, having considered (i) the thin trading volume of the Shares; (ii) the costly underwriting commission; (iii) the relatively long underwriting period; and (iv) difficulty in finding an independent underwriter which is interested in fully underwriting a rights issue or an open offer of the Company, the Directors considered that the entering into of the Subscription Agreement represents an opportunity for the Company to raise immediate capital for the Company at a reasonable cost.

Apart from obtaining financial assistance from independent financial institutions, the Company had also approached C&D Real Estate to renegotiate the terms of the Shareholder Loan. However, as mentioned above, since the Shareholder Loan is already on more favourable terms than the commercial terms offered to the Group by independent financial institutions, given the lower interest rate and unsecured feature of the Shareholder Loan, C&D Real Estate had not agreed to renegotiate the existing terms of the Shareholder Loan.

Further, the Group has considered settling the existing the Shareholder Loan by way of capitalization of the Shareholder Loan. However, given the Shareholder Loan of approximately RMB1,082 million as at the Latest Practicable Date and the existing shareholding interests of Well Land and Diamond Firetail in the Company of approximately 50.34% and 11.82% respectively, the public float of the Company will fall under 25% upon capitalization of the Shareholder Loan. Although the Shareholder Loan cannot be fully settled by the proceeds from the issue of the Perpetual Convertible Bond, the issue of the Perpetual Convertible Bond will on one hand avoid any immediate dilution impact to the existing shareholdings of the Company, and, on the other hand, represents continual financial support by Well Land to the Group.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Directors have any material interest in the transactions contemplated under the Subscription Agreement or was required to abstain from voting at the Board meeting. Notwithstanding (i) the fact that the Shareholder Loan cannot be fully repaid by the proceeds from the issue of the Perpetual Convertible Bond and (ii) the potential dilution impact to the existing Shareholders and the Independent Shareholders following the full conversion of the Perpetual Convertible Bond, in view of the aforesaid reasons and benefits of entering into the Subscription Agreement, namely the proposed issue of the Perpetual Convertible Bond will (i) improve the financial position of the Group by offloading the burden of the Shareholder Loan and reducing the gearing ratio of the Group; (ii) improve the profitability of the Group by saving financial costs; (iii) provide the Group with flexibility in financing in view of the distribution deferral and optional redemption features; and (iv) broaden the financing channels for future expansion of the Group's business, the Directors consider that the terms of the Subscription Agreement are fair and reasonable and that the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As Well Land is a controlling Shareholder, it is regarded as a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Subscription Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders' approval at the EGM.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The EGM will be held by the Company at Office No.3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong on Friday, 17 February 2017 at 10:00 a.m., to consider and if thought fit, to approve, among other things, the entering into of the Subscription Agreement and the transactions contemplated thereunder. A form of proxy for use at the EGM is enclosed with this circular.

Any Shareholder and his or her or its associates with a material interest in the resolutions will abstain from voting on the resolutions on the entering into of the Subscription Agreement and the transactions contemplated thereunder at the EGM. Well Land holds 215,472,000 Shares (representing approximately 50.34% interest) in the Company, as such, Well Land and its associates will be required to abstain from voting on the relevant resolutions at the EGM.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable enquires, no other Shareholders are required to abstain from voting on the relevant resolutions to be considered at the EGM as at the Latest Practicable Date.

The notice of the EGM is set out on pages N-1 to N-3 of this circular.

For those who intend to direct a proxy to attend the EGM, please complete the form of proxy and return the same in accordance with the instructions printed thereon. In order to be valid, the above documents must be delivered to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the EGM or any resumed session. The register of members of the Company will be closed from Wednesday, 15 February 2017 to Friday, 17 February 2017 (both days inclusive), during which time no share transfers will be effected. The holders of the Shares whose names appear on the register of members of the Company on Friday, 17 February 2017 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.

You are urged to complete and return the form of proxy whether or not you will attend the EGM. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or any subsequent meetings following the adjournments thereof) should you wish to do so.

As Completion is subject to the fulfilment of the conditions precedent under the Subscription Agreement, the transactions may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the reasonableness and fairness in respect of the entering into of the Subscription Agreement and the transactions contemplated thereunder. Octal Capital Limited, the Independent Financial Adviser, has been appointed by the Company to advise the

LETTER FROM THE BOARD

Independent Board Committee and the Independent Shareholders on the above issues. The text of the letter from the Independent Board Committee is set out on pages 22 to 23 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 24 to 44 of this circular.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, is of the view that the Subscription Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Independent Board Committee recommends that all Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

VOTE BY POLL

In accordance with the Articles of Association, all the votes at the EGM must be taken by poll. The methods of voting by the Shareholders at the EGM will be conducted by the combination of on-site voting and online voting.

FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix I to this circular.

Your faithfully,
By Order of the Board
C&D International Investment Group Limited
Zhuang Yuekai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into of the Subscription Agreement for inclusion in this circular.

C&D INTERNATIONAL INVESTMENT GROUP LIMITED

建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

26 January 2017

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO PROPOSED ISSUE OF PERPETUAL CONVERTIBLE BOND UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinion on the entering into of the Subscription Agreement and the transactions contemplated thereunder, the details of which are set out in the circular issued by the Company to the Shareholders dated 26 January 2017 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on page 24 to 44 of this Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed “Reasons for and benefits of entering into the Subscription Agreement” of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Advisor, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Advisor that the Subscription Agreement and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the entering into of the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee of
Mr. Wong Chi Wai
Mr. Wong Tai Yan, Paul
Mr. Chan Chun Yee
(Independent non-executive Directors)

LETTER FROM OCTAL CAPITAL



Octal Capital Limited
802-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

26 January 2017

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION - PROPOSED ISSUE OF PERPETUAL CONVERTIBLE BOND UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder, details of which are set out in the circular of the Company to the Shareholders dated 26 January 2017 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The Board announced that on 4 December 2016, the Company as issuer entered into the Subscription Agreement with Well Land as subscriber in relation to, among other things, the proposed issue of the Perpetual Convertible Bond under a specific mandate. Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue, and Well Land has conditionally agreed to subscribe for, the Perpetual Convertible Bond in the principal amount of HK\$500,000,000. Upon full conversion of the Perpetual Convertible Bond at the Initial Conversion Price of HK\$4.6 per Conversion Share, the Perpetual Convertible Bond will be convertible into 108,695,652 Shares, representing approximately 25.40% of the existing issued share capital of the Company and approximately 20.25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Perpetual Convertible Bond.

As Well Land is a controlling Shareholder, it is regarded as a connected person of the Company. Accordingly, the entering into the Subscription Agreement will constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to Independent Shareholders’ approval at the EGM. Well Land and its associates shall abstain from voting on the ordinary resolution approving the transactions contemplated under the Subscription Agreement thereunder at the EGM.

An independent board committee, comprising all the independent non-executive Directors, namely Mr. Wong Chi Wai, Mr. Wong Tat Yan, Paul and Mr. Chan Chun Yee, has been established to advise the Independent Shareholders as to whether the terms of the Subscription Agreement and Perpetual Convertible Bond are fair and reasonable and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent

LETTER FROM OCTAL CAPITAL

Shareholders are concerned, conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole; and to give a recommendation to the Independent Shareholders in respect of the voting on the resolutions to be proposed at the EGM.

We, Octal Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Subscription in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company or Well Land or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, we were engaged as the independent financial adviser to the Company (the “**Previous Engagements**”) in respect of (i) the connected transaction in relation to the issue of new shares of the Company to a connected person (details of which are set out in the circular of the Company dated 18 June 2015); (ii) the discloseable and connected transaction in relation to the formation of a joint venture and continuing connected transaction (details of which are set out in the circular of the Company dated 20 April 2016); (iii) the continuing connected transaction in relation to terms of the Jiayuan Lease and the Huayuan Lease which exceeded three years (details of which are set out in the announcement of the Company dated 14 March 2016); and (iv) the continuing connected transaction in relation to the entering into of consignment agreements and the entering into of the capital increase agreement (details of which are set out in the circular of the Company dated 24 September 2016). Under the Previous Engagements, we were required to express our opinion on and give recommendation to the independent committee of the Board comprising all the independent non-executive Directors and independent Shareholders in respect of the relevant transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company or Well Land or any of its subsidiaries or their respective associates.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the Directors, chief executive and substantial shareholders of the Company, the Purchaser or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we did not have any engagement with the Company or the Directors, chief executive and substantial shareholders of the Company or the Purchaser and no arrangement exists whereby we will receive any fees or benefits from the Company or the Purchaser or the Directors, chief executive and substantial shareholders of the Company or the Purchaser or any of their respective subsidiaries or associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Subscription Agreement and Perpetual

LETTER FROM OCTAL CAPITAL

Convertible Bond including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Well Land and their respective associates, nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Subscription Agreement, we have considered the following principal factors and reasons:-

1. Background and reasons for entering into the Subscriptions Agreement

1.1 Information on the Group

The Group is principally engaged in the business of property development, commercial operation and management, property leasing and the provision of construction contractor consultancy services in the PRC.

The following table summarises the audited financial information of the Group for the two years ended 31 December 2015 and the unaudited financial information of the Group for the six months ended 30 June 2016, as extracted from the audited 2015 annual report of the Company (the “**2015 Annual Report**”) and the unaudited 2016 interim report of the Company (the “**2016 Interim Report**”).

Consolidated statement of profit or loss

	For the year ended 31 December		For the six months ended
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Revenue	272,771	133,767	34,410
Net profit attributable to owners of the Company	24,896	12,668	11,919

LETTER FROM OCTAL CAPITAL

Consolidated statement of financial position

	As at 31 December 2014	As at 31 December 2015	As at 30 June 2016
	<i>RMB'000 (audited)</i>	<i>RMB'000 (audited)</i>	<i>RMB'000 (unaudited)</i>
Cash & cash equivalents	155,909	71,925	87,354
Interest-bearing borrowings	70,812	3,749	3,495
Loan from intermediate holding company	—	115,507	314,665
Equity	617,277	849,241	886,059
Gearing Ratio	11.5%	14.0%	35.9%

From the above table, we note that the Group recorded total revenue of approximately RMB133.8 million for the year ended 31 December 2015, representing a decrease of approximately 51.0% as compared to that for the year ended 31 December 2014. The net profit attributable to owners of the Company was approximately RMB12.7 million for the year ended 31 December 2015, representing a decrease of approximately 49.1% as compared to that for the year ended 31 December 2014. As set out in the 2015 Annual Report, such decreases in revenue and net profit for the year ended 31 December 2015 was mainly due to a decrease of 62.4% in revenue derived from sales of properties.

According to the 2016 Interim Report, the Group recorded total revenue of approximately RMB34.4 million for the six months ended 30 June 2016. Out of the total revenue for the six months ended 30 June 2016, approximately RMB24.8 million was derived from property leasing business and approximately RMB1.5 million from property development business. The Group recorded net profit attributable to owners of the Company of approximately RMB11.9 million.

The cash and cash equivalents of the Group were approximately RMB71.9 million as at 31 December 2015 and were approximately RMB87.4 million as at 30 June 2016, as compared to that of approximately RMB155.9 million as at 31 December 2014. According to the 2015 Annual Report, the decrease in cash and cash equivalent of the Group was mainly due to net cash outflows from operating activities as a result of an increase in inventories of properties and decrease in trade and other payables, and repayment of bank loans. The loan from intermediate holding company of the Company (the “**Shareholder Loan**”) increased from nil as at 31 December 2014 to approximately RMB115.5 million as at 31 December 2015 and further to approximately RMB314.7 million as at 30 June 2016. The Group’s gearing ratio (as computed by dividing total borrowings by total equity), which increased from 11.5% as at 31 December 2014 to 14.0% as at 31 December 2015 and further increased to 35.9% as at 30 June 2016, exhibited an increasing trend of the gearing ratio which was mainly due to the increase in the Shareholder Loan as mentioned above.

LETTER FROM OCTAL CAPITAL

1.2 Information on Well Land

Well Land International Limited (益能國際有限公司) is a company incorporated in the British Virgin Islands with limited liability and a controlling Shareholder of the Company.

Well Land is a wholly-owned subsidiary of Well Honour International Limited (益鴻國際有限公司), which in turn is wholly-owned by C&D Real Estate Corporation Limited (建發房地產集團有限公司) (the “C&D Real Estate”). C&D Real Estate is a subsidiary of Xiamen C&D Inc. (廈門建發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600153) which, in turn, is a subsidiary of Xiamen C&D Corporation Limited (廈門建發集團有限公司), a state-owned group of companies under the supervision of Xiamen Municipal government of the PRC. The Xiamen C&D Corporation Limited is a conglomerate state-owned enterprise and is principally engaged in the industries of supply chain operations, real estate development, tourism and hotel, convention and exhibition etc. in the PRC. The Xiamen C&D Corporation Limited ranked 116th of China Top 500 Enterprises in 2015 and has been ranking first of Top 100 Enterprise Groups in Fujian Province consecutively for many years. Given its strong background, solid experience in the real estate industry in the PRC and sound financial conditions, C&D Real Estate gains access to various opportunities in acquiring land parcels and real estate projects.

1.3 Reasons for and benefits of entering into the Subscriptions Agreement by Well Land and use of proceeds

As set out in the Letter from the Board, it is the intention and objective of the Company to (i) expand the Company’s business scale; (ii) implement the Company’s operation strategies; and (iii) broaden its financing channel, and the entering into of the Subscription Agreement may serve to optimize its debt structure and further enhance its risk-resisting capability and capability of sustainable development. The Company intends to apply all of the proceeds from the issue of the Perpetual Convertible Bond to repay the Shareholder Loan.

References are made to the announcements of the Company dated 31 August 2015, 11 September 2015, 24 December 2015, 31 December 2015 and 18 August 2016, in relation to (i) acquisition of the land use rights in Changsha City; (ii) acquisition of the land use rights in Quanzhou, Fujian Province; (iii) acquisition of the land use rights in Fanhua Enterprise Company Limited; (iv) formation of a joint venture for an acquisition of a land in Zhangzhou City; and (v) capital increase agreement with Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited. We note that above material transactions require substantial funding of the Group which were supported by the Shareholder Loan.

Owing to the fact that (i) the Perpetual Convertible Bond has no maturity; (ii) payments of distribution can be deferred at the discretion of the Company; and (iii) there is no limit as to the number of times of deferral of distribution, except for when the Company elects to declare dividends to their shareholders or repurchase or redeem or otherwise acquire for any Shares, the Perpetual Convertible Bond, which meets the definitions of equity instrument within HKAS 32 with reference to Hong Kong Accounting Standards, shall be booked and accounted for as equity instrument in the Company’s accounts, and the Company’s auditors agree with such accounting treatment. Therefore, the issue of Perpetual Convertible Bond can improve the financial position, which in turn enhance the

LETTER FROM OCTAL CAPITAL

ability of the Group to obtain external financing in the future with a lower cost. As set out in the section headed “Information on the Group” of this letter and further advised by the management, the Shareholder Loan as at 31 December 2015, 30 June 2016 and the Latest Practicable Date were approximately of RMB115.5 million, RMB314.7 million and RMB1,082.0 million respectively. Such increase of the Shareholder Loan in the second half of 2016, while the equity of the Company has remained stable during the period, has deteriorated the gearing ratio of the Company as at the Latest Practicable Date. Upon the Completion and the total proceeds from the Subscription being used for repayment of the Shareholder Loan, the liabilities of the Company will decrease by the amount of the net proceeds and the equity of the Company will increase by the same amount accordingly. Therefore, the gearing ratio will be substantially improved.

We note that the Shareholders’ Loan, which is viewed as a long term debt until repayment, is similar to the Perpetual Convertible Bond in regard of financial burden to the Group. Although the Perpetual Convertible Bond carries 4.00% interest per annum, the Directors are of the view that the perpetual financial burden of the Perpetual Convertible Bond will be partially lightened by the saving in finance cost as the proceeds from the Subscription are intended to be applied to repaying of the Shareholder Loan which carries interest of 4.75% per annum. Therefore, the issue of the Perpetual Convertible Bond can improve the Group’s net profit margin by reducing its finance costs.

On the other hand, the issue of the Perpetual Convertible Bond can be viewed as a debt restructuring exercise of the Group to repay the existing Shareholder Loan by the Perpetual Convertible Bond with more favourable terms including distribution deferral and optional redemption. Despite the fact that the Shareholder Loan is similar to the Perpetual Convertible Bond which also has no fixed portfolio and repayment schedule, the current unfavourable financial position of the Group would restrict the Group from implementing its operation strategies and expanding its business scale. Therefore, the issue of the Perpetual Convertible Bond can improve the Group’s financial position by increasing its net asset value and decreasing its gearing ratio which in turn will provide the Group with flexibility in financing in order to facilitate its strategies implemented and expansion of business scale.

As advised by the Company, the Company has considered alternative ways of fund raising including rights issue and open offer. With respect to (i) thin trading volume of the Shares; (ii) costly underwriting commission; (iii) relatively long underwriting period; and (iv) difficulty to find an independent underwriter which is interested to fully underwrite a rights issue or an open offer of the Company, the Directors considered that the entering into of the Subscription Agreement represents an opportunity for the Company to raise immediate capital for the Company at a reasonable cost. As regards to debt financing in terms of borrowing, having considered that independent financial institutions (i) usually require the Group to pledge the assets of the Group and (ii) will charge a higher interest rate (at least 10% higher than the benchmark RMB lending rate of the People’s Bank of China), the Directors considered that the terms of the Subscription Agreement were better than the normal commercial terms of financial assistance by independent financial institutions. Apart from obtaining financial assistance from the independent financial institutions, the Company had also approached C&D Real Estate to renegotiate the terms of the Shareholder Loan. However, as mentioned above, since the Shareholder Loan is already on more favourable terms than the commercial terms offered to the Group by independent third party financial institutions given the lower interest rate and unsecured feature of the Shareholder Loan, C&D Real Estate had not agreed to renegotiate the existing terms of the Shareholder Loan.

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Further, as advised by the management of the Group, the Group has considered settling the existing Shareholder Loan by way of capitalization of the Shareholder Loan. However, given the Shareholder Loan of approximately HK\$1,082.0 million as at the Latest Practicable Date and the existing shareholding interests of Well Land in the Company of approximately 50.34%, together with the shareholding interests of Diamond Firetail, being senior management and Directors of the Group, of approximately 11.82%, the public float of the Shares will become less than 25% upon capitalization of the Shareholder Loan. Although the Shareholder Loan cannot be fully settled, the issue of the Perpetual Convertible Bond will on one hand avoid any immediate dilution impact to the existing shareholding of the Company and on the other hand, this represents the continual financial support of Well Land to the Group.

Notwithstanding the potential dilution impact to the existing Shareholders that the shareholding of the Independent Shareholders will be diluted from approximately 37.84% before the full conversion of the Perpetual Convertible Bond to approximately 30.18% immediately after the full conversion of the Perpetual Convertible Bond and the Shareholder Loan cannot be fully settled, in view of the aforesaid reasons, after taking into account that the proposed issue of the Perpetual Convertible Bond will (i) improve the financial position of the Group by offloading the burden of the Shareholder Loan; (ii) improve the profitability of the Group by the saving in financial cost; (iii) provide the Group with flexibility in financing as a result of the distribution deferral and optional redemption features; and (iv) broaden the financing channel for future expansion of business, we are of the view that the entering into the Subscription Agreement is fair and reasonable and use of proceeds are justifiable and in the best interests of the Company and the Shareholders as a whole.

2. Principal terms of the Subscription Agreement

Date

4 December 2016

Parties

- (a) the Company (as issuer); and
- (b) Well Land (as subscriber)

Conditions precedent to the Subscription Agreement

Completion shall be conditional on the following conditions precedent being satisfied:

- (a) Since the signing date, there have not been any changes which are substantially or potentially substantially adverse to the position (financial or otherwise), forecasts, revenues, businesses, operating results or general affairs of the Company, or any developments or events involving possible changes, or any material adverse effect events;

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- (b) The Company has obtained all necessary approval(s) (including but not limited to the necessary approval(s) from the Independent Shareholders), consent(s) and/or waivers from the Stock Exchange with respect to the Subscription Agreement and the transactions contemplated thereunder, and the listing of, and permission to deal in any Conversion Shares which may be issued to the Subscriber upon conversion of the Perpetual Convertible Bond;
- (c) The Company has held an EGM to obtain the Independent Shareholders' approval with respect to: (i) the entering into of the Subscription Agreement and the transactions contemplated thereunder; and (ii) the issuance of the Perpetual Convertible Bond to the Subscriber by specific mandate;
- (d) The Board has approved the Subscription Agreement and the transaction contemplated thereunder, the issue of the Perpetual Convertible Bond to the Subscriber, and the issue and allotment of the Conversion Shares by specific mandate;
- (e) The Company has obtained all the necessary approval(s) or consent(s) from the Directors and/or any third part(ies) with respect to the entering into of the Subscription Agreement and the transactions contemplated thereunder, and made all the necessary filings or registrations. All applicable statutory or other obligations have been complied with;
- (f) The board of directors of the Subscriber have already approved the Subscription Agreement and the transactions contemplated thereunder;
- (g) The representations and warranties set out in the Subscription Agreement remain true, complete and accurate in all material respects; and
- (h) The company's secretary or any director of the Company has delivered to the Subscriber a certificate which states the person authorised by the Board to execute the Subscription Agreement and any other documents related to the issue of the Perpetual Convertible Bond.

Principal terms and conditions of the Perpetual Convertible Bond

Aggregate principal Amount	:	HK\$500,000,000
Form and denomination	:	The Perpetual Convertible Bond will be issued in registered form in the denomination of HK\$1,000,000 each.
Issue price	:	100% of the principal amount of the Perpetual Convertible Bond, payable by the Subscriber at Completion.
Maturity date	:	no maturity date
Distribution rate	:	4%

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- Distribution : Subject to the provisions under the Subscription Agreement, the Perpetual Convertible Bond confers a right to receive distribution (“**Distribution**”) from the Issue Date at the Distribution Rate. Distributions shall be payable on the Perpetual Convertible Bond annually (each payment date, a “**Distribution Payment Date**”).
- Distribution deferral : The Company can, at its sole discretion, elect to defer in whole or in part of the Distribution which is otherwise scheduled to be paid on the Distribution Payment Date to the next Distribution Payment Date by giving notice to the Subscriber not less than ten Business Days prior to the relevant Distribution Payment Date. The frequency of distribution and distribution deferral are not subject to any limitation.
- Restrictions in case of distribution deferral : If, on any Distribution Payment Date, payment of all Distribution payments scheduled to be made on such date is not made in full, the Company shall not:
- (a) declare or pay any discretionary dividends or distributions or make any other payment, and will procure that no dividend, distribution or other payment is made, on any Shares of the Company; or
 - (b) at its discretion repurchase, redeem or otherwise acquire for any consideration any Shares or otherwise redeem any shares prior to the stated maturity date,
- unless and until the Company has satisfied in full all outstanding arrears of Distribution.
- Conversion Right : Subject to the conditions precedent under the Subscription Agreement, a Holder has the right to convert its Perpetual Convertible Bond into Shares at any time from the Issue Date, provided that the Holder may only convert such number of Perpetual Convertible Bond as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion.
- Initial conversion price : HK\$4.6 per Conversion Share, subject to adjustments (see below).

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Adjustments to the Initial Conversion Price : If the following events occur, the Initial Conversion Price shall be adjusted:

(i) if the Company issues the following at any time after the Issue Date,

(a) any convertible bonds or perpetual convertible bonds of the same type, if their unpaid consideration (including convertible share price) or the paid consideration per share is lower than the conversion price before such issuance, the conversion price shall be reduced to the consideration per share at which the Company issues such convertible bonds or perpetual convertible bonds at the same time of issuance;

(b) any equity products apart from those under condition (i)(a) above, its unpaid consideration (including convertible share price) or the paid consideration per share is lower than the conversion price before such issuance, the conversion price shall be adjusted as below:

the total share capital before the issuance x the conversion price before the issuance + share capital of the new issuance x price of the new issuance

the total share capital before issuance+ share capital of the new issuance

(ii) consolidation or subdivision: if the nominal value of Shares changes because of consolidation or subdivision, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the change by the following fraction:

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

A = the nominal value per Share immediately after the change;

B = the nominal value per Share immediately before the change.

The adjustment shall become effective on the date of change.

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(iii) capitalization of profits or reserves:

- (a) if the Company issues any shares credited as fully paid to the Shareholders through the capitalization of profits or reserves (including any share premium accounts), including shares paid with the distributable profits or reserves and / or from the issued share premium accounts, and such issuance does not constitute distribution, Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the issuance by the following fraction:

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

A = the total nominal value of the issued shares immediately before the issuance;

B = the total nominal value of the issued shares immediately after the issuance.

The adjustment shall become effective from the next day after the registration date of issuance, and shall have retrospective effect as appropriate.

- (b) where shares are issued by way of promissory note dividend, if the prevailing market price of the shares on the date of publishing the terms of promissory note dividend exceeds the amount of relevant cash dividend or its relevant part, and the issuance does not constitute distribution, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before the issuance of the shares by the following fraction:

$$\frac{A+B}{A+C}$$

A = the total nominal value of the issued shares immediately before the issuance;

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B = the total nominal value of the shares issued by way of promissory note dividend multiply by the following fraction: (a) the numerator is the amount of the whole or relevant part of the relevant cash dividend, and (b) the denominator is amount calculated from the prevailing market price of the shares issued by way of promissory note dividend in lieu of the whole or relevant part of relevant cash dividend in respect of each existing share on the date of publishing the terms of promissory note dividend;

C = the total nominal value of the shares issued by way of promissory note dividend.

The adjustment shall become effective on the Issue Date of the shares.

(iv) If the Company makes any capital distribution to its Shareholders, the Initial Conversion Price shall be adjusted as below: multiply the Initial Conversion Price immediately before such distribution by the following fraction:

$$(M - D) / M$$

D = the cash dividends per Share;

M = the price of per Share before the distribution of dividends

Conversion Shares : Based on the Initial Conversion Price, a maximum of 108,695,652 Conversion Shares will be issued upon the full conversion of the Perpetual Convertible Bond, representing approximately 25.40% of the issued share capital of the Company as at the Latest Practicable Date and approximately 20.25% of the issued share capital of the Company as enlarged by the full conversion of the Perpetual Convertible Bond (assuming no other Shares are issued).

No fixed Maturity Date : The Perpetual Convertible Bond are perpetual securities in respect of which there is no fixed maturity date.

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- Optional Redemption : The Company may at its option on the date falling three years from the Issue Date, or on any Distribution Payment Date after three years from the Issue Date, redeem in whole of the Perpetual Convertible Bond for the time being outstanding at the optional redemption price together with all outstanding Distributions for redemption.
- Mandatory Redemption : Upon the occurrence of an event of default, a Holder can serve a notice on the Company requiring the Company to redeem the outstanding Perpetual Convertible Bond held by such Holder together with all outstanding Distributions.
- Transferability : The Perpetual Convertible Bond will be freely transferrable except to the connected persons of the Company.

For further details of the Perpetual Convertible Bond, please refer to the Letter from the Board in the Circular.

Initial Conversion Price

To assess the fairness and reasonableness of the Initial Conversion Price, we set out the following analyses for illustrative purpose:

The Conversion Price at HK\$4.6 per Conversion Share represents:

- (a) a discount of approximately 7.07% to the closing price of HK\$4.95 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 0.86% to the average of the closing prices of approximately HK\$4.64 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;
- (c) a premium of approximately 5.02% over the average of the closing prices of approximately HK\$4.38 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;
- (d) a discount of approximately 5.93% over the average of the closing prices of approximately HK\$4.89 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (e) a premium of approximately 59.82% over the net asset value per Share of RMB2.46 based on the unaudited net asset value of the Company as at 30 June 2016.

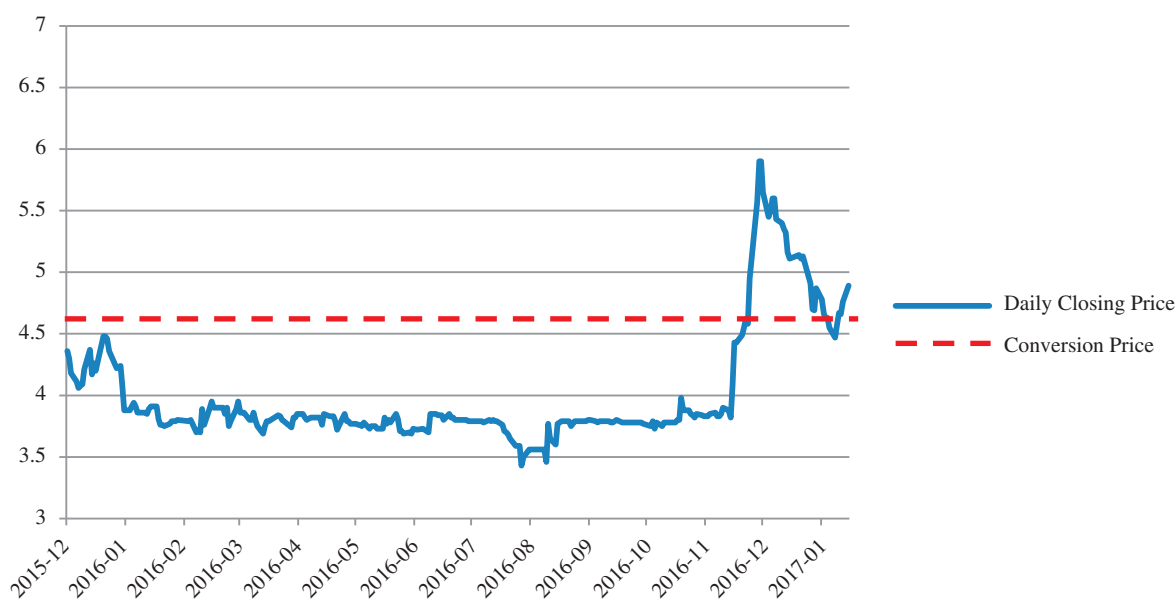
With reference to announcement of the Company dated 4 December 2016 in relation to the placing of Shares, the placing price per placing share is HK\$3.97 (the “**Placing Price**”) which represents that the Conversion Price is premium of approximately 15.87% over the Placing Price.

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Review of Share prices

The following chart (the “**Chart 1**”) illustrates the highest and lowest closing prices and the average closing price of the Shares as quoted on the Stock Exchange during the period commencing from 9 December 2015 up to and including the Latest Practicable Date (the “**Review Period**”).

Chart 1: Historical daily closing prices of the Shares during the Historical Price Period



Source: Stock Exchange (www.hkex.com.hk)

As shown by the Chart 1 above, the daily closing prices of the Shares ranged from HK\$3.43 per Share to HK\$5.9 per Share during the Review Period. The Conversion Price of HK\$4.6 is within the range of the lowest and highest closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the Review Period, and represented a premium of approximately 34.1% over the lowest closing price of HK\$3.43 recorded in 4 August 2016 and a discount of approximately 28.3% to the highest closing price of HK\$5.9 recorded in 8 December 2016. We note that the Conversion Price of HK\$4.6 per Share is higher than most of the closing prices during the Review Period (244 trading days out of 276 trading days of the Share). We also noted that the daily closing prices of the Shares had been relatively stable before it surged since 23 November 2016 and reached its 52-week high of HK\$5.9 on 8 December 2016.

Comparable Transactions Analysis

In assessing the fairness and reasonableness of the terms of the Perpetual Convertible Bond, we have researched relevant transactions of the listed companies with similar business nature of the Company in the website of the Stock Exchange. Given the nature of the Perpetual Convertible Bond and the Group being one of the property developers in the PRC, we have attempted to identify comparable transactions in which (i) the issuers are listed on the Stock Exchange; (ii) the issuers are

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principally engaged in property development and/or investment that involve in residential properties in the PRC which are similar to the business of the Group; (iii) revenue of the issuers generated from residential property development accounted for more than 50% of their total revenue and (iv) convertible perpetual securities were issued in the twenty four months period prior and up to the Latest Practicable Date (the “Comparable Period”). To the best of our knowledge and endeavour, we have identified 4 comparable transactions (the “Comparables”) in the table below (the “Table 1”) and we consider that the list of the Comparables is an exhaustive list based on the aforesaid selection criteria. Moreover, having considered that the Comparable Period is long enough to (i) reflect the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) include sufficient number of transactions for comparison purposes; and (iii) allow the Shareholders to have a general understanding of the recent convertible perpetual bond transactions being conducted in the Hong Kong stock market, we considered that Comparable Period is an appropriate period of time for identifying the Comparables for our analysis as they can serve as a reference for the recent market practice and provide an insight to the reasonableness of the major terms of the Perpetual Convertible Bond. Accordingly, we are of the view that the Comparable Period sets an appropriate basis for our analysis and that the Comparables represent fair and representative samples. However, given the differences between the Company and the issuers of the Comparables (the “Issuers”) in terms of market capacities and reasons for the issue of the respective perpetual convertible securities, the analysis on these Comparables may not represent an identical comparison. Therefore, the Table 1 is for general reference for the recent market practice in relation to the conversion price, distribution rate and other major terms.

Table 1: Comparison with the Comparables

No.	Issuers (stock code)	Date of Issue	Principal Amount	Conversion price (per share)	Premium/ (discount) of the conversion price to the average closing price on the last ten consecutive trading days up to and including the last trading day (%)			Premium/ (discount) of the conversion price to the net asset value (%) (Note 1)	Adjustments to the conversion price	Initial distribution rate per annum (%)	Distribution deferral	Optional Redemption	Maturity date
					the last trading day (%)	including the last trading day (%)	the conversion price to the net asset value (%) (Note 1)						
#1	Beijing Capital (1329.hk)	25/11/2016	HK\$1,477 million (Note 2)	2.10	(26.83)	(25.27)	(13.93)	Yes	0.01	Yes	12 months lock-up period	No	
#2	Evergrande (3333.hk)	23/12/2015	USD1,500 million (Note 3)	8.06	27.30	35.20	(29.19)	Yes	7.00	Yes	No	No	
#3	Landsea Green (106.hk)	4/11/2015	HK\$130 million (Note 4)	0.7508	4.3	3.70	13.29	Yes	7.50	Yes	No	No	
#4	Shui On Land (272.hk)	22/5/2015	USD225 million (Note 5)	3.228	20.00	24.35	(51.18)	Yes	7.50	Yes	Yes	No	
				Max	27.30	35.20	13.29		7.50				
				Min	(26.83)	(25.27)	(51.18)		0.01				
				Mean	6.19	9.50	(20.25)		5.50				
				Median	12.15	14.03	(21.56)		7.25				
	The Company	4/12/2016		4.60	(7.07)	5.02	59.82	Yes	4.00	Yes	Yes	No	

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Source: Stock Exchange (www.hkex.com.hk)

Note 1: The net asset value per share is calculated based on the net asset value of the Issuers as at the financial year ends of their respective relevant announcements and the issued share capital of the Issuers as at the date of their respective relevant announcements.

Note 2: Issue perpetual convertible bond securities at conversion price of HK\$2.10 per share for its capital expenditure and other expenses.

Note 3: Issue perpetual convertible bond securities at conversion price of HK\$8.06 per share for an acquisition and replenish projects which are competitive in the first and second-tier cities in the PRC.

Note 4: Issue perpetual convertible bond securities at conversion price of HK\$0.7508 per share for an expansion of its property business or development of business activities and/or any subsidiary and/or for general corporate purposes.

Note 5: Issue perpetual convertible bond securities at conversion price of HK\$3.228 per share for repayment of its existing indebtedness with near term maturities and the rest to fund its capital expenditures related to its real estate or equipment.

As shown in the Table 1, the premium/(discount) represented by conversion price over/(to) closing price on the last trading day of the Comparables ranged from a discount of approximately 26.83% to a premium of approximately 27.30% (the “**Last Trading Day Range**”). We note that the discount represented by the Conversion Price over the closing price of HK\$4.95 per Share on the Last Trading Date of approximately 7.07% falls within the Last Trading Day Range. Although the discount represented by the Conversion Price over the closing price per Share on the Last Trading Date lies below the mean of a premium of 6.19% and the median of a premium of 12.15%, it should be noted that, the premium represented by the Conversion Price of 5.02% over the average closing price on the last ten consecutive days up to and including the last trading day of HK\$4.38 per Share is close to the mean of the Comparables of approximately 9.50% and the premium represented by the Conversion Price of approximately 59.82% over the net asset value per Share is above all that of the Comparables. Based on the above, we consider that the discount represented by the Conversion Price over the closing price per Share on the Last Trading Date is justifiable.

Having considered that the Conversion Price (i) represented the premium of 15.87% over the Placing Price; (ii) represented the premium over of approximately 59.82% over the net asset value of the Company as at 30 June 2016; (iii) is within the range of the lowest and highest closing prices of the Shares during the Review Period; (iv) is higher than most of the closing prices during the Review Period; and (v) represented a premium of 5.02% to the average closing price on the last ten consecutive trading days up to and including the last trading day falling within the range and close to the mean of those of the Comparables, we are of the view that the Conversion Price is fair and reasonable to the independent Shareholders.

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Other terms of the Perpetual Convertible Bond

Conversion price adjustment clause

The Initial Conversion Price will be adjusted in the event that there is a consolidation, subdivision, capitalization of profits or reserves, or any issue of convertible securities or equity products that affect the Shares (the “**Conversion Price Adjustment**”), but only in the circumstances and only to the extent provided in the section headed “Principal terms and conditions of the Perpetual Convertible Bond” of this letter. We have reviewed the Conversion Price Adjustment including its triggering events and adjustment mechanisms and compared them with the similar adjustment terms of the Comparables. We note that all of them have similar adjustment terms which aim to provide an anti-dilution right to subscribers in case of any corporate events triggering the adjustments. In view of the above, we consider that the Conversion Price Adjustment is in line with the terms of the convertible securities of similar kind issued by other listed companies in Hong Kong.

Distribution Rate

The Perpetual Convertible Bond grants a right to its Holders to receive Distribution from the Issue Date at the Distribution Rate at 4.00% per annum. As set out in the Letter from the Board, the Distribution Rate was arrived at after arm’s length negotiations between the Company and Well Land.

As set out in the Table 1, the distribution rate of the Comparables ranged from 0.01% to 7.50%, with an average distribution rate of 5.50% per annum. The Distribution Rate is within the range of that of the Comparables and below the average distribution rate. We note that the initial distribution rate of the Comparable #1 is of 0.01% which is far below from the average distribution rate amongst the Comparable #2, Comparable #3 and Comparable #4 of approximately 7.33% (the “**Adjusted Comparables Distribution Rate**”) and distorts the distribution rate comparison, mainly due to its additional right granted its holders to receive additional variable interest payment in line with its dividend. We consider that the Adjusted Comparables Distribution Rate, which provides a clearer picture of the average distribution rate in the recent market, should be used for assessing the fairness and reasonableness of the Distribution Rate. After all, we note that the Distribution Rate of 4.00%, which represents approximately 54.5% of the Adjusted Comparables Distribution Rate, is lower than those for similar types of perpetual convertible securities.

Moreover, we have also reviewed the Company’s borrowing costs by examining the Shareholder Loan and loan quotations from external financial institutions provided by the Company, we noted that the Distribution Rate is lower than the interest rate of the Shareholders’ Loan of 4.75% per annum and the interest rate of the loan quotations ranged from 5.5% to 6% per annum.

Based on the above, the Distribution Rate of 4.00% per annum is lower than (i) the distribution rate of above Comparables; (ii) the interest rate of the Shareholder Loan; and (iii) the interest rate of the loan quoted from the financial institutions. In regard of the Distribution Rate, we consider that the Perpetual Convertible Bond is no less favourable than other similar types perpetual convertible bond of the Comparables as well as the Company’s borrowing costs, which mainly because the Group would benefit from the saving in finance cost in relation to the payment of the Distribution. We are therefore of the view that the Distribution Rate of 4.00% per annum is fair and reasonable.

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Distribution Deferral and Optional Redemption

The Company may at its sole discretion elect to defer in whole or in part of the Distribution apart from its schedule of Distribution. We are of the view that this right is favourable to the Group as it gives more flexibility to the Group on the timing for the Distribution to its Holders in case of any in liquidity difficulties that the Group may face in the future. Given that all the Comparables also had the right to defer their distribution, we consider that the Distribution Deferral is a common practice and on normal commercial terms.

The Company may also at its option to redeem in whole of the Perpetual Convertible Bond and other outstanding Distribution after three years from the Issue Date, therefore there is no instant material cash outflow impact of the repayment of principal as the Group has the right to redeem the Perpetual Convertible Bond after three years from the Issue Date whenever considered to be necessary. With reference to the Table 1, we also note from the Comparables that all of them had similar redemption rights, as such the optional redemption right is also considered as a common practice and on normal commercial terms.

Maturity

We note that the maturity of the Perpetual Convertible Bond is similar to the Comparables which also have no maturity date. As discussed with the Directors, this term shall provide the Group with adequate time to develop its businesses and there is no instant material cash outflow pressure on the Group before the repayment of the Perpetual Convertible Bond. We consider that the absence of fixed maturity date is fair and reasonable and in the interest to the Company and the Shareholders as a whole.

3. Dilution effects of the issue of the Perpetual Convertible Bond

Details of the changes of shareholding structure as a result of the issue of the Perpetual Convertible Bond are set out in the section headed “Changes to Shareholdings Structure of The Company As A Result of The Proposed Issue of Conversion Shares” of the Letter from the Board in the Circular.

As set out in the Letter from the Board, upon the full conversion of the Perpetual Convertible Bond, the shareholding of the Independent Shareholders will be diluted from approximately 37.84% before the full conversion of the Perpetual Convertible Bond to approximately 30.18% immediately after the full conversion of the Perpetual Convertible Bond. However, it has been set out in the terms of the Perpetual Convertible Bond that the Holder may only convert such number of Perpetual Convertible Bond as would not cause the Company to not comply with the minimum public float requirement under the Listing Rules following the conversion. Therefore, the Perpetual Convertible Bond will only be converted as long as the minimum public float requirement under the Listing Rules is fulfilled.

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Nonetheless, in view of (i) reasons for and benefits of entering into the Subscriptions Agreement by Well Land, details of which are set out under the section under “Reasons for and benefits of entering into the Subscriptions Agreement by Well Land and use of proceeds” of this letter; (ii) the terms of the Subscription Agreement being fair and reasonable; and (iii) the terms of the Perpetual Convertible Bond being fair and reasonable and in the interests of the Shareholders as a whole, we are of the view that the aforementioned level of dilution to the shareholding interests of the Independent Shareholders is acceptable.

FINANCIAL EFFECTS OF ISSUE OF THE PERPETUAL CONVERTIBLE BOND

The financial effects of the issue of the Perpetual Convertible Bond by the Group set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after the Completion.

(i) **Net asset value**

According to the 2016 interim report of the Company, the net asset value and net asset value per Share of the Company as at 30 June 2016 amounted to approximately RMB886.1 million and RMB2.46 (based on 360,000,000 Shares in issue as at 30 June 2016). Upon the Completion, the net asset value of the Company will increase by the amount of the net proceeds.

Moreover, the Shares in issue will increase as a result of the full conversion of the Perpetual Convertible Bond. Therefore, given the increase in the net asset value larger than the increase in number of Conversion Shares due to the notable variance between the Conversion Price and the net asset value per share as at 30 June 2016, the net asset value per Share after the Completion will increase.

(ii) **Gearing**

As set out in the section headed “Information on the Group” of this letter and further advised by the management, the Shareholder Loan as at 30 June 2016 and the Latest Practicable Date were approximately of RMB314.7 million and RMB1,082.0 million respectively. Such increase of the Shareholder Loan in the second half of 2016, while the equity of the Company has remained stable during the period, has deteriorated the gearing ratio of the Company as at the Latest Practicable Date. Upon the Completion and the total proceeds from the Subscription being used for repayment of the Shareholder Loan, the liabilities of the Company will decrease by the amount of the net proceeds and the equity of the Company will increase by the same amount accordingly. Therefore, the gearing ratio will be substantially improved.

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(iii) Earnings

Based on the annual report of the Company for the year ended 31 December 2015, the Group recorded profit attributable to owners of the Company of approximately RMB13 million. As set out in the Letter from the Board, the Group intends to apply all of the net proceeds of approximately HK\$499 million to repay the Shareholder Loan. In view that the Distribution Rate of the Perpetual Convertible Bond of 4.00% is lower than the annual interest rate of the Shareholder Loan of 4.75%, it is expected the Group will incur a lower finance cost.

Based on the aforementioned financial effects of the issue of the Perpetual Convertible Bond, in particular the (i) positive impact on net asset value; (ii) positive impact on gearing ratio; and (iii) positive impact on earnings, we are of the view that the issue of the Perpetual Convertible Bond will have an overall positive financial effect on the Group in the long run and be in the interest of the Group and its Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above and in particular the followings (which should be read in conjunction with and interpreted in the full context of this letter),

- (i) the issue of the Perpetual Convertible Bond could enable the Group to offload the burden of the Shareholder Loan and focus on its business development;
- (ii) the issue of the Perpetual Convertible Bond could improve the profitability of the Group by reducing its finance costs;
- (iii) the issue of the Perpetual Convertible Bond could improve the Group's financial position by increasing its net asset value and decreasing its gearing ratio to achieve its sustainable development;
- (iv) the Conversion Price represented the premium over of approximately 59.82% over the net asset value of the Company as at 30 June 2016;
- (v) the distribution deferral and optional redemption would give more flexibility to the Company on the timing of payment of Distribution and the principal of the Perpetual Convertible Bond; and
- (vi) the negative impact of the dilution impact and the perpetual obligation would be outweighed by the benefits of the issue of the Perpetual Convertible Bond as discussed above,

LETTER FROM OCTAL CAPITAL

we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date and (ii) upon the exercise of the Conversion Rights attaching to the Perpetual Convertible Bond in full at the Initial Conversion Price of HK\$4.6 per Conversion Share are as follows:

(i) As at the Latest Practicable Date

Authorised:

1,000,000,000	Shares	HK\$100,000,000
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Issued and fully paid up or credited as fully paid up:

428,000,000	Shares	HK\$42,800,000
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(ii) Upon the exercise of the Conversion Rights attaching to the Perpetual Convertible Bond in full at the Initial Conversion Price of HK\$4.6 per Conversion Share:

Authorised:

1,000,000,000	Shares	HK\$100,000,000
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Issued and fully paid up or credited as fully paid up:

428,000,000	Shares	HK\$42,800,000
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108,695,652	Conversion Shares to be allotted and issued upon exercise of the Conversion Rights attaching to the Perpetual Convertible Bond	HK\$10,869,565
_____		_____

536,695,652	Shares	HK\$53,669,565
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All of the Shares rank *pari passu* in all respects, including as to dividends, voting and capital.

When issued, the Conversion Shares will rank *pari passu* in all respects with the Shares then issued. Holders of Conversion Shares will be entitled to receive distributions which are declared, made or paid after the date of allotment of the Conversion Shares in their fully-paid form.

The Shares are, or to be, listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be sought on any other stock exchange.

There has been no alteration to the authorised share capital of the Company since the end of its financial year, being 31 December 2015.

3. DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name of Directors	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Zhuang Yuekai	Founder of a discretionary trust	50,580,000	11.82%
Mr. Shi Zhen	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhao Chengmin	Founder of a discretionary trust	50,580,000	11.82%

Note 1: The percentage of shareholding was calculated based on the Company's total issued share capital of 428,000,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company:

- (a) was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or

- (b) had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO); (ii) pursuant to Section 352 of the SFO, to be entered in the register of members of the Company; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if applied to the supervisors.

(b) **Substantial shareholders' interests**

So far as the Directors are aware, as at the Latest Practicable Date, the persons other than a Director or senior management of the Company who have interests or short positions in the Shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Well Land International Limited (益能國際有限公司) ("Well Land") (Note 1)	Beneficial owner	215,472,000	50.34%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour") (Note 1)	Interest of controlled corporation	215,472,000	50.34%
C & D Real Estate Corporation Limited (建發房地產集團有限公司) ("C & D Real Estate") (Note 1)	Interest of controlled corporation	215,472,000	50.34%
Xiamen C & D Inc. (廈門建發股份有限公司) (Note 1)	Interest of controlled corporation	215,472,000	50.34%
Xiamen C & D Corporation Limited (廈門建發集團有限公司) ("Xiamen C & D") (Note 1)	Interest of controlled corporation	215,472,000	50.34%
Diamond Firetail Limited ("Diamond Firetail") (Note 2)	Beneficial owner	50,580,000	11.82%

Name of Shareholder	Capacity/nature of interest	Number of issued Shares held	Approximate percentage of shareholding in issued share capital (Note 3)
Equity Trustee Limited (“ Equity Trustee ”) (Note 2)	Interest of controlled corporations	50,580,000	11.82%
Mr. Zhuang Yuekai (Note 2)	Founder of a discretionary trust	50,580,000	11.82%
Mr. Shi Zhen (Note 2)	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhao Chengmin (Note 2)	Founder of a discretionary trust	50,580,000	11.82%
Ms. Zhang Yunxia (Note 2)	Founder of a discretionary trust	50,580,000	11.82%
Ms. Cheng Bing (Note 2)	Founder of a discretionary trust	50,580,000	11.82%

Notes:

- (1) These Shares were registered in the name of Well Land, a company incorporated in the British Virgin Islands. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is a subsidiary of Xiamen C&D Inc., which is a company listed on the Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is a subsidiary of Xiamen C&D, a state-owned group of companies under the supervision of Xiamen Municipality. Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in all the Shares in which Well Land is interested by virtue of the SFO.
- (2) These Shares were registered in the name of Diamond Firetail, a company incorporated in the British Virgin Islands. Diamond Firetail is a wholly-owned subsidiary of Equity Trustee. Equity Trustee is a wholly owned by a discretionary trust (the “Trust”) whereby the beneficiaries are: (a) staff of the controlling shareholder, C&D Real Estate Corporation Limited; (b) Mr. Zhuang Yuekai, who has approximately 5.82% interests in the Trust; (c) Mr. Shi Zhen, who has approximately 3.64% interests in the Trust; and (d) Ms. Zhao Chengmin, who has approximately 2.91% interests in the Trust (subject to the reallocation of interest by the trustee pursuant to the trust deed) by virtue of the SFO. Mr. Zhuang Yuekai, Mr. Shi Zhen, Ms. Zhao Chengmin, Ms. Zhang Yunxia and Ms. Cheng Bing are founder of a discretionary trust.
- (3) The percentage of shareholding was calculated based on the Company’s total issued share capital of 428,000,000 shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who, had or was deemed to have, interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated

corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Group or any options in respect of such share capital.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 10 February 2015, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the executive Directors is entitled to a director's emolument of HK\$1,200,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the non-executive Directors has entered into a letter of appointment with the Company for a term of three year commencing from 10 February 2015, 20 March 2015 and 29 April 2015 respectively, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the non-executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the non-executive Directors does not receive any director's emolument but he/she may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a term of one year commencing on 14 December 2012, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the independent non-executive Directors or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the independent non-executive Directors is entitled to a director's emolument of HK\$120,000 per annum from 14 December 2012 and the emolument has been revised to HK\$150,000 per annum from 21 March 2015.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualifications of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
Octal Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2015 (the date to which the latest published audited combined financial statements of the Company were made up) or proposed to be acquired, disposed of or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

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

7. DIRECTORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

8. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competed or might compete with the business of the Group, or had or might have any other conflicts of interest with the Group pursuant to Rule 8.10 of the Listing Rules.

9. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any material litigations or claims and no litigations or claims of material importance were pending or threatened by or against any member of the Group.

10. MATERIAL CONTRACTS

Within the two years immediately preceding the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group which are or may be material:

- (a) the share transfer agreement dated 5 January 2017 entered into between Licheng Enterprise Management Company Limited and Yi Yue in relation to the acquisition of 30% equity interests in Fujian Zhaohe Real Estate Company Limited;
- (b) the share transfer agreement dated 5 January 2017 entered into between Fujian Zhao Run Property Company Limited and Yi Yue in relation to the acquisition of 30% equity interests in Fujian Zhaohe Real Estate Company Limited;
- (c) the capital increase agreement dated 5 January 2017 entered into between Yi Yue, Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited in relation to the increase of the registered capital of Suzhou Zhaoxiang Real Estate Development Limited from RMB114,940,000 to RMB200,000,000 by capital contribution from Yi Yue;
- (d) the Subscription Agreement;
- (e) the placing agreement dated 4 December 2016 entered into between the Company and BaoQiao Partners Capital Limited in relation to the placing of 68,000,000 placing shares under the general mandate;
- (f) the capital increase agreement dated 18 August 2016 entered into between Yi Yue, Suzhou Zhaokun Real Estate Development Company Limited and Xiamen Liyuan Investment Company Limited in relation to the increase of the registered capital of Suzhou Zhaoxiang Real Estate Development Limited from RMB100,000,000 to RMB114,940,000 by capital contribution from Yi Yue;

- (g) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Diamond Firetail Limited as subscriber in relation to the subscription of 50,580,000 Shares in the amount of H\$195,238,800;
- (h) the share subscription agreement dated 27 May 2015 entered into between the Company as issuer and Mr. Lin Shuien as subscriber in relation to the subscription of 9,420,000 Shares in the amount of H\$36,361,200; and
- (i) the share purchase agreement dated 10 December 2014 entered into between First Beijing International Limited, Ease Gain Holdings Limited, Chosen Leader Limited, Well Land International Limited and certain covenantors in relation to the sale and purchase of 225,000,000 Shares.

11. GENERAL

- (a) The secretary to the Company is Soon Yuk Tai.
- (b) The principal place of business of the Company is at Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.
- (c) The address of the Company's branch share registrar in Hong Kong is at Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (d) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at our office of Office no. 3517, 35th Floor, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong from the date of this circular up to and including the date of EGM:

- (a) the Subscription Agreement;
- (b) service contracts of certain Directors as disclosed in this circular;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 22 to 23 of this circular;
- (d) the letter issued by the Independent Financial Adviser, the text of which is set out on page 24 to 44 of this circular;
- (e) the written consent referred to in the section headed "Expert's qualification and consent" in this appendix; and
- (f) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING

C&D INTERNATIONAL INVESTMENT GROUP LIMITED 建發國際投資集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1908)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of C&D International Investment Group Limited (the “**Company**”) will be held at Office No.3517, 35th Floor, Wu Chung House, 213 Queen’s Road East, Wanchai, Hong Kong on Friday, 17 February 2017 at 10:00 a.m., to consider, if thought fit, transact the following resolutions of the Company by way of ordinary resolutions:

ORDINARY RESOLUTIONS

“**THAT:**

- (a) the subscription agreement dated 4 December 2016 (the “**Subscription Agreement**”) entered into between the Company and Well Land International Limited in respect of the issue of perpetual convertible bond in an aggregate principal amount of HK\$500,000,000 (the “**Perpetual Convertible Bond**”) (a copy of which marked “A” has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose) upon and subject to the terms and conditions as set out therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Perpetual Convertible Bond by the Company in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;
- (c) the allotment and issue of new ordinary shares of HK\$0.1 each in the share capital of the Company (the “**Conversion Shares**”) which may fall to be allotted and issued upon the exercise of the conversion rights attaching to the Perpetual Convertible Bond in accordance with the terms and conditions of the Subscription Agreement be and are hereby approved;
- (d) conditional upon, among others, the listing committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares, the specific mandate to the directors of the Company (the “**Directors**”) to exercise the powers of the Company for the allotment and issue of the Conversion Shares up to a maximum of 108,695,652 new shares (based on the initial conversion price) of the Company (the “**Specific Mandate**”) be and is hereby approved; and
- (e) any one Director be and is hereby authorised to do all such things and acts as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents

NOTICE OF EXTRAORDINARY GENERAL MEETING

under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the issue of the Perpetual Convertible Bond and the allotment and issue of the Conversion Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Perpetual Convertible Bond.”

Yours faithfully
By order of the Board
C&D International Investment Group Limited
建發國際投資集團有限公司
Zhuang Yuekai
Chairman and Executive Director

Hong Kong, 26 January 2017

Registered office:
P.O. Box 10008,
Willow House,
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

*Head office and principal
place of business in Hong Kong:*
Office No. 3517, 35th Floor
Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares in the Company (the “**Shares**”) may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office (the “**Branch Share Registrar**”) of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting (or any adjournment thereof).
4. The register of members of the Company will be closed from Wednesday, 15 February 2017 to Friday, 17 February 2017 (both days inclusive), during which period no transfer of the Shares will be effected. In order to qualify for attending the Meeting or any adjournment thereof, all transfers of Shares accompanied by the relevant share certificate(s) must be lodged with the Branch Share Registrar at the above address by no later than 4:30 p.m. on Tuesday, 14 February 2017.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Directors are:

Executive Directors

Mr. Zhuang Yuekai (庄躍凱) (*Chairman*)

Mr. Shi Zhen (施震)

Ms. Zhao Chengmin (趙呈閩)

Non-executive Directors

Ms. Wang Xianrong (王憲榕)

Ms. Wu Xiaomin (吳小敏)

Mr. Huang Wenzhou (黃文洲)

Independent non-executive Directors

Mr. Wong Chi Wai (黃耜維)

Mr. Wong Tat Yan, Paul (黃達仁)

Mr. Chan Chun Yee (陳振宜)

This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.