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MASTER GLORY GROUP LIMITED

凱華集團有限公司

(Carrying on business in Hong Kong as “275 凱華集團”)

(Incorporated in Bermuda with limited liability)

(Stock Code: 275)

**(A) PROPOSED CAPITAL REORGANISATION;
(B) PROPOSED RIGHTS ISSUE
ON THE BASIS OF THREE (3) RIGHTS SHARES FOR
EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD
DATE; AND
(C) APPLICATION FOR WHITEWASH WAIVER**

Financial Advisor to the Company



INCUCO Corporate Finance Limited

THE PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises:

- (i) the Share Consolidation whereby every twenty (20) issued and unissued Existing Shares will be consolidated into one (1) Consolidated Share and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation;
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$3.90 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$4.00 to HK\$0.10;
- (iii) the Share Subdivision whereby each of the authorised but unissued Consolidated Shares will be divided into forty (40) Adjusted Shares of HK\$0.10 each;
- (iv) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company as at the Effective Date will be reduced to nil; and
- (v) transfer of the aggregate amount of credits arising from the Capital Reduction and the Share Premium Reduction to the Contributed Surplus, in order to enable the application of the necessary amount in the Contributed Surplus in such manner as the Board may deem fit including setting off the accumulated losses of the Company in the manner permitted by the laws of Bermuda and the Bye-laws.

The Capital Reorganisation is subject to, among other things, the passing of the relevant special resolution(s) by the Shareholders approving the same at the SGM. As none of the Shareholders or their associates would have any interest in the Capital Reorganisation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reorganisation at the SGM.

PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.688 per Rights Share, to raise up to approximately HK\$1,063 million before expenses by way of issuing up to 1,544,728,296 Rights Shares.

The Company will provisionally allot to the Qualifying Shareholders three (3) Rights Shares in nil-paid form for every one (1) Adjusted Share in issue and held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

The Rights Issue is conditional upon, among other things, (i) the Capital Reorganisation having become effective; (ii) the Executive having granted the Whitewash Waiver to Dr. Yap prior to the Posting Date; and (iii) the acceptance level (including the acceptance of provisional allotment to be tendered by Dr. Yap) being not less than 29.36% such that the gross proceeds therefrom shall not be less than HK\$312 million at the Latest Time for Acceptance.

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$1,058 million.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

THE DEED OF COVENANTS AND UNDERTAKINGS

On 4 September 2018 (after trading hours of the Stock Exchange), the Company and Dr. Yap entered into the Deed of Covenants and Undertakings, whereupon Dr. Yap has irrevocably undertaken to the Company that, among other things, subject to having obtained the Whitewash Waiver, he will accept in full the Rights Shares proposed to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to not less than HK\$312 million in aggregate.

Pursuant to the Deed of Covenants and Undertakings, the Company has also undertaken to Dr. Yap that, among other things, the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Dr. Yap.

The Rights Issue is conditional, inter alia, upon fulfilment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” of this announcement. In particular, the Rights Issue is subject to the grant of the Whitewash Waiver by the Executive. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Existing Shares, the Adjusted Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

IMPLICATIONS UNDER THE LISTING RULES

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder. Dr. Yap, an executive Director, holds 3,023,915,510 Existing Shares, representing approximately 29.36% of the issued share capital of the Company. Save for Dr. Yap’s interest, none of the Directors and the chief executive of the Company and their respective associates hold any Existing Share. Dr. Yap and his associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

Assuming there is no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) on or before the Record Date and no other Qualifying Shareholders accepted any Rights Shares provisionally allotted to them, the shareholding interest of the Concert Group will increase from approximately 29.36% to 62.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances, Dr. Yap's full acceptance of his provisional allotment of Rights Shares will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Adjusted Shares not already owned or agreed to be acquired by him and parties acting in concert (as defined in the Takeovers Code) with him, unless a waiver is granted by the Executive. In light of the above, Dr. Yap will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Whitewash Waiver and Rights Issue at the SGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver is subject to the condition that respective resolutions relating to the Whitewash Waiver and the Rights Issue being approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders at the SGM.

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolutions relating to the Rights Issue and the Whitewash Waiver. In this connection, the Independent Financial Adviser will be appointed (with the approval of Independent Board Committee) by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

The Circular containing, among other things, (i) further details of the Capital Reorganisation, the Rights Issue and the Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee in respect of the Rights Issue and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver; (iv) the notice convening the SGM; and (v) other disclosure requirements under the Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before 25 September 2018). Given that additional time will be required for finalising certain information to be included in the Circular, including but not limited to the statement of indebtedness of the Group, and it is expected that such information will not be ready on or before the aforesaid deadline, the Company will seek the Executive's consent and apply to the Executive for an extension of the deadline for the despatch of the Circular. Further announcement will be made by the Company in this regard as and when appropriate.

THE PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises:

- (i) the Share Consolidation whereby every twenty (20) issued and unissued Existing Shares will be consolidated into one (1) Consolidated Share and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation;
- (ii) the Capital Reduction whereby the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$3.90 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$4.00 to HK\$0.10;
- (iii) the Share Subdivision whereby each of the authorised but unissued Consolidated Shares will be divided into forty (40) Adjusted Shares of HK\$0.10 each;

- (iv) the Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company as at the Effective Date will be reduced to nil; and
- (v) transfer of the aggregate amount of credits arising from the Capital Reduction and the Share Premium Reduction to the Contributed Surplus, so as to enable the application of the necessary amount in the Contributed Surplus in such manner as the Board may deem fit including setting off the accumulated losses of the Company in the manner permitted by the laws of Bermuda and the Bye-laws.

Conditions of the Capital Reorganisation

The Capital Reorganisation is subject to, among other things, the following conditions:

- (i) the passing of the relevant special resolution(s) to approve the Capital Reorganisation at the SGM;
- (ii) the Directors having been satisfied that on the Effective Date, there are no reasonable grounds to believe that the Company is, or after the Effective Date will be, unable to pay its liabilities as they become due;
- (iii) compliance with the relevant procedures and requirements under the laws of Bermuda (where applicable) and the Listing Rules in respect of the Capital Reorganisation; and
- (iv) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares.

Subject to the fulfilment of the above conditions, the Capital Reorganisation is expected to become effective on the Effective Date, being the next business day following the date of passing the relevant resolution(s) at the SGM. For avoidance of doubt, the Capital Reorganisation will not be subject to completion of the Rights Issue and obtaining of the Whitewash Waiver.

Effects of the Capital Reorganisation

As at the date of this announcement, the authorised share capital of the Company is HK\$20,000,000,000 divided into 100,000,000,000 Existing Shares of HK\$0.20 each, of which 10,298,188,650 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming no further Existing Shares will be issued or repurchased between the date of this announcement and the Effective Date, upon the Capital Reorganisation having become effective, the authorised share capital of the Company will become HK\$20,000,000,000 divided into 200,000,000,000 Adjusted Shares of HK\$0.10 each, of which 514,909,432 Adjusted Shares (which are fully paid or credited as fully paid) will be in issue.

Based on the number of Existing Shares in issue as at the date of this announcement, credits of approximately HK\$2,008.15 million and HK\$1,581.77 million will arise as a result of the Capital Reduction and the Share Premium Reduction respectively. The aggregate amount of such credits will be transferred to the Contributed Surplus so as to enable the application of the same in such manner as the Board may deem fit including setting off the accumulated losses of the Company in the manner permitted by the laws of Bermuda and the Bye-laws. The total accumulated losses of the Company were approximately HK\$510.65 million as shown in the audited financial statements of the Company for the year ended 31 March 2018.

Assuming there being no change in the number of issued Existing Shares from the date of this announcement up to the Effective Date, the effect of the Capital Reorganisation on the share capital of the Company is summarised as follows:

	As at the date of this announcement	As at the Effective Date immediately after the Capital Reorganisation having become effective
Par value	HK\$0.20 per Existing Share	HK\$0.10 per Adjusted Share
Authorised:		
Number of authorised shares	100,000,000,000 Existing Shares	200,000,000,000 Adjusted Shares
Authorised share capital	HK\$20,000,000,000	HK\$20,000,000,000
Issued:		
Number of issued shares	10,298,188,650 Existing Shares	514,909,432 Adjusted Shares
Issued and fully paid share capital	HK\$2,059,637,730	HK\$51,490,943.20

Any fractional Adjusted Share to which an individual Shareholder is entitled to will not be issued by the Company to such Shareholder, but will be aggregated, sold (if a premium, net of expenses, can be obtained) and retained for the benefit of the Company.

Save for the relevant expenses to be incurred, the implementation of the Capital Reorganisation will not, by itself, alter the underlying assets, business, operation, management or financial position of the Company, and the Capital Reorganisation is not expected to have any material adverse effect on the financial position of the Company. The Directors believe that on the Effective Date, there are no reasonable grounds to believe that the Company is, or after the Effective Date will be, unable to pay its liabilities as they become due.

No equity will be lost as a result of the Capital Reorganisation and, except for the expenses involved in relation to the Capital Reorganisation which are expected to be insignificant in the context of the net asset value of the Company, the net asset value of the Company will remain unchanged before and after the Capital Reorganisation has become effective. The Capital Reorganisation does not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any paid-up capital of the Company, nor will it result in any change in the relative rights of the Shareholders.

Reasons for the Capital Reorganisation

The Capital Reorganisation will reduce the total number of Shares of the Company in issue and bring about a corresponding upward adjustment in the trading price of the Adjusted Shares. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 3 July 2018, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the closing price of HK\$0.034 per Existing Share as at the date of this announcement, the value of each board lot, comprising 10,000 Existing Shares, is trading at HK\$340, which is far below the aforesaid minimum board lot value. Based on the adjusted price of the Adjusted Shares after the Share Consolidation having become effective, each board lot value of the Adjusted Shares will be above HK\$2,000. Thus, the Board considers that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot, which will reduce the overall transaction and handling costs of dealing in the Adjusted Shares, including those fees which are charged with reference to the number of board lots. Further, it is expected that the adjusted share price of the Company upon completion of the Capital Reorganisation would reduce excessive volatility of share trading, as when the share price is too low, it would be prone to speculative trading by the market. As a result, the Capital Reorganisation would also attract more investors and extend the base of the Shareholders, and thus provide flexibility for equity fund raising of the Company in the future.

As at the date of this announcement, the amount standing to the credit of the share premium account of the Company was approximately HK\$1,581.77 million and the balance of the Contributed Surplus was approximately HK\$78.91 million. Upon the Capital Reorganisation having become effective, a credit of approximately HK\$2,008.15 million arising from the Capital Reduction and the credit of approximately HK\$1,581.77 million arising from the Share Premium Reduction would have been transferred to the Contributed Surplus. The credit amount standing in the Contributed Surplus will be used to set off the accumulated losses of the Company in full, facilitating dividend payout by the Company and thus will be an incentive to attract more investors in the future.

Having considered the above reasons, the Board believes that the Capital Reorganisation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Status of the Adjusted Shares

The Adjusted Shares in issue upon the Capital Reorganisation having become effective will be identical in all respects and shall rank *pari passu* in all respects with each other as to all future dividends and distribution which are declared, made or paid in accordance with the Bye-laws. The proposed Capital Reorganisation will not result in any change in the relative rights and interests of the Shareholders as a whole.

Listing Application of the Adjusted Shares

An application will be made by the Company to the Stock Exchange for granting the listing of, and permission to deal in, the Adjusted Shares.

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

Free exchange of share certificates

Subject to the Capital Reorganisation having become effective, Shareholders may, from Friday, 9 November 2018 to Monday, 17 December 2018 (both days inclusive), submit certificates for the Existing Shares to the Share Registrar, for exchange, at the expense of the Company, for certificates for the Adjusted Shares. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of the higher of HK\$2.50 or such other amount as may from time to time be specified by the Stock Exchange for each certificate issued or cancelled. Certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time at the expense of the Shareholders. The colour of the new share certificates for the Adjusted Shares will be set out in the Circular.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company will procure an arrangement with an agent to stand in the market to provide matching services for the odd lots of the Adjusted Shares on a best effort basis. Further details in respect of the odd lots arrangement will be set out in the Circular.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation has become effective, with the terms set out as follows:

Issue statistic

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date
Subscription Price	:	HK\$0.688
Number of Existing Shares in issue as at the date of this announcement	:	10,298,188,650 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation having become effective	:	514,909,432 Adjusted Shares
Total number of Rights Shares	:	Up to 1,544,728,296 Rights Shares (assuming no further Existing Shares will be issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by Dr. Yap	:	453,587,325 Adjusted Shares
Gross proceeds to be raised from the Rights Issue	:	From approximately HK\$312 million to approximately HK\$1,063 million

Assuming there is no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) on or before the Record Date, the maximum number of 1,544,728,296 Rights Shares to be issued represents:

- (a) 300.00% of the number of issued Adjusted Shares immediately upon the Capital Reorganisation having become effective (based on the Company's issued share capital as at the date of this announcement); and

- (b) 75.00% of enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the date of this announcement, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

Subscription Price

The Subscription Price is HK\$0.688 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a premium of approximately 1.18% over the equivalent closing price of HK\$0.68 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.034 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.29% over the theoretical ex-rights price of approximately HK\$0.686 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.034 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 1.18% over the equivalent average closing price of HK\$0.68 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 92.66% to the net asset value of approximately HK\$9.37 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the audited equity attributable to owners of the Company of approximately HK\$4,826,758,000 as at 31 March 2018 and 514,909,432 Adjusted Shares assuming the Capital Reorganisation has become effective.

The Board has observed the deep discount mentioned in (d) above. Nevertheless, taking into account the fact that the Existing Shares were traded at a discount to the net asset value per Existing Share over the 12 months period immediately preceding the date of this announcement ranging from approximately 73.11% to 92.96%, with an average of approximately 82.14%, the Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) is of the view that the net asset value per Existing Share/ Adjusted Share may not be a meaningful reference to determine the Subscription Price.

The Subscription Price was determined with reference to the average closing price of HK\$0.0344 per Existing Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately prior to the date of the Deed of Covenants and Undertakings, the financial conditions of the Company, current market conditions and the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this announcement. The Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue will be conditional upon:

- (a) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the SGM approving, among other things, (i) the Capital Reorganisation; (ii) the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); and (iii) the Whitewash Waiver on or before the Posting Date;
- (b) the Capital Reorganisation having become effective prior to the Posting Date;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Posting Date;

- (e) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Adjusted Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than 23 November 2018 (or such other date as may be determined by the Company) and 14 December 2018 (or such other date as may be determined by the Company) respectively, being the first day of their dealings;
- (f) there being no breach of the obligations of Dr. Yap under the Deed of Covenants and Undertakings prior to the Latest Time for Acceptance;
- (g) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Dr. Yap prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto; and
- (h) the acceptance level of the Rights Issue (including the acceptance of provisional allotment tendered by Dr. Yap) being not less than 29.36% such that the gross proceeds therefrom shall not be less than HK\$312 million at the Latest Time for Acceptance.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event there is an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of Bermuda regarding minimum subscription levels in respect of the Rights Issue.

Dr. Yap's obligation to make a general offer under the Takeovers Code may be triggered as a result of the acceptance in full by him of the provisional allotment of Rights Shares to him pursuant to the Deed of Covenants and Undertakings when there is an undersubscription of the Rights Issue. As disclosed in the paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in this announcement, it is a condition of the Rights Issue to have the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to Dr. Yap prior to the Posting Date.

Apart from Dr. Yap, any other Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under the EAF may also unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders (except Dr. Yap, who will apply for the Whitewash Waiver from the Executive to waive the obligation to make a general offer under the Takeovers Code) to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (other than Dr. Yap) for his entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company at the close of business on the Record Date; and
- (ii) be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Share Registrar no later than 4:30 p.m. on Tuesday, 13 November 2018.

Closure of register of members

Assuming the Capital Reorganisation having become effective on Friday, 9 November 2018, the register of members of the Company will be closed from Wednesday, 14 November 2018 to Tuesday, 20 November 2018 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Adjusted Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Share Registrar by 4:00 p.m. on Wednesday, 5 December 2018.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If, based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send the PAL or EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Excluded Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders under the EAF(s).

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank pari passu in all respects with the Adjusted Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 13 December 2018 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Thursday, 13 December 2018 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing the EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Share Registrar by 4:00 p.m. on Wednesday, 5 December 2018.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares comprised in acceptance by PAL or the number of Adjusted Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Adjusted Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Adjusted Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Adjusted Shares under their own names prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Pursuant to the Deed of Covenants and Undertakings, Dr. Yap has undertaken not to apply for any excess Rights Shares under the Rights Issue.

Application for listing

The Company will apply to the Stock Exchange for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

The Deed of Covenants and Undertakings

On 4 September 2018 (after trading hours of the Stock Exchange), the Company and Dr. Yap entered into the Deed of Covenants and Undertakings, whereupon Dr. Yap has irrevocably undertaken to the Company:

- (i) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 3,023,915,510 Existing Shares (or 151,195,775 Adjusted Shares assuming the Capital Reorganisation has become effective) beneficially held by him as at the date of the Deed of Covenants and Undertakings or (ii) the nil-paid rights pertaining to the 453,587,325 Rights Shares provisionally allotted to him;
- (ii) the 3,023,915,510 Existing Shares (or 151,195,775 Adjusted Shares assuming the Capital Reorganisation has become effective) registered in his name and/or under the name(s) of his nominee(s) as at the date of the Deed of Covenants and Undertakings shall remain registered in his name and/or under the name(s) of his nominee(s) on the Record Date and until the close of the Rights Issue;
- (iii) to apply for the Whitewash Waiver;
- (iv) subject to having obtained the Whitewash Waiver, to accept in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares, which shall amount to not less than HK\$312 million in aggregate;

- (v) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert (as defined in the Takeovers Code) with him) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (vi) not to apply for any excess Rights Share under the Rights Issue.

Pursuant to the Deed of Covenants and Undertakings, the Company has also undertaken to Dr. Yap that:

- (i) the Rights Issue shall be conditional upon the conditions set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement; and
- (ii) the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Dr. Yap.

Effects on the shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon the Capital Reorganisation having become effective but before completion of the Rights Issue; and (iii) after the Capital Reorganisation having become effective and immediately after completion of the Rights Issue (assuming no further Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) will be issued or repurchased from the date of this announcement and up to the Record Date):

	As at the date of this announcement		As at the Effective Date immediately upon the Capital Reorganisation having become effective but before completion of the Rights Issue		After the Capital Reorganisation having become effective and immediately after completion of the Rights Issue			
	No. of shares	%	No. of shares	%	Assuming all Shareholders have taken up the Rights Shares		Assuming only Dr. Yap has taken up his Rights Shares entitlement	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
The Concert Group	3,023,915,510	29.36	151,195,775	29.36	604,783,100	29.36	604,783,100	62.45
	<i>(Note)</i>							
Public Shareholders	7,274,273,140	70.64	363,713,657	70.64	1,454,854,628	70.64	363,713,657	37.55
Total	10,298,188,650	100.00	514,909,432	100.00	2,059,637,728	100.00	968,496,757	100.00

Note: These 3,023,915,510 Existing Shares are beneficially owned by Dr. Yap.

Reasons for the Rights Issue and use of proceeds

The Group is principally engaged in property development, investment and trading, industrial water supply business, trading of securities and other strategic investments.

Assuming that there is no change in the number of issued Adjusted Shares on or before the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$5 million) will not be less than approximately HK\$307 million and not more than approximately HK\$1,058 million. The net proceeds are intended to be used for repayment of short-term loans (payable within 12 months from the date of issuing the Rights Shares) and settlement of interest expenses. As a result, the Company will be able to reduce the extent of the utilisation of the debt facilities available, improve its financial position and reduce its finance costs.

Assuming the Rights Issue will be completed in December 2018, breakdown of the major loans payable within the next following 12 months is set out below:

Debt	Loan Type	Outstanding principal balances as at the date of this announcement	Annual interest rate	Due dates
(1)	Senior guaranteed notes ("Debt A")	US\$97,000,000 (equivalent to approximately HK\$756.6 million)	8.00%	September 2019
(2)	3-year 9.5% notes ("Debt B")	HK\$500 million	9.50%	November 2019
(3)	3-year 9.5% notes	HK\$100 million	9.50%	November 2019
(4)	3-year 9.5% notes	HK\$160 million	9.50%	December 2019
		HK\$1,516.6 million		

Note: Beneficial owners of the abovementioned notes (the "Debts") are third parties independent of the Company and its connected persons and do not hold any securities of the Company as at the date of this announcement.

Regardless the subscription level of the Rights Issue, the Company will prioritise repayment of the loans and interest expenses in accordance with the order of the maturity date or repayment due date. Based on the current indebtedness pattern of the Company, the net proceeds from the Rights Issue will be utilised for settling the interest due arising from the Group's borrowings and repaying fully or partially Debt A and/or Debt B.

The Board understands that the net proceeds of the Rights Issue will not be sufficient to satisfy the full repayment of the Debts and considers meeting the shortfall by utilising available internal resources or negotiating for extension with respective lenders or re-financing from third parties independent of the Company and its connected persons. In the event re-financing of loans is obtained by the Group, the net proceeds from the Rights Issue might be applied to settle the new loan related finance costs, subject to the repayment priority mentioned above.

In any event, the Company will not utilise any part of the net proceeds to repay indebtedness due to any Shareholders so as to avoid any special deal transaction prohibited under Rule 25 of the Takeovers Code.

Currently, the macro-economic control imposed by the PRC government has impacted the availability of financing in the market. This is further exacerbated by the recent increase in base lending rate by the Hong Kong Monetary Authority. Coupled with the volatile stock market, these factors pose uncertainties as to how and when sufficient financing/re-financing can be obtained. Accordingly, in view of the Group's debt level (gearing ratio as at 31 March 2018: 118.6%) and mindful of the due dates of loans, the Directors (other than members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider it prudent to conduct the Rights Issue in preparation for repayment of loans.

Under the Rights Issue, the Qualifying Shareholders who elect not to participate in the Rights Issue are able to sell the nil-paid Rights Shares in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid Rights Shares in the market and/or through application for excess Rights Shares. Besides, no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules, representing the discount of the Theoretical Diluted Price to the Benchmarked Price) will be resulted from the Rights Issue since the Theoretical Diluted Price and the Benchmarked Price under the Rights Issue are both HK\$0.688.

In light of the above, the Board (other than members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms without theoretical dilution effect, and therefore is of the view that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

Apart from the Rights Issue, the Company has considered other financing methods including debt financing and other equity financing methods such as issuance of convertibles bonds and placing of new shares to independent third parties. Nevertheless, having considered that (i) debt financing and issuance of convertible bonds would result in additional interest burden and would bring adverse effect to financial performance of the Group; and (ii) the Rights Issue has the least dilution effect on the shareholding of the existing Shareholders by providing the Qualifying Shareholders an opportunity to subscribe for their pro-rata entitlement of Rights Shares, the Company is of the view that the Rights Issue is the most appropriate financing method.

In addition, having considered the expected timing for repayment of short-term loans and related finance costs, the proposed terms of the Rights Issue, the full acceptance of provisional entitlements in the Rights Issue undertaken by Dr. Yap, the Board (other than members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) also considers it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue on a non-underwritten basis.

Previous fund raising exercise involving issue of securities in the prior 12-month period

The Company had not conducted any fund raising activities involving issue of securities in the twelve (12) months before the date of this announcement.

Information on Dr. Yap

Dr. Yap, aged 62, joined the Company in 1995. In September 2008, Dr. Yap was elected as the Chairman of the Company. Dr. Yap holds an Honorary degree of Doctor of Laws and has extensive experience in finance and investment. Dr. Yap is the chairman and an executive director of Rosedale Hotel Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange. Dr. Yap is the chairman and chief executive officer of China Enterprises Limited, a company whose shares are traded on the OTC Market in the United States of America, as well as Burcon NutraScience Corporation, a company whose shares are listed on the Toronto Stock Exchange in Canada and the Frankfurt Stock Exchange in Germany and traded on the OTC Market in the United States of America. Dr. Yap is the executive chairman of Hanwell Holdings Limited and Tat Seng Packaging Group Ltd, both of which are companies whose shares are listed on the Singapore Exchange Limited.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

2018
(Hong Kong time)

Expected despatch date of the Circular with notice of the SGM	Tuesday, 16 October
Latest time for lodging share transfer documents to qualify for attendance and voting at the SGM	4:30 p.m. on Thursday, 1 November
Closure of register of members (both days inclusive)	Friday, 2 November to Thursday, 8 November
Latest time for lodging proxy forms for the SGM	10:30 a.m. on Tuesday, 6 November
Expected date of the SGM.	10:30 a.m. on Thursday, 8 November
Announcement of poll results of the SGM.	Thursday, 8 November
Effective Date	Friday, 9 November
Commencement of dealings in the Adjusted Shares.	9:00 a.m. on Friday, 9 November
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares temporarily closes	9:00 a.m. on Friday, 9 November
Temporary counter for trading in the Adjusted Shares in board lots of 500 Adjusted Shares (in the form of existing share certificates) opens.	9:00 a.m. on Friday, 9 November
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares	Friday, 9 November

Last day of dealings in the Adjusted Shares on a cum-rights basis.....	Friday, 9 November
First day of dealings in the Adjusted Shares on an ex-rights basis....	.9:00 a.m. on Monday, 12 November
Latest time for lodging share transfer documents to qualify for the Rights Issue.....	.4:30 p.m. on Tuesday, 13 November
Closure of register of members (both days inclusive)	Wednesday 14 November to Tuesday, 20 November
Record Date for determining entitlements to the Rights Issue	Tuesday, 20 November
Register of members re-opens	Wednesday, 21 November
Expected despatch date of the Prospectus Documents	Wednesday, 21 November
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares.	Friday, 23 November
Original counter for trading in the Adjusted Shares in board lots of 10,000 Adjusted Shares (in the form of new share certificates) re-opens.9:00 a.m. on Friday, 23 November
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 500 Adjusted Shares and new share certificates in board lots of 10,000 Adjusted Shares) commences9:00 a.m. on Friday, 23 November
First day of dealings in nil-paid Rights Shares.9:00 a.m. on Friday, 23 November
Latest time for splitting nil-paid Rights Shares.....	.4:30 p.m. on Tuesday, 27 November
Last day of dealings in nil-paid Rights Shares.	Friday, 30 November

Latest time for acceptance of and payment for
the Rights Shares and application and payment
for excess Rights Shares4:00 p.m. on
Wednesday, 5 December

Announcement of results of the Rights Issue. Wednesday, 12 December

Temporary counter for trading in the Adjusted Shares
in board lots of 500 Adjusted Shares (in the form of
existing share certificates) closes.4:00 p.m. on
Thursday, 13 December

Despatch of refund cheques in relation to wholly
or partially unsuccessful applications
for excess Rights Shares Thursday, 13 December

Despatch of share certificates for fully-paid
Rights Shares. Thursday, 13 December

Latest time for the designated broker to provide
matching services for odd lots of the Adjusted Shares4:00 p.m. on
Thursday, 13 December

Parallel trading in the Adjusted Shares (in the form
of existing share certificates in board lots of
500 Adjusted Shares and new share certificates
in board lots of 10,000 Adjusted Shares) ends4:00 p.m. on
Thursday, 13 December

Commencement of dealings in fully-paid Rights Shares9:00 a.m. on
Friday, 14 December

Last day for free exchange of existing share
certificates for new certificates Monday, 17 December

**WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES,
ADJUSTED SHARES AND/OR RIGHTS SHARES IN NIL-PAID FORM**

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the Executive granting the Whitewash Waiver to Dr. Yap. Please refer to the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Existing Shares and/or the Adjusted Shares.

Any dealings in the Existing Shares and/or Adjusted Shares from the date of this announcement up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Existing Shares, Adjusted Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Reorganisation is subject to, among other things, the passing of relevant special resolution(s) by the Shareholders approving the same at the SGM. As none of the Shareholders or their associates would have any interest in the Capital Reorganisation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Capital Reorganisation at the SGM.

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the SGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of this announcement, the Company does not have any controlling Shareholder. Dr. Yap, an executive Director, was interested in 3,023,915,510 Existing Shares, representing approximately 29.36% of the issued share capital of the Company. Save for Dr. Yap's interest, none of the Directors and the chief executive of the Company and their respective associates hold any Existing Shares. Dr. Yap and his associates will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

Assuming there is no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) on or before the Record Date and no Qualifying Shareholders other than Dr. Yap accepted any Rights Shares provisionally allotted to them, the shareholding interest of the Concert Group will increase from approximately 29.36% to approximately 62.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances, Dr. Yap's full acceptance of his provisional allotment of Rights Shares will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all issued Adjusted Shares not already owned or agreed to be acquired by him and parties acting in concert (as defined in the Takeovers Code) with him, unless a waiver is granted by the Executive. In light of the above, Dr. Yap will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Whitewash Waiver and the Rights Issue at the SGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Whitewash Waiver at the SGM. Pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code, the Whitewash Waiver is subject to the condition that respective resolutions relating to the Whitewash Waiver and the Rights Issue being approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders at the SGM.

As at the date of this announcement:

- (a) save for 3,023,915,510 Existing Shares held by Dr. Yap, none of the members of the Concert Group owns or has control or direction over any voting rights or rights over the Existing Shares, options, derivatives, warrants or other securities convertible into Existing Shares;
- (b) the Concert Group has no dealings in any securities of the Company in the 6-month period preceding the date of this announcement;
- (c) the Concert Group has not received any irrevocable commitment to vote for or against the proposed resolutions approving the Rights Issue, and/or the Whitewash Waiver at the SGM;
- (d) there is no outstanding derivative in respect of securities in the Company entered into by the Concert Group;

- (e) save for the Deed of Covenants and Undertakings, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Existing Shares or the Adjusted Shares or the Existing Shares of Dr. Yap and which maybe material to the Rights Issue and/or the Whitewash Waiver;
- (f) save that the Rights Issue is conditional upon obtaining of the Whitewash Waiver by Dr. Yap as set out in the Deed of Covenants and Undertakings, there is no arrangement or agreement to which the Concert Group is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue and/or the Whitewash Waiver; and
- (g) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group has borrowed or lent.

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

GENERAL

The Independent Board Committee comprising the independent non-executive Directors has been established to advise the Independent Shareholders as to (i) whether the Rights Issue and the Whitewash Waiver are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue and the Whitewash Waiver. In this connection, the Independent Financial Adviser will be appointed (with the approval of the Independent Board Committee) by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards. An announcement will be made by the Company upon the appointment of the Independent Financial Adviser.

The Circular containing, among other things, (i) further details of the Capital Reorganisation, the Rights Issue and the Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee in respect of the Rights Issue and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver; (iv) the notice convening the SGM; and (v) other disclosure requirements under the Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before 25 September 2018). Given that additional time will be required for finalising certain information to be included in the Circular, including but not limited to the statement of

indebtedness of the Group, and it is expected that such information will not be ready on or before the aforesaid deadline, the Company will seek the Executive's consent and apply to the Executive for an extension of the deadline for the despatch of the Circular. Further announcement will be made by the Company in this regard as and when appropriate.

The SGM will be convened and held for the Shareholders (or the Independent Shareholders, where appropriate) to consider and, if thought fit, approve, among other things, (i) the Capital Reorganisation; (ii) the Rights Issue and (iii) the Whitewash Waiver, each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code.

Subject to the approval of the Capital Reorganisation, the Rights Issue and the Whitewash Waiver by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Wednesday, 21 November 2018 whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

DEFINITIONS

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

“Adjusted Share(s)”	ordinary share(s) of HK\$0.10 each in the issued and unissued share capital of the Company upon the Capital Reorganisation having become effective
“Benchmarked Price”	the higher of: (i) the closing price on the date of the Deed of Covenants and Undertakings; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of this announcement; (2) the date of the Deed of Covenants and Undertakings; and (3) the date on which the Subscription Price is fixed, in accordance with the Note 1 to Rule 7.27B of the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company, as amended from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$3.90 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$4.00 to HK\$0.10

“Capital Reorganisation”	the reorganisation of the share capital of the Company involving (i) the Share Consolidation, (ii) the Capital Reduction, (iii) the Share Subdivision, (iv) the Share Premium Reduction and (v) the transfer of the aggregate amount of credits arising from the Capital Reduction and the Share Premium Reduction to the Contributed Surplus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular to be issued by the Company in relation to (among other things) the Capital Reorganisation, the Rights Issue and the Whitewash Waiver
“Company”	Master Glory Group Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange
“Concert Group”	Dr. Yap and parties acting in concert (as defined in the Takeovers Code) with him
“Consolidated Share(s)”	share(s) of HK\$4.00 each in the share capital of the Company immediately after the Share Consolidation having become effective
“Contributed Surplus”	the contributed surplus account of the Company
“Deed of Covenants and Undertakings”	the deed of covenants and undertakings dated 4 September 2018 executed by Dr. Yap and the Company in relation to the proposed Rights Issue
“Directors”	directors of the Company
“Dr. Yap”	Dr. Yap Allan, an executive Director and the chairman of the Company and also a substantial Shareholder holding 3,023,915,510 Existing Shares, representing approximately 29.36% of the issued share capital of the Company as at the date of this announcement
“EAF(s)”	the form(s) of application for excess Rights Shares
“Effective Date”	the date on which the Capital Reorganisation shall become effective, being the next business day following the date of the SGM at which the relevant resolutions(s) will be considered by the Shareholders

“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Board, after making enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, considers it necessary or expedient not to offer the Rights Shares to them
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company prior to the Capital Reorganisation having become effective
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Rights Issue and the Whitewash Waiver
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the Whitewash Waiver
“Independent Shareholders”	Shareholder(s), other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associate, (ii) members of the Concert Group and (iii) Shareholders who are involved in, or interested in, the Rights Issue and/or the Whitewash Waiver
“Last Trading Day”	4 September 2018
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 5 December 2018 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	21 November 2018 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and the Prospectus to the Excluded Shareholders (as the case may be)
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“PRC”	the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders
“Record Date”	the record date to determine the provisional entitlements to the Rights Issue
“Rights Issue”	the issue by way of rights on the basis of three (3) Rights Shares for every one (1) Adjusted Share in issue
“Rights Share(s)”	up to 1,544,728,296 new Adjusted Shares proposed to be allotted and issued under the Rights Issue

“SFC”	the Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Capital Reorganisation, the Rights Issue and the Whitewash Waiver
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares into one (1) Consolidated Share and to round down the total number of issued Consolidated Shares to a whole number by eliminating any fraction of a Consolidated Share in the issued share capital of the Company arising from such consolidation
“Share Premium Reduction”	the proposed reduction of the entire amount standing to the credit of the share premium account of the Company to nil
“Share Registrar”	Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong
“Share Subdivision”	the proposed subdivision of each of the authorised but unissued Consolidated Shares of HK\$4.00 each into forty (40) Adjusted Shares of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Existing Share(s), the Consolidated Share(s) and/or the Adjusted Share(s), as the case may be
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.688 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Theoretical Diluted Price”	the sum of (i) the Company’s total market capitalisation (by reference to the Benchmarked Price and the number of issued Existing Shares or the Adjusted Shares immediately before the Rights Issue) and (ii) the total funds raised and to be raised from the Rights Issue, divided by the total number of Existing Shares or the Adjusted Shares as enlarged by the issue, in accordance with the Note 1 to Rule 7.27B of the Listing Rules

“US\$” United States dollars, the lawful currency of the United States of America, its territories and possessions and all areas subject to its jurisdiction

“Whitewash Waiver” the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of Dr. Yap to make a mandatory general offer to the Shareholders in respect of all issued Adjusted Shares not already owned or agreed to be acquired by Dr. Yap and parties acting in concert (as defined in the Takeovers Code) with him which may be triggered as a result of the acceptance in full by Dr. Yap of the provisional allotment of Rights Shares to him pursuant to the Deed of Covenants and Undertakings when there is an undersubscription of the Rights Issue

“%” per cent.

For the purpose of this announcement, unless the context otherwise requires or expressly specified, conversion of United States dollars into Hong Kong dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.80. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or United States dollars has been, could have been or may be converted at such or any other rate or at all.

By order of the Board of
MASTER GLORY GROUP LIMITED
Dr. Yap Allan
Chairman

Hong Kong, 4 September 2018

As at the date of this announcement, the Directors are as follows:

Executive Directors:

Dr. Yap Allan (*Chairman*)
Mr. Heung Pik Lun, Edmond
Dr. Wu Guangsheng

Independent Non-executive Directors:

Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai
Dr. Wu Chun Wah

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