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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 or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Master Glory Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

**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;
(C) APPLICATION FOR WHITEWASH WAIVER;
(D) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL; AND
(E) NOTICE OF SPECIAL GENERAL MEETING**

Financial Adviser to the Company**INCUB Corporate Finance Limited****Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders****Nuada Limited**

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

To qualify for the Rights Issue, Shareholders must be registered as members of the Company on the Record Date, which is expected to be Monday, 6 May 2019. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of Adjusted Shares (together with the relevant share certificate(s)) with the Share Registrar by 4:30 p.m. on Friday, 26 April 2019. The last day of dealings in the Adjusted Shares on a cum-rights basis is expected to be Wednesday, 24 April 2019. The Adjusted Shares will be dealt with on an ex-rights basis from Thursday, 25 April 2019.

A notice convening the SGM to be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong, on Tuesday, 23 April 2019 at 10:30 a.m. is set out on pages SGM-1 to SGM-5 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Share Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act of Bermuda, there are no requirements for minimum levels of subscription. The Rights Issue is conditional upon the fulfillment of the conditions as set out in the section headed "Conditions of the Rights Issue" of the "Letter from the Board" in this circular, including but not limited to, the acceptance level being not less than 29.36%.

Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 9 May 2019 to Friday, 17 May 2019. Any persons contemplating dealings in the Existing Shares and/or Adjusted Shares prior to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Thursday, 9 May 2019 to Friday, 17 May 2019 (both days inclusive), 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 nil-paid Rights Shares are recommended to consult their own professional advisers.

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DEFINITIONS

In this circular, 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”	HK\$0.688, being 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 the Rights Issue 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 Note 1 to Rule 7.27B of the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong or any day on which a tropical cyclone warning signal No. 8 or above or a “black” rainstorm warning is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“BVI”	the British Virgin Islands
“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 whereby (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (ii) the par value of each issued Consolidated Share shall 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
“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
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Disposal Agreement

DEFINITIONS

“Completion Date”	the date on which Completion takes place
“Concert Group”	Dr. Yap and parties acting in concert (as defined in the Takeovers Code) with him
“Confirmation”	the confirmation dated 26 October 2018 signed by Dr. Yap in favour of the Purchaser in relation to the Disposal under which Dr. Yap agreed that he will vote in favour of the resolution(s) approving the Disposal Agreement and the transactions contemplated thereunder in respect of the Shares held by him at the SGM
“Consideration”	the consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000) payable by the Purchaser for the Disposal in accordance with the terms and conditions of the Disposal Agreement
“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
“Dayu Water”	肥城市大禹水務有限公司 (Dayu Water Corporation Limited*), a joint venture company established under the laws of the PRC, which is directly owned as to 59.75% by the Target 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
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share and (if any) the Sale Loan by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 26 October 2018 entered into between the Vendor, the Purchaser and the Purchaser Guarantor relating to the Disposal
“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 Latest Practicable Date
“EAF(s)”	the form(s) of application for excess Rights Shares

DEFINITIONS

“Effective Date”	the date on which the Capital Reorganisation shall become effective, being the next Business Day following the date of passing of the relevant resolutions(s) at the SGM
“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
“Forecast Period”	the 12 months from the date of this circular
“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 all 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”	Nuada Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser 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
“Independent Third Party(ies)”	third party(ies) who, after reasonable enquiries having been made by the Directors, are independent of the Company and its connected persons (as defined in the Listing Rules)

DEFINITIONS

“Last Trading Day”	4 September 2018, being the last trading day of the Existing Shares on the Stock Exchange before publication of the Rights Issue Announcement
“Latest Practicable Date”	25 March 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 22 May 2019 (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
“Long Stop Date”	29 March 2019 or such other date to be agreed between the Purchaser and the Vendor in writing
“MOU 1”	the memorandum of understanding dated 13 July 2018 (as supplemented by the supplemental memoranda of understanding dated 18 July 2018, 8 October 2018 and 28 December 2018) entered into between (i) 鍾國邦 (Chung Kwok Pong), 廣州市錦田物業管理有限公司 (Guangzhou City Jintian Property Management Limited*) (together as intended vendors) (both are Independent Third Parties and are not Shareholders); and (ii) the Company (as intended purchaser) in relation to the possible acquisition of the entire equity interest of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*)
“MOU 2”	the memorandum of understanding dated 30 August 2018 (as supplemented by the supplemental memoranda of understanding dated 3 September 2018, 23 November 2018 and 28 December 2018) entered into between (i) 周建榮 (Zhou Jianrong*), 陳玉華 (Chen Yuhua*) (together as intended vendors)(both are Independent Third Parties and are not Shareholders); and (ii) the Company (as intended purchaser) in relation to the possible acquisition of the entire equity interest of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*)
“MOU 3”	the memorandum of understanding dated 17 September 2018 (as supplemented by the supplemental memoranda of understanding dated 17 September 2018, 13 December 2018 and 28 December 2018) entered into between 黃藹婷 (Huang Aiting*) (as intended vendor) (an Independent Third Party and is not a Shareholder) and the Company (as intended purchaser) in relation to the possible acquisition of the entire issued shares of Onland Development Limited
“MOUs”	MOU 1, MOU 2 and MOU 3 collectively

* For identification purpose only

DEFINITIONS

“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”	Tuesday, 7 May 2019 (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)
“PRC”	the People’s Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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 and the EAF
“Purchaser”	Ms. Wang Hujuan, a Hong Kong resident and an Independent Third Party and is not a Shareholder
“Purchaser Guarantor”	Mr. Li Wakin, a Hong Kong resident, the spouse of the Purchaser and an Independent Third Party
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Record Date”	Monday, 6 May 2019, being the record date to determine the provisional entitlements to the Rights Issue
“Relevant Period”	the period commencing 6 months preceding 4 September 2018 (being the date of the Rights Issue Announcement) and ending on and including the Latest Practicable Date
“Required Financial Information”	the unaudited financial information relating to the Disposal as disclosed in the “LETTER FROM THE BOARD” in this circular, including (i) consolidated revenue, profit before tax, profit after tax of the Target Group for the two years ended 31 March 2018 and for the six months ended 30 September 2017 and 2018; and (ii) the expected loss from the Disposal, being the required disclosures under the Listing Rules

DEFINITIONS

“Rights Issue”	the issue by way of rights on the basis of three (3) Rights Shares for every one (1) Adjusted Share in issue and held on the Record Date at the Subscription Price
“Rights Issue Announcement”	the announcement of the Company dated 4 September 2018 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the application for the Whitewash Waiver
“Rights Share(s)”	up to 1,544,728,296 new Adjusted Shares proposed to be allotted and issued under the Rights Issue
“Sale Loan”	the shareholder’s loan due and owing by the Target Company to the Vendor at Completion
“Sale Share”	1 issued share of US\$1 in the share capital of the Target Company, being the entire issued share capital of the Target Company
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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, the Whitewash Waiver, the Disposal Agreement and the transactions contemplated thereunder
“Share(s)”	the Existing Share(s), the Adjusted Share(s) and/or the Rights Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares into one (1) Consolidated Share
“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

DEFINITIONS

“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
“Target Company”	Regrowth Resources Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company and Dayu Water
“Theoretical Diluted Price”	HK\$0.688, being the sum of (i) the Company’s total market capitalisation (by reference to the Benchmarked Price and the number of issued Existing Shares or 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 Adjusted Shares as enlarged by the issue, in accordance with 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
“Vendor”	Group Dragon Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“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 circular, unless the context otherwise requires or expressly specified, conversions of United States dollars into Hong Kong dollars and Renminbi into Hong Kong dollars are based on the approximate exchange rate of US\$1.00 to HK\$7.80 and RMB1.00 to HK\$1.13 respectively. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amounts in Hong Kong dollars, United States dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation and the Rights Issue set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.

All time and date references contained in this circular shall refer to Hong Kong local time and dates.

Event	Time and Date 2019
Latest time for lodging share transfer documents to qualify for attendance and voting at the SGM	4:30 p.m. on Friday, 12 April
Closure of register of members (both days inclusive)	Monday, 15 April to Tuesday, 23 April
Latest time for lodging proxy forms for the SGM	10:30 a.m. on Sunday, 21 April
Date and time of the SGM	10:30 a.m. on Tuesday, 23 April
Announcement of poll results of the SGM	Tuesday, 23 April
Effective Date	Wednesday, 24 April
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Wednesday, 24 April
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares temporarily closes	9:00 a.m. on Wednesday, 24 April
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 Wednesday, 24 April
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares	Wednesday, 24 April
Last day of dealings in the Adjusted Shares on a cum-rights basis	Wednesday, 24 April
First day of dealings in the Adjusted Shares on an ex-rights basis	9:00 a.m. on Thursday, 25 April

EXPECTED TIMETABLE

Event	Time and Date 2019
Latest time for lodging share transfer documents to qualify for the Rights Issue	4:30 p.m. on Friday, 26 April
Closure of register of members (both days inclusive)	Monday, 29 April to Monday, 6 May
Record Date for determining entitlements to the Rights Issue	Monday, 6 May
Register of members re-opens	Tuesday, 7 May
Despatch of the Prospectus Documents	Tuesday, 7 May
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	Thursday, 9 May
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 Thursday, 9 May
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) commences	9:00 a.m. on Thursday, 9 May
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Thursday, 9 May
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 14 May
Last day of dealings in nil-paid Rights Shares	Friday, 17 May
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares.	4:00 p.m. on Wednesday, 22 May

EXPECTED TIMETABLE

Event	Time and Date 2019
Announcement of results of the Rights Issue	Wednesday, 29 May
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, 30 May
Despatch of refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares	Thursday, 30 May
Despatch of share certificates for fully-paid Rights Shares	Thursday, 30 May
Latest time for the designated broker to provide matching services for odd lots of the Adjusted Shares	4:00 p.m. on Thursday, 30 May
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) ends	4:00 p.m. on Thursday, 30 May
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 31 May
Last day for free exchange of existing share certificates for new share certificates	Monday, 3 June

Effect of bad weather on Latest Time for Acceptance

The Latest Time for Acceptance will not take effect if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (1) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 22 May 2019. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day; or
- (2) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 22 May 2019. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take effect on Wednesday, 22 May 2019, the dates of the events subsequent to the Latest Time for Acceptance mentioned in the expected timetable may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

LETTER FROM THE BOARD



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)

Executive Directors:

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

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

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

Principal place of business in

Hong Kong:
Unit 703, 7/F
1063 King's Road
Quarry Bay
Hong Kong

27 March 2019

To the Shareholders

Dear Sirs,

**(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;
(C) APPLICATION FOR WHITEWASH WAIVER;
(D) MAJOR TRANSACTION IN RELATION TO THE DISPOSAL; AND
(E) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to (i) the announcements of the Company dated 4 September 2018, 18 September 2018, 24 September 2018, 16 October 2018, 2 November 2018, 30 November 2018, 21 December 2018, 11 January 2019, 31 January 2019, 28 February 2019, 22 March 2019 and 26 March 2019 in relation to, among other things, the Capital Reorganisation, the Rights Issue and the application for the Whitewash Waiver, and (ii) the announcements of the Company dated 30 October 2018, 20 November 2018, 30 November 2018, 21 December 2018, 11 January 2019, 31 January 2019, 28 February 2019 and 22 March 2019 in relation to the Disposal. The purpose of this circular is to provide you with (i) further information on the Capital Reorganisation, the Rights Issue, the application for the Whitewash

LETTER FROM THE BOARD

Waiver and the Disposal; (ii) a letter of recommendation from the Independent Board Committee in relation to the Rights Issue and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Rights Issue and the Whitewash Waiver; (iv) other information required pursuant to the Listing Rules and the Takeovers Code in relation to the Rights Issue and the Whitewash Waiver; and (v) a notice of the SGM.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation involving: (i) the Share Consolidation whereby every twenty (20) issued and unissued Existing Shares will be consolidated into one (1) Consolidated Share; (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. Where applicable, the total number of the 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; (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 will be reduced to nil; and (v) the credit arising from the Capital Reduction and the Share Premium Reduction will be transferred to the Contributed Surplus. As at the Latest Practicable Date, the Company had a credit balance of approximately HK\$1,582.30 million standing in its share premium account.

As at the Latest Practicable Date, the authorised share capital of the Company was 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 had been issued and were fully paid or credited as fully paid. 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. A credit of approximately HK\$2,008.15 million and HK\$1,582.30 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.

LETTER FROM THE BOARD

Assuming there being no change in the number of issued Existing Shares from the Latest Practicable Date 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 Latest Practicable Date	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

Fractional entitlement to the Adjusted Shares

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.

Conditions of the Capital Reorganisation

The Capital Reorganisation is subject to the following conditions:

- (i) the passing of the relevant special resolution 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.

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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 of the relevant resolution(s) at the SGM. For the 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

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 Exchanges 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 Last Trading Day, the value of each board lot, comprising 10,000 Existing Shares, was trading at HK\$340, which is far below the aforesaid minimum board lot value. It is expected that after the Share Consolidation having become effective, each board lot value of the Adjusted Shares will be above HK\$2,000 based on the adjusted price of the Adjusted Shares. 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.

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As at the Latest Practicable Date, the amount standing to the credit of the share premium account of the Company was approximately HK\$1,582.30 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\$1,582.30 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 for 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, which is expected to be on Wednesday, 24 April 2019, Shareholders may, during the period between Wednesday, 24 April 2019 and Monday, 3 June 2019 (both dates inclusive), submit certificates for the Existing Shares, which is green in colour, to the Share Registrar for exchange, at the expense of the Company, for certificates for the Adjusted Shares. It is expected that the new share certificates for the Adjusted Shares, which will be red in colour, will be available for collection within 10 Business Days from the date of submission for the exchange. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each certificate issued or cancelled, whichever number of certificates issued or cancelled is higher. Certificates for the Existing Shares will be valid for delivery, trading and settlement purposes for

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the period up to 4:00 p.m. on Thursday, 30 May 2019 and thereafter will not be accepted for delivery, trading and settlement purposes. Nevertheless, 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 relevant Shareholders.

Odd lot arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Adjusted Shares arising from the Share Consolidation, the Company has appointed Emperor Securities Limited as an agent to provide matching services, on a best effort basis, to the Shareholders for the sale and purchase of odd lots of the Adjusted Shares at the relevant market price per Adjusted Share and the matching period commences from 9:00 a.m. on Thursday, 9 May 2019 to 4:00 p.m. on Thursday, 30 May 2019 (both dates inclusive). Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the Adjusted Shares or top up to a full board lot may, directly or through their brokers, contact Mr. Leung Shiu Keung of Emperor Securities Limited at 23rd to 24th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong at (852) 2919-2919 during office hours. Holders of odd lots of the Adjusted Shares should note that successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult their professional advisers.

Shareholders holding the Adjusted Shares in odd lots should note that the matching of the sale and purchase of odd lots of the Adjusted Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the Adjusted Shares is not guaranteed.

Shareholders should take note that the Capital Reorganisation is conditional upon satisfaction of conditions set out in the paragraph headed “Conditions of the Capital Reorganisation”. Therefore, the Capital Reorganisation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt about their position, they should consult their professional advisers.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after the Capital Reorganisation having 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 Latest Practicable Date	: 10,298,188,650 Existing Shares

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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 and/or Adjusted Shares will be issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by Dr. Yap	: 453,587,325 Rights 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 Latest Practicable Date); and
- (b) 75.00% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue.

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

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

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

In order to be registered as a member 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 Friday, 26 April 2019.

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Closure of register of members

Assuming the Capital Reorganisation becomes effective on Wednesday, 24 April 2019, the Company's register of members will be closed from Monday, 29 April 2019 to Monday, 6 May 2019, both days inclusive, for determining the entitlements to the Rights Issue. No transfer of the Adjusted Shares will be registered during this period.

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. As at the Latest Practicable Date, there were three Shareholders whose addresses appearing on the Company's register of members were located in Australia, Macau and Singapore respectively, two of whom (those from Australia and Macau) were holding minimal Existing Shares (being 2 Existing Shares and 4 Existing Shares). Assuming there will be no change to shareholding of the Shareholders from the Latest Practicable Date to the Effective Date, due to such minimal shareholding, upon the Capital Reorganisation having become effective, each of the former two overseas shareholders will cease to be a Shareholder. 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 the Shareholder from the last jurisdiction and any other Overseas Shareholders (if any). 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 the 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, being the Excluded Shareholders.

Accordingly, the Rights Issue will not be extended to the Excluded 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 application by the Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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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 4.24% over the equivalent closing price of HK\$0.66 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price HK\$0.033 per Existing Share as quoted on the Stock Exchange on the last business day prior to the date of the Rights Issue Announcement (i.e. 3 September 2018);
- (b) 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;
- (c) 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;
- (d) 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;
- (e) a premium of approximately 56.36% over the adjusted closing price of HK\$0.44 per Adjusted Share (after taking into account the effect of the Capital Reorganisation), based on the closing price of HK\$0.022 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (f) a discount of approximately 90.11% to the adjusted net asset value of approximately HK\$6.95 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on (i) the unaudited equity attributable to owners of the Company of approximately HK\$3,893,424,000 as at 30 September 2018; (ii) the fair value change of investment properties with reference to the valuation report of the Group as at 31 January 2019 as detailed in Appendix III to this circular; and (iii) 514,909,432 Adjusted Shares assuming the Capital Reorganisation has become effective.

The Board has observed the deep discount mentioned in (f) 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-month period immediately preceding the Last Trading Day ranging from approximately 73.11% to 92.96%, with an average of approximately 82.14%, the Board (including members of the Independent Board Committee after having received and considered 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.

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For the 12-month period immediately preceding the date of the Deed of Covenants and Undertakings, the closing prices of the Existing Shares ranged from the highest of HK\$0.126 on 9 November 2017 to the lowest of HK\$0.033 on 31 August 2018 and 3 September 2018, with an average of HK\$0.0837. The Directors were aware that the stock price performance showed a general decreasing trend over the period, and therefore considered the subscription price per Rights Share should make reference to the share price(s) closer to the date of the Deed of Covenants and Undertakings, which should have accurately reflected the then market sentiment of the Company's shares. Otherwise, a high level of premium would discourage the Shareholders (other than Dr. Yap) from participating in the Rights Issue.

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" below. The Board (including members of the Independent Board Committee after having received and considered 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 and no Right Shares will be offered to any Shareholders on a preferential basis.

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.

Acceptance of 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, 22 May 2019.

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.

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.

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.

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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, 22 May 2019.

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 acceptances by PAL or the number of Adjusted Shares held by the Qualifying Shareholders.

No preference will be given to topping up odd lots to whole board lots. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares.

The Company will disregard any Qualifying Shareholder's application for excess Rights Shares to the extent that the total number of excess Rights Shares he has applied for exceeds (i) the total number of Rights Shares, minus (ii) the number of Rights Shares provisionally allotted to and accepted by him under the PAL. Qualifying Shareholders are also reminded of the scaling-down mechanism set out in the paragraph headed "Non-underwritten basis" below in view of implications under the Takeovers Code.

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.

Qualifying Shareholders who do not take up the provisionally allotted Rights Shares to which they are entitled should note that their percentage shareholding interest in the Company will be diluted.

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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:

- (a) 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;
- (b) 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;
- (c) to apply for the Whitewash Waiver;
- (d) 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;
- (e) 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
- (f) 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” below; and
- (ii) the Company will not proceed with the Rights Issue in the event the Whitewash Waiver is not being obtained by Dr. Yap.

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, 30 May 2019 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, 30 May 2019 by ordinary post to the applicants, at their own risk, to their registered addresses.

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Listing application for the Rights Shares

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.

Both the nil-paid Rights Shares and the fully-paid Rights Shares will be traded in board lots of 10,000 shares in the market. 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.

Taxation

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising their rights in, disposing of or dealing in the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Share in both their nil-paid and fully-paid forms.

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" below, it is a condition of the Rights

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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 accepts all or part of his provisional allotment under the PAL or applies 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 has applied 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 acceptance of any Shareholder (other than Dr. Yap, and HKSCC Nominees Limited, which is the registered shareholder holding shares on behalf of CCASS participants who in turn hold the shares on behalf of the beneficial owners) of his provisional allotment under the PAL or application 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.

Conditions of the Rights Issue

The Rights Issue is 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 Thursday, 9 May 2019 (or such other date as may be determined by the Company) and Friday, 31 May 2019 (or such other date as may be determined by the Company) respectively, being the first day of their dealings;

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- (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. As at the Latest Practicable Date, none of the above conditions had been satisfied.

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” above. 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 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.

Reasons for the Rights Issue and Use of Proceeds

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

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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 be not less than approximately HK\$307 million and not more than approximately HK\$1,058 million. The net proceeds are intended to be used for partial repayment of short-term loans and long-term loans borrowed in Hong Kong, of which (i) approximately HK\$2,299.5 million of principal is payable within 12 months from completion of the Rights Issue (the “**Debts**”), and (ii) interest expenses of approximately HK\$161.5 million is payable within the next 12 months arising from all loans borrowed in Hong Kong, assuming the Rights Issue will be completed in May 2019. As a result, the Company will be able to reduce the extent of utilisation of debt facilities available, improve its financial position and reduce its finance costs.

Assuming the Rights Issue will be completed in May 2019, breakdown of (i) the major loans borrowed in Hong Kong each exceeding HK\$100 million payable within 12 months following completion of the Rights Issue (Table A) and (ii) short-term loans (Table B) borrowed in Hong Kong are set out below. The lenders or noteholders are mainly licensed money lenders in Hong Kong or, to the best knowledge of the Directors, controlled corporations (as defined in the SFO) of licensed corporations (as defined in the SFO) or Hong Kong listed companies which principal business includes securities investments, financial investments, provision of credit services or loan financing services:

Table A: Major loans repayable on or before May 2020

	Loan type	Outstanding principal as at Latest Practicable Date (approximate)	Annual interest rate	Interest payment term	Due date	Total principal and interest payable from Latest Practicable Date to due date	Lender Profile
(1)	Senior guaranteed notes (“ Debt A ”)	US\$95.0 million (equivalent to approximately HK\$741.0 million)	8.00%	approximately US\$3.8 million (equivalent to approximately HK\$29.6 million) interest payable semi-annually	September 2019	approximately US\$102.8 million (equivalent to approximately HK\$801.5 million)	Private company
(2)	3-year 9.5% notes (“ Debt B ”)	HK\$500 million	9.50%	approximately HK\$12 million interest payable quarterly	November 2019	approximately HK\$547.4 million	Private company
(3)	3-year 9.5% notes	HK\$100 million	9.50%	approximately HK\$2.4 million interest payable quarterly	November 2019	approximately HK\$109.5 million	Private company
(4)	3-year 9.5% notes	HK\$160 million	9.50%	approximately HK\$3.8 million interest payable quarterly	December 2019	approximately HK\$171.5 million	SFO licensed corporation
(5)	3-year 9.5% notes	HK\$200 million	9.50%	approximately HK\$4.8 million interest payable quarterly	January 2020	approximately HK\$223.8 million	Hong Kong listed company

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	Loan type	Outstanding principal as at Latest Practicable Date (approximate)	Annual interest rate	Interest payment term	Due date	Total principal and interest payable from Latest Practicable Date to due date	Lender Profile
(6)	3-year 9.5% notes	HK\$180 million	9.50%	approximately HK\$4.3 million interest payable quarterly	January 2020	approximately HK\$197.1 million	SFO licensed corporation
(7)	3-year 9.5% notes ("Debt C")	HK\$100 million	9.50%	approximately HK\$2.4 million interest payable quarterly	March 2020	approximately HK\$111.9 million	Private company
(8)	3-year 9.5% notes	HK\$100 million	9.50%	approximately HK\$2.4 million interest payable quarterly	March 2020	approximately HK\$111.9 million	Private company
		HK\$2,081.0 million				HK\$2,274.6 million	

Table B: Short-term loans

	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Due date	Total principal and interest payable from Latest Practicable Date to due date	Lender Profile
(1)	Unsecured loan ("Short-term Loan A")	HK\$38.2 million	14.4%	August 2019	approximately HK\$40.4 million	Licensed money lender
(2)	Unsecured loan ("Short-term Loan B")	HK\$20 million	15%	August 2019	approximately HK\$21.3 million	Licensed money lender
(3)	Unsecured loan ("Short-term Loan C")	HK\$10 million	15%	September 2019	approximately HK\$10.8 million	Licensed money lender
(4)	Unsecured loan ("Short-term Loan D")	HK\$21 million	18%	October 2019	approximately HK\$25.4 million	Licensed money lender
(5)	Unsecured loan ("Short-term Loan E")	HK\$4.5 million	12%	October 2019	approximately HK\$4.9 million	Licensed money lender
(6)	Unsecured loan ("Short-term Loan F")	HK\$17 million	18%	October 2019	approximately HK\$19.3 million	Licensed money lender

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	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Due date	Total principal and interest payable from Latest Practicable Date to due date	Lender Profile
(7)	3-year 9.5% notes (“Short-term Loan G”)	HK\$60.0 million	9.5%	February 2020	approximately HK\$65.7 million	SFO licensed corporation
(8)	Unsecured loan (“Short-term Loan H”)	HK\$34.1 million	Hong Kong Dollars Prime Rate of 5% p.a.	On demand	approximately HK\$34.1 million (Note)	Private company
(9)	Margin financing (“Short-term Loan I”)	HK\$1.5 million	18%	On demand	approximately HK\$1.5 million (Note)	SFO licensed corporation
(10)	Margin financing (“Short-term Loan J”)	HK\$35.4 million	9.252%	On demand	approximately HK\$35.4 million (Note)	SFO licensed corporation
		HK\$241.7 million			HK\$58.8 million	

Note:

The figures represent their respective outstanding principal as at the Latest Practicable Date excluding the amount of interest to be payable, given these loan/financing are repayable on demand and do not have specific maturity dates.

The estimated net proceeds from the Rights Issue (taking into account the effect of deducting the related expenses for the Rights Issue) will be not less than approximately HK\$307 million (the “**Minimum Proceeds Scenario**”) and not more than approximately HK\$1,058 million (the “**Maximum Proceeds Scenario**”).

For illustration purpose only, the table below sets out the intended use of the net proceeds from the Rights Issue under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario:

	Minimum Proceeds Scenario		Maximum Proceeds Scenario	
	Amount (HK\$ million) (approximate)	Approximate %	Amount (HK\$ million) (approximate)	Approximate %
Repayment of interest				
– short-term loans (Note 1)	4.1		4.7	
– major loans repayable on or before May 2020 (Note 2)	59.0		78.0	
– other loan repayable after May 2020 (Note 3)	7.2		14.4	
	70.3	22.9	97.1	9.2
Repayment of loan principal				
– short-term loans (Note 1)	30.0		72.5	
– Debt A	206.7		741.0	
– Debt B	–		147.4	
	236.7	(Note 4) 77.1	960.9	(Note 5) 90.8
Total	307.0	100.0	1,058.0	100.0

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Notes:

1. *Details of short-term loans are shown in Table B above. In terms of repayment of these short-term loans, the Company intends to apply the proceeds from the Disposal to settle the outstanding principal of Short-term Loan A partially and utilise its available internal resources and/or obtain re-financing to settle the remaining principal of Short-term Loan A and the Short-term Loan G. Apart from the above, the Company will prioritise repayment of the short-term loans and their interest expenses in accordance with the order of the maturity or repayment due dates. For illustration purpose, assuming the short-term loans are not extended, principal of Short-term Loan B and C will be settled under the Minimum Proceeds Scenario, and principal of Short-term Loans B, C, D, E, and F will be settled under the Maximum Proceeds Scenario. In the event any of the short-term loans are extended, the net proceeds will be allocated to settle principal of other short-term loans (excluding Short-term Loans A, G, H, I and J) according to their respective maturity dates or repayment due dates.*
2. *These loans represent the major loans as disclosed in Table A above. Total finance costs up to the relevant due dates are approximately HK\$92.2 million. Part of the proceeds from the Rights Issue is intended to be used for settlement of interest expenses up to and including September 2019 and November 2019 under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario respectively.*
3. *Such other loan repayable after May 2020 represents the 9.5% notes with outstanding principal amount of HK\$300 million due in November 2020. Total finance costs relating to this loan for the next 12 months following the expected completion of the Rights Issue in May 2019 are approximately HK\$28.6 million. Part of the proceeds from the Rights Issue is intended to be used for settlement of interest expenses up to and including September 2019 and November 2019 under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario respectively.*
4. *The Company presently intends to apply the proceeds to settle principal of short-term loans (as set out in Note 1 above) and principal of Debt A partially.*
5. *The Company presently intends to apply the proceeds to settle principal of short-term loans (as set out in Note 1 above) and the entire principal of Debt A; and the remaining proceeds will be used to settle principal of Debt B partially.*
6. *Holders of the notes or lenders of the loans which are to receive repayment from proceeds of the Right Issue set out above are third parties independent of the Company and its connected persons, and did not hold any securities of the Company as at the Latest Practicable Date.*

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 Group, the net proceeds from the Rights Issue will be utilised for settling the interest due arising from the Group's borrowings in Hong Kong, repayment of short-term loans, and full or partial repayment of Debt A and/or Debt B all in accordance with the order of maturity date or repayment due date.

Subsequent to the date of the Rights Issue Announcement, the Company has obtained (i) a new loan in Hong Kong from an Independent Third Party with the principal amount of HK\$10 million (included as Short-term Loan C in Table B) repayable in September 2019, and (ii) three standby facilities in Hong Kong from Independent Third Parties in aggregate amounting to HK\$280 million for working capital purpose. For illustration purpose, the table sets out details of the three standby facilities:

	Facility amount	Annual interest rate	Interest payment term	Expiry of facility availability period
(1)	HK\$70 million	14.4%	payable monthly	March 2020
(2)	HK\$90 million	18%	payable monthly	December 2019
(3)	HK\$120 million	14.4%	payable quarterly	March 2020

The above standby facilities are intended to be drawn down for operational and financial use when there is deficit in working capital of the Group. As at the Latest Practicable Date, the above standby facilities had not yet been utilised by the Group.

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As at 31 January 2019, the Group had approximately HK\$5,686.2 million debts in total, comprising (i) the major loans (set out in Table A above); (ii) short-term loans (set out in Table B above); (iii) other loans borrowed in Hong Kong repayable after May 2020 of approximately HK\$340 million and (iv) other borrowings of the Company's PRC subsidiaries from banks in the PRC which are not presently intended to be repaid by proceeds from the Rights Issue. In respect of the PRC borrowings, approximately HK\$367.3 million, HK\$704.6 million and HK\$1,951.9 million of debts will be due within 1 year, 1 to 5 years and over 5 years respectively from 31 January 2019. All PRC borrowings are secured. Given a high level of debts, the finance costs arisen from such debts create a huge financial burden for the Company even before the due dates of Debt A and Debt B.

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 increase in base 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 30 September 2018: 145.5%) and mindful of the due dates of loans, the Board (including the members of the Independent Board Committee after having received and considered the advice from the Independent Financial Adviser) considers it is prudent to conduct the Rights Issue in preparation for repayment of loans and related finance costs.

The Board understands that the net proceeds of the Rights Issue will not be sufficient to satisfy 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 refinancing related finance costs. As at the Latest Practicable Date, the Company had not commenced negotiation in respect of refinancing and/or extension of Debt A and Debt B.

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.

As disclosed in the interim report of the Company for the six months ended 30 September 2018, the Company and several Independent Third Parties entered into the MOUs in relation to certain proposed acquisitions during the six months ended 30 September 2018. In order to safeguard the Company's interests in the refundable deposits paid, refund of such deposits is secured by a pledge of the relevant transfer documents (details of the transfer documents are set out in the section headed "MATERIAL CONTRACTS" in Appendix V to this circular) and the relevant company seals and the relevant contract seals (if any). In addition, the Company has internally conducted preliminary market research on the value of the principal assets (i.e. properties in the PRC) held by the potential acquisition targets by reference to the market transactions in the same or surrounding area. Based on the research results, the estimated value of principal assets under each of the MOUs was higher than the amount of the respective refundable deposits. Taking into account the above actions taken by the Company, the Board is of the view that the transfer documents and the company seals and the contract seals (if any) of the acquisition targets could safeguard the interests in the refundable deposits, and the amount of the refundable deposits had been arrived at after arm's length negotiations. In the event the MOUs are terminated, the respective intended vendor(s) shall refund the deposits (without any deduction) within 10 business days after receipt of the Company's written termination notice pursuant to the terms of the MOUs. Regarding MOU 1, the

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due diligence period expired on 13 January 2019 and the deposit had been refunded. Regarding MOU 2, the due diligence period will expire on 24 May 2019. In view of the insufficient working capital, as at the Latest Practicable Date, the Board had no intention to extend the MOU 2 upon expiry of the due diligence period. After receiving the refundable deposit upon termination and subject to further negotiation and result of the due diligence review, the Company may consider re-entering into a revised memorandum of understanding without placing significant amount of deposit in relation to the proposed acquisition under MOU 2. As at the Latest Practicable Date, discussion of the revised terms of the MOU 2 had not commenced and no terms and conditions of revised MOU 2 had been agreed. The Directors are aware of the current position of the working capital and further capital requirement may be required for any future property development projects, and will adopt a cautious approach by taking these factors into account during negotiation and project assessment in the future. Regarding MOU 3, the due diligence period expired on 17 March 2019 and the Company is expected to receive the refund of the deposit pursuant to the terms of MOU 3 (i.e. on or before 1 April 2019).

Apart from the Rights Issue, the Directors have considered alternative methods such as issue of convertible bonds, debt financing and placing of new shares to Independent Third Parties in order to improve the liquidity position of the Group. Nevertheless, the Directors are of the view that (i) further debt financing would result in additional interest burden and would bring adverse effect to financial performance of the Group; (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 Rights Shares with pro-rata entitlement; and (iii) given there are still about 6 months to run before most of the major loans as disclosed in Table A (on pages 26 and 27) are due (the earliest one due in September 2019), the Directors might encounter difficulties in requesting for extension of such loans from the lenders at such an early stage. According to past experience of the management of the Company, the lenders will only consider extension of loans when it is closer to the due date based on the then market conditions and the Group's then financial position. The Company has approached respective lenders of major loans as disclosed in Table A (on pages 26 and 27) to negotiate for extension or revision payment terms. However, as at the Latest Practicable Date, the lenders were reluctant to negotiate the abovementioned since there are still about 6 months to run before the due date. As a result, the Company is of the view that the Rights Issue is the most appropriate financing method.

The Directors noted that after taking into account the present available internal resources and the estimated maximum net proceeds of approximately HK\$1,058 million from the Rights Issue, the Group will not have sufficient working capital for the next 12 months from the date of this circular in the absence of extension of borrowings and/or re-financing. As such, apart from negotiating for extension for borrowings and re-financing from Independent Third Parties, the Board had after the date of the Rights Issue Announcement, further discussed and explored other ways to obtain additional funding so as to ease the Group's debt level and improve the Group's financial healthiness. After assessing the potential financial benefits and impact, the Board considered that it might be appropriate to explore the opportunity to realise its investment in the industrial water supply business or part of its investment in property interests to Independent Third Party(ies). Accordingly, as disclosed in the announcement of the Company dated 30 October 2018 in relation to the Disposal, the Vendor, an indirect wholly-owned subsidiary of the Company, the Purchaser and the Purchaser Guarantor entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and (if any) the Sale Loan at the Consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000). Details of the Disposal are disclosed in the section headed "THE DISPOSAL" below in this circular.

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The Directors are aware of the fact that the Rights Issue will not sufficiently address the working capital issue as mentioned above. Nevertheless, the Directors consider the Rights Issue is still in the interest of the Company and the Shareholders as a whole based on the following considerations:

- (i) it is expected that the financial position of the Group will improve upon completion of the Rights Issue, and hence it will be easier for the Group to negotiate for loan extensions with lenders;
- (ii) under the Deed of Covenants and Undertakings, Dr. Yap has irrevocably undertaken to take up his Rights Shares entitlement and such undertaking provides a degree of certainty to the Company as minimum net proceeds from the Rights Issue of HK\$307 million is guaranteed in the event the Rights Issue takes place; and
- (iii) in case the Rights Issue does not take place, the other alternative fund-raising methods as mentioned above would result in additional interest burden and/or dilution effect on the shareholding which would be at cost to the Company and the Shareholders as a whole.

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 (including the members of the Independent Board Committee after having received and considered the advice from the Independent Financial Adviser) considers that (i) the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position with the least theoretical dilution effect; (ii) the Rights Issue would not result in additional interest burden or bring adverse effect to the financial performance of the Group; (iii) the expected date of receiving the proceeds from the Rights Issue would match the expected timing of repayment of principal of short-term loans and principal of long-term loans payable within 12 months from expected date of completion of the Rights Issue in May 2019, as well as related finance costs and (iv) the full acceptance of provisional allotment in the Rights Issue undertaken by Dr. Yap would secure partial funding for the Group. Therefore the Board 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.

Fund Raising Exercise involving Issue of Securities in the past 12 months

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

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Effects on the Shareholding Structure of the Company

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date and up to the Record Date):

	As at the Latest Practicable Date		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			
					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 <i>(Note)</i>	29.36	151,195,775	29.36	604,783,100	29.36	604,783,100	62.45
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.

As illustrated in the above tables, immediately upon completion of the Rights Issue, the Company is able to fulfill the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules.

Information on Dr. Yap

Dr. Yap, aged 63, joined the Company in the 1990s. 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 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. 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.

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Intention of Dr. Yap

As at the Latest Practicable Date, save for the Disposal, the possible realisation of the Group's investment in property interests mentioned in the paragraph headed "Reasons for the Rights Issue and use of proceeds" above and as regards MOU 2 mentioned in the section headed "III. WORKING CAPITAL" of Appendix I to this circular:

- (a) Dr. Yap intended the Group to continue its current business;
- (b) Dr. Yap had no intention to introduce any major changes to the Group's existing business (including redeployment of the fixed assets of the Group other than in its ordinary course of business) or terminate the continued employment of the employees of the Group; and
- (c) Dr. Yap had no intention to inject any new business/assets to the Group.

Dr. Yap considers the Rights Issue is favourable to the Group as the Group will be able to strengthen its capital base and to enhance its financial position.

On the basis of Dr. Yap's intention set out above, the Directors are of the view that the continuity of the Group's business can be maintained upon completion of the Rights Issue as before.

THE DISPOSAL

On 26 October 2018 (after trading hours of the Stock Exchange), the Vendor, the Purchaser and the Purchaser Guarantor entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share and (if any) the Sale Loan at the Consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000). There was no Sale Loan as at the Latest Practicable Date.

The Disposal Agreement

Set out below are the principal terms of the Disposal Agreement:

- Date:** 26 October 2018 (after trading hours of the Stock Exchange)
- Vendor:** Group Dragon Limited, an indirect wholly-owned subsidiary of the Company
- Purchaser:** Ms. Wang Hujuan
- Purchaser Guarantor:** Mr. Li Wakin, being the spouse of the Purchaser

Assets to be disposed of

- (i) the Sale Share, being the entire issued share capital of the Target Company held by the Vendor as at the date of the Disposal Agreement; and

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- (ii) (if any) the Sale Loan, being the shareholder's loan owing by the Target Company to the Vendor at Completion.

As at the date of the Disposal Agreement, the Target Company did not have any shareholder's loan owed to the Vendor.

If there is Sale Loan at Completion, unless the sale and purchase of the Sale Share and the Sale Loan are completed simultaneously at Completion, the Vendor shall not be obliged to complete the sale and purchase of the Sale Share and the Sale Loan.

For the avoidance of doubt, the Company does not intend to provide shareholder's loan to the Target Company before Completion.

Consideration

The Consideration for the sale and purchase of the Sale Share and (if any) the Sale Loan shall be RMB50,000,000 (equivalent to approximately HK\$56,500,000), of which the consideration for the Sale Loan (if any) is equivalent to its face value at Completion and the consideration for the Sale Share shall be the balance of the Consideration after deducting the consideration for the Sale Loan. The Consideration shall be payable in the following manner:

- (a) a sum of RMB10,000,000 (equivalent to approximately HK\$11,300,000) (the "**Deposit**") shall be payable by the Purchaser in cash to the Vendor (or the account designated by the Vendor) upon signing of the Disposal Agreement as deposit and part payment of the Consideration;
- (b) a sum of RMB10,000,000 (equivalent to approximately HK\$11,300,000) shall be payable by the Purchaser in cash to the Vendor (or the account designated by the Vendor) at Completion as part payment of the Consideration; and
- (c) the remaining balance of RMB30,000,000 (the "**Balance**") (equivalent to approximately HK\$33,900,000) shall be payable by the Purchaser in cash to the Vendor (or the account designated by the Vendor) on or before the first anniversary of the Completion Date.

At Completion, the Purchaser shall deliver to the Vendor a cheque post-dated the first anniversary of the Completion Date in the amount of the Balance.

The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms with reference to, among other things, (i) the unaudited consolidated net assets of the Target Group as at 31 March 2018 (excluding minority interests) of approximately HK\$103.5 million, together with the downward adjustment effect of the dividend paid to its holding company in the amount of approximately HK\$34.8 million subsequent to 31 March 2018 but up to 30 September 2018; (ii) the business prospect of the Target Group; and (iii) other reasons and benefits of the Disposal as stated under the paragraph headed "Reasons for and benefits of the Disposal and use of proceeds" below.

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The payment schedule of the Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms. The Directors have considered that the maintenance cost is expected to increase in the coming years due to wear and tear of the industrial water supply machinery which will cause a financial burden to the Group. The Group will be able to discharge this financial burden through the Disposal.

Moreover, given (i) Dayu Water is a single business entity and non-wholly owned subsidiary of the Company; and (ii) the business potential of Dayu Water is limited due to its limited geographical scope of business, the Directors have encountered difficulties in approaching purchasers who are interested in the Target Group. The Purchaser was the only interested party who offered a price with acceptable discount. The payment schedule set out above was the best that the Group could obtain after rounds of negotiations. The Group was given to understand the aforesaid payment schedule was the bottom line of the Purchaser who was not prepared to negotiate any further. Moreover, the Directors have performed due diligence work including but not limited to ascertaining the value of certain assets owned by the Purchaser and confirm that the Purchaser has sufficient resources to settle the Balance. Nevertheless, the Group is experiencing a high liquidity pressure with insufficient working capital (gearing ratio as at 30 September 2018: 145.5%). Therefore, having considered the above factors, the Directors consider the overall benefits outweigh the possibility of forgoing the Disposal and thus consider the terms of the Disposal Agreement (including the payment schedule) are on commercial terms and beneficial to the Group and the Shareholders as a whole.

The Group is given to understand that the Purchaser intends to settle the Balance by May 2020 (i.e. first anniversary of the Completion Date). In any event, according to the Disposal Agreement, the Purchaser shall on Completion deliver to the Vendor a post-dated cheque to be dated the first anniversary of the Completion Date for payment of the Balance. Accordingly, receipt of the Balance can be safeguarded.

The Directors are aware that (i) the Consideration represents a discount of 11.8% to the unaudited consolidated net asset value of the Target Group as at 30 September 2018 (excluding minority interests) of approximately HK\$64.1 million; and (ii) the operating performance of the Target Group has been stable (financial information is set out in the paragraph headed "Information of the Target Group" below).

Nevertheless, having considered that (i) the current working capital and liquidity pressure of the Group; (ii) the cash Consideration will be utilised to reduce the Group's financial burden; (iii) the industrial water supply business is not the core business of the Group; and (iv) the business prospect of the Target Group is subject to uncertainties as to renewal of the industrial water supply franchise of Dayu Water, the Board considers that the Consideration (representing a discount of 11.8% to the unaudited net assets of the Target Group as at 30 September 2018 (excluding minority interests)), which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Deposit was received on the date of the Disposal Agreement. The second instalment of the Consideration and the Balance will be received according to the terms of the Disposal Agreement.

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Conditions precedent

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

- (a) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules or the Takeovers Code) at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder;
- (b) the results of the due diligence review to be conducted by the Purchaser on the Target Company (within three weeks after the date of the Disposal Agreement) do not indicate any inaccuracy in relation to the warranties given by the Vendor under the Disposal Agreement; and
- (c) the Purchaser and the Purchaser Guarantor having fulfilled their obligations and responsibilities under the Disposal Agreement and the representations, undertakings and warranties given by the Purchaser and the Purchaser Guarantor under the Disposal Agreement remaining true, accurate and not misleading in any material respect.

Conditions set out above are incapable of being waived. As at the Latest Practicable Date, save that condition (b) had been fulfilled, none of the conditions set out above had been fulfilled.

If the conditions set out above have not been satisfied on or before noon of the Long Stop Date, the Disposal Agreement shall cease. In the event condition (a) above is not satisfied before noon of the Long Stop Date or condition (b) above is not satisfied within three weeks after the date of the Disposal Agreement, the Vendor shall refund the Deposit (without interest) to the Purchaser within 10 Business Days after (i) the Long Stop Date or (ii) expiry of three weeks after the date of the Disposal Agreement as full and final settlement. In the event conditions (a) and (b) above are satisfied but the remaining condition is not satisfied before noon of the Long Stop Date, the Deposit paid by the Purchaser will be forfeited by the Vendor as liquidated damages. Thereafter, neither party shall have any obligations and liabilities towards each other under the Disposal Agreement. For the avoidance of doubt, the Disposal is not conditional on completion of the Rights Issue.

Completion

Completion shall take place on the 20th Business Day after conditions (a) and (b) set out above have been fulfilled (or such other date as the Vendor and the Purchaser may agree in writing). All conditions set out above must remain fulfilled upon Completion.

If Completion does not take place due to the Purchaser's fault, the Vendor shall be entitled to forfeit the Deposit as liquidated damages. If Completion does not take place due to any other reasons, the Vendor shall refund the Deposit (without interest) to the Purchaser within 10 Business Days as full and final settlement.

Guarantee

The Purchaser Guarantor agreed to guarantee in favour of the Vendor the due and punctual performance of the Purchaser of all her obligations under the Disposal Agreement and to indemnify the Vendor against all losses, damages, costs and expenses arising from any failure by the Purchaser to perform and/or observe any of her obligations under the Disposal Agreement.

LETTER FROM THE BOARD

Confirmation signed by Dr. Yap

On 26 October 2018, Dr. Yap signed the Confirmation in favour of the Purchaser. Pursuant to the Confirmation, Dr. Yap agreed that subject to compliance with applicable laws and regulations, he will vote in favour of the resolution(s) approving the Disposal Agreement and the transactions contemplated thereunder in respect of the Shares held by him at the SGM.

Information of the Target Group

The Target Company is an indirect wholly-owned subsidiary of the Company whose principal business activity is investment holding. The principal asset of the Target Company is its interest in Dayu Water.

Dayu Water, a joint venture company established under the laws of the PRC, is (i) directly owned as to 59.75% by the Target Company and (ii) as to the remaining 40.25% by two Independent Third Parties. Dayu Water is an indirect non wholly-owned subsidiary of the Company, which is principally engaged in industrial water supply business in the PRC.

Set out below is a summary of the key financial data of the Target Group based on the unaudited consolidated management accounts for the two financial years ended 31 March 2018 and for the six months ended 30 September 2017 and 2018:

	For the year ended 31 March		For the six months ended 30 September	
	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000	2018 (unaudited) HK\$'000
Revenue	27,893	46,790	25,395	19,884
Profit before tax	5,613	19,128	10,264	4,600
Profit after tax	3,840	14,174	7,353	2,619

For the year ended 31 March 2018, the Target Group's revenue and profit before tax increased by approximately 67.7% and 240.8% respectively from the previous year. Such increases were mainly due to introduction of a new customer in May 2017, which contributed to approximately 43.5% of the total revenue for the year ended 31 March 2018.

For the six months ended 30 September 2018, the Target Group's revenue and profit before tax decreased by approximately 21.7% and 55.2% respectively from the same period in previous year. It was mainly due to dredging works conducted at the water source of Dayu Water whereupon Dayu Water's operation was affected as a result.

Based on the unaudited consolidated management accounts of the Target Group, the unaudited consolidated net asset value of the Target Group as at 30 September 2018 (excluding minority interests) was approximately HK\$64.1 million.

LETTER FROM THE BOARD

Financial effect of the Disposal

Upon Completion, each of the Target Company and Dayu Water will cease to be a subsidiary of the Company, and the Company will cease to have any interest in the Target Group. The financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group following Completion.

Assets and liabilities

Having taken into account the Consideration and the unaudited consolidated net asset value of the Target Group as at 30 September 2018, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$61.3 million, being the difference between the total assets of the Target Group of approximately HK\$117.8 million and the Consideration. The total liabilities of the Group will decrease by approximately HK\$9.1 million, being the total liabilities of the Target Group. It is estimated that the net assets of the Group will decrease by approximately HK\$52.2 million.

Earnings

Based on the Consideration of approximately HK\$56.5 million and the unaudited consolidated net asset value of the Target Group (excluding minority interests) as at 30 September 2018 of approximately HK\$64.1 million, taking into account the release of foreign currency translation reserve of approximately HK\$4.7 million and direct costs to the Disposal of approximately HK\$1.5 million, it is estimated that the Company will record a loss of approximately HK\$4.4 million in relation to the Disposal. The actual amount to be recorded by the Company may be different from the estimated amount as the actual amount will depend on, amongst other factors, the actual net asset value of the Target Group as at Completion.

Information of the Vendor, the Purchaser and the Purchaser Guarantor

The Vendor, a company incorporated in BVI with limited liability, is an indirect wholly-owned subsidiary of the Company. The Vendor is an investment holding company.

The Purchaser is a Hong Kong resident. According to the Purchaser, she has experience in investment and production management in a large PRC trading group. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser (i) is an Independent Third Party; (ii) is not a party acting in concert (as defined in the Takeovers Code) with the Concert Group; and (iii) did not hold any Shares as at the date of the Disposal Agreement.

The Purchaser Guarantor, a Hong Kong resident, is the spouse of the Purchaser. According to the Purchaser Guarantor, he has experience in international trading and investment. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser Guarantor (i) is an Independent Third Party; (ii) is not a party acting in concert (as defined in the Takeovers Code) with the Concert Group; and (iii) did not hold any Shares as at the date of the Disposal Agreement.

LETTER FROM THE BOARD

Reasons for and benefits of the Disposal and the use of proceeds

The Group is principally engaged in property development, investment and trading, industrial water supply business and trading of securities. In view of the current working capital position and the debt level of the Group, the Directors have re-prioritised its attention to exploring possible measures to mitigate the Group's liquidity pressure. Apart from the Rights Issue, negotiating for extension of borrowings and re-financing from Independent Third Parties, the Board had further discussed and explored other ways to obtain additional funding so as to ease the Group's debt level and improve the Group's financial healthiness. After assessing the potential financial benefits and impact, the Board considered that it might be appropriate to explore the opportunity to realise its investment in the industrial water supply business or part of its property interests to Independent Third Party(ies).

The Board thus considers the disposal of water supply segment, being a non-core business which will have no material effect on the business and operations of the Group. As disclosed in the annual report of the Company for the year ended 31 March 2018, the water supply segment contributed approximately 4.1% to the total revenue, approximately 1.1% to the total assets and approximately 2.6% to the net assets of the Group.

Dayu Water was established in 2004 and according to the relevant franchise agreement, the franchise to provide industrial water supply services will expire in 2034. Details of such franchise are set out below:

Expiry date	Scope of franchise
2034	to operate the integrated project regarding use of water from Yellow River and mines in Feicheng City; to supply water for industrial use to enterprises such as 石橫發電廠 (Shiheng Power Station*), 石橫特鋼廠 (Shiheng Special Steel Plant*) and 肥城市造紙廠 (Feicheng City Paper Factory*) for their existing or expansion works; and to provide water for production use by various enterprises in the area of Shiheng Town, Feicheng City

With reference to the 《山東省水資源條例》 (“The Measures of Shandong Province on Water Conservation”) issued by the PRC government which came into effect on 1 January 2018, it emphasises on sewage treatment so as to improve utilisation of water resources, and it also encourages the use of recycled water as a source of water supply, whereas Dayu Water supplies non-recycled water. Further, the management of the Group also observes a state-owned enterprise is near completion of phase II of its recycled water facilities in Feicheng City of Shandong Province, where the Dayu Water operates. In view of the observation and policy tendency mentioned above, the Directors consider that there are uncertainties as to the grant of industrial water supply franchise to foreign-owned enterprises. Moreover, since Dayu Water provides water to peripheral factories for industrial use, its revenue depends to a large extent on the performance of such regional factories, meaning its income source is passive and uncertain.

Dayu Water has entered into master supply agreements with three customers, which charge these customers based on usage of water. The aggregate revenue attributable to these three customers for each of the financial years ended 31 March 2017 and 2018 and for the six months ended 30 September 2018, amounting to approximately HK\$27.9 million, HK\$46.8 million and HK\$19.9 million respectively contributed to 100% of the revenue of the Target Group. Among these supply agreements, only one of them has a minimum usage guarantee which is much lower than its actual usage for the year ended 31 March 2018. For the six months ended 30 September 2018, there was an increase of approximately 5.0%

* for identification purpose only

LETTER FROM THE BOARD

and 4.7% in revenue and gross profit of the Target Group contributed by such customer from the previous period respectively. However, in terms of the revenue, such customer contributed only approximately 25.1%, 17.0% and 21.9% of the total revenue of the Target Group for each of the financial years ended 31 March 2017 and 2018 and for the six months ended 30 September 2018 respectively. The gross profit of such customer represented approximately 16.4% of the gross profit of the Target Group for the six months ended 30 September 2018. Considering that such customer contributed only to a small portion of (i) the total revenue of the Target Group despite the slight increase mentioned above; and (ii) the gross profit of the Target Group, the Directors are of the view that revenue and profits brought by the other two customers, which contributed to a majority of the total revenue, will remain unguaranteed. Therefore, revenue and profits of the Target Group will be directly affected by the demand from regional factories. Taking these factors into consideration, the Directors believe that the business prospect of the industrial water supply business is subject to uncertainties.

The Directors noted that the Target Group's revenue and profit before tax for the year ended 31 March 2018 increased by approximately 67.7% and 240.8% respectively, compared to those in the previous year. However, subsequent to 31 March 2018, Dayu Water received a notice from the local irrigation authority that dredging works would be conducted on ditches, and therefore supply of water to the area would be suspended for 1.5 months. Accordingly, Dayu Water's water source had been greatly reduced during the water suspension period. Operation of Dayu Water and its industrial water supply to customers was affected in May 2018. Therefore, for the six months ended 30 September 2018, the revenue and profit before tax of the Target Group decreased by approximately 21.7% and 55.2% respectively from the corresponding period. Also, the net profit margin of the Target Group decreased from 29.0% to 13.2% due to decrease in revenue. The repair and maintenance costs incurred by Dayu Water during the financial years ended 31 March 2017 and 2018 and for the six months ended 30 September 2018 were approximately HK\$0.6 million, HK\$0.8 million and HK\$1.3 million respectively. Majority of the machinery used to supply industrial water by Dayu Water is close to the end of its respective useful life (based on the fixed asset register of Dayu Water as at 31 December 2018, the value of the machinery used to supply industrial water has been depreciated by approximately 87%). Therefore, the Directors expect that maintenance cost and/or capital expenditure for acquiring new machinery will increase in the coming years due to wear and tear of the industrial water supply machinery. Based on the initial purchase cost of machinery, the replacement cost for acquiring new machinery is estimated to be not less than HK\$7.6 million. As mentioned above, the Directors observe the trend of using recycled water as a source of water supply whereas Dayu Water supplies non-recycled water. The Directors are of the view that further spending on maintenance may not significantly improve the Target Group's financial performance prior to the expiry of the current franchise.

The Board intends to utilise the proceeds from the Disposal for repayment of the Group's borrowings. The Deposit and the second instalment of the Consideration in the aggregate amount of HK\$22.6 million are intended to be utilised to repay the outstanding principal of Short-term Loan A partially as disclosed on page 29 of this circular. The remaining outstanding principal of Short-term Loan A amounted to approximately HK\$15.6 million will be repaid by the Company's available internal resources. The Board expects Completion to take place in May 2019 and the Balance will be settled a year after, and therefore intends to fully utilise the Balance to repay loan due in November 2020 (as mentioned in Note 3 on page 29). As disclosed in the Company's interim report for the six months ended 30 September 2018, the Group had recorded a gearing ratio of 145.5% with borrowing charges and interest rates ranging from 2.5% to 18%. Thus, the Group is facing liquidity pressure in settlement of the principal and finance costs incurred. In the event the Disposal does take place, the Company will be able to reduce the extent of utilisation in relation to the debt facilities available, improve its financial position and reduce its finance costs.

LETTER FROM THE BOARD

Having considered: (i) the Disposal represents a good opportunity to obtain funding to reduce financial burden of the Group; (ii) the disposal of the industrial water supply business, being the non-core business of the Group, has no material effect on the business and operations of the Group and (iii) the business prospect of the Target Group is subject to uncertainties, the Board is of the view that the terms of the Disposal Agreement (including the Consideration) and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Shareholders and potential investors of the Company should note that Completion is subject to fulfilment of the conditions precedent set out in the Disposal Agreement and therefore may or may not occur. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares and other securities of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The Capital Reorganisation and the Rights Issue

The Capital Reorganisation is subject to, among other things, the passing of relevant special resolution(s) by the Shareholders 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 Latest Practicable Date, the Company did 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.

The Disposal

As one or more of the relevant percentage ratios (as defined in the Listing Rules) calculated in accordance with the Listing Rules in respect of the Disposal exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder had any material interest in the Disposal as at the Latest Practicable Date. As such, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Disposal Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

IMPLICATIONS UNDER THE TAKEOVERS CODE

The Capital Reorganisation, the Rights Issue and the 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.

Save for signing the Deed of Covenants and Undertakings, the Concert Group had no dealings in any securities of the Company during the Relevant Period.

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 has made 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 be approved by at least 75% and more than 50% respectively of the votes cast by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, the Company did 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. 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.

The Disposal

As disclosed in the announcement made by the Company dated 30 October 2018 in relation to the Disposal, pursuant to Rule 10 of the Takeovers Code, the unaudited financial information relating to the Disposal constituted a profit forecast and were required to be reported on by relevant financial advisers and auditors or accountants in accordance with Note 1(c) to Rules 10.1 and 10.2 of the Takeovers Code.

The Required Financial Information as disclosed in this letter, including (i) consolidated revenue, profit before tax, profit after tax of the Target Group for the two years ended 31 March 2018 and for the six months ended 30 September 2017 and 2018; and (ii) the expected loss from the Disposal, has now been reported on by ZHONGHUI ANDA CPA Limited and Nuada Limited in accordance with Rule 10 of the Takeovers Code. Their respective letters have been lodged with the Executive and are set out in Appendix IV to this circular.

LETTER FROM THE BOARD

SGM

The SGM will be convened and held to consider and, if appropriate, approve (i) the Capital Reorganisation, (ii) the Rights Issue, (iii) the Whitewash Waiver and (iv) the Disposal Agreement and the transactions contemplated thereunder, each in accordance with the Bye-laws, the Listing Rules and the Takeovers Code. A notice convening the SGM is set out on pages SGM-1 to SGM-5 of this circular.

The voting in respect of the Capital Reorganisation, the Rights Issue, the Whitewash Waiver and the Disposal will be conducted by way of poll.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

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 Tuesday, 7 May 2019 whereas the Prospectus will be despatched to the Excluded Shareholders for information only.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue and the Whitewash Waiver. Nuada Limited has been appointed with the Independent Board Committee's approval as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on pages 46 to 47 and pages IFA-1 to IFA-36 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolutions approving the Rights Issue and the Whitewash Waiver at the SGM.

Further, the Directors consider that the Capital Reorganisation, the terms of the Disposal Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Shareholders to vote in favour of the resolutions approving the Capital Reorganisation, the Disposal Agreement and the transactions contemplated thereunder at the SGM.

LETTER FROM THE BOARD

CAUTION

Taking into account the Rights Issue and the Disposal, the Directors are of the view that the Group would not have sufficient working capital in the Forecast Period. When preparing the working capital forecast for the Forecast Period, the Directors have not taken into account the proposed measures to address the working capital sufficiency issue as stated on page I-5, because measures such as negotiations with lenders for extension and revision of payment terms will only commence around 3 months prior to the respective maturity date of each major loan. The Company has approached respective lenders of major loans as disclosed in Table A (on pages 26 and 27) to negotiate for extension or revision of payment terms. However, as at the Latest Practicable Date, the lenders were reluctant to negotiate the abovementioned since there are still about 6 months to run before the due dates.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue and the Whitewash Waiver.



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)

27 March 2019

To the Independent Shareholders

Dear Sirs,

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

We refer to the circular dated 27 March 2019 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue and the Whitewash Waiver are 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 and to advise the Independent Shareholders on how to vote.

Nuada Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-36 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 11 to 45 of the Circular and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Rights Issue, the Whitewash Waiver and the letter from the Independent Financial Adviser, we consider that the terms of the Rights Issue and the Whitewash Waiver are 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 recommend the Independent Shareholders to vote in favour of the ordinary resolution and the special resolution to be proposed to approve the Rights Issue and the Whitewash Waiver at the SGM respectively.

Yours faithfully,
Independent Board Committee
Mr. Kwok Ka Lap, Alva
Mr. Poon Kwok Hing, Albert
Mr. Sin Chi Fai
Dr. Wu Chun Wah
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders dated 27 March 2019 in relation to the Rights Issue which has been prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

27 March 2019

*To the Independent Board Committee
and the Independent Shareholders of
Master Glory Group Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) in the Company’s circular issued to the Shareholders on 27 March 2019 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 September 2018, the Board proposed, following the Capital Reorganisation as detailed in the Letter from the Board, 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 4 September 2018, 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.

LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

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 stated in the Letter from the Board, as at the Latest Practicable Date, 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.

As stated in the Letter from the Board, 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 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 62.45% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares provisionally allotted to Dr. Yap pursuant to the Rights Issue under the PAL 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 has made 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, we, Nuada Limited, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we are not associated or connected with the Company or Dr. Yap, or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser, there were no other engagements between Nuada Limited and the Group or Dr. Yap. 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 Company or Dr. Yap, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give independent advice on the Rights Issue.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date and the Independent Shareholders will be notified of any material changes to such statements, information, opinions and/or representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this circular, or the reasonableness of the opinions expressed by the Company, Dr. Yap, their respective advisers, the Directors, which have been provided to us.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

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We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if they are in any doubt, they should consult their own professional advisers.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Rights Issue and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

1. Financial information of the Group

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

Set out below is a summary of the unaudited financial results of the Group for the two six months period ended 30 September 2018 (“**FP2018**”) and 30 September 2017 (“**FP2017**”) and the audited consolidated financial results of the Group for the two financial years ended 31 March 2018 (“**FY2018**”) and 31 March 2017 (“**FY2017**”) as extracted respectively from the interim report of the Group for FP2018 (the “**Interim Report**”) and the annual report of the Company for FY2018 (the “**Annual Report**”).

	For the six months ended		For the year ended	
	30 September		31 March	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	82,207	90,294	1,150,672	85,792
Gross profit	67,542	77,035	57,392	68,765
(Loss)/profit for the period/year	(684,994)	(140,215)	(497,835)	1,222,155

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the six months ended		For the year ended	
	30 September		31 March	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
Segment revenue				
Trading of securities	–	–	–	–
Property development, investment and trading	62,323	64,899	1,103,882	57,899
Water supply business	19,884	25,395	46,790	27,893
Segment (loss)/profit				
Trading of securities	(13,439)	12,230	(7,327)	(884)
Property development, investment and trading	(196,748)	49,786	112,175	2,564,915
Water supply business	4,277	10,083	19,128	5,613
		As at 30	As at 31 March	
		September	2018	2017
			<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	<i>(audited)</i>
Bank balances and cash		88,140	430,655	103,957
Current assets		1,206,105	1,300,059	2,053,694
Net current assets/(liabilities)		(228,507)	55,108	208,957
Total assets		11,349,225	12,623,049	12,435,804
Net assets		3,939,059	4,878,741	5,025,894
Total borrowings		5,665,570	5,723,897	4,609,934
Current liabilities		1,434,612	1,244,951	1,844,737
Equity attributable to owners of the Company		3,893,424	4,826,758	4,982,702

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for FY2018

As set out in the Annual Report, revenue of the Group increased from approximately HK\$85.8 million for FY2017 to approximately HK\$1,150.7 million for FY2018, representing an increase of approximately 12.4 times. According to the management of the Company, the increase in revenue was mainly attributable to the sales of properties, namely serviced-apartments, amounting to approximately HK\$974.3 million for FY2018 upon obtaining the licenses from the relevant governmental authorities during FY2018, which was nil for FY2017. Rental income also increased as most units of the shopping arcade A-Mall were leased out during FY2018, and together with the sales of properties contributed to the increase of revenue of property development, investment and trading segment from approximately HK\$57.9 million for FY2017 to approximately HK\$1,103.9 million for FY2018. Revenue of the water supply business of the Group also increased from approximately HK\$27.9 million for FY2017 to approximately HK\$46.8 million for FY2018 due to the introduction of a new customer during FY2018. Despite the increase in revenue, the cost of sales also increased due to the substantial increase in cost of sales of properties (which was nil for FY2017) and the gross profit of the Group decreased from approximately HK\$68.8 million for FY2017 to HK\$57.4 million for FY2018, representing a decrease of approximately 16.5%.

The Group recorded a loss for the year of approximately HK\$497.8 million for FY2018 as compared with a profit of approximately HK\$1,222.2 million for FY2017. As stated in the Annual Report, such change was mainly attributable to a non-recurring combing effect of (i) a gain on fair value changes upon transfer of properties under development for sale to investment properties of HK\$2,732.4 million netted off by (ii) an impairment loss of HK\$265.1 million on properties held for sale and (iii) an impairment loss of HK\$115.6 million on goodwill arising from acquisition of subsidiaries during FY2017. Items (i) and (ii) above also contributed substantially to the significant segment profit of property development, investment and trading of approximately HK\$2,564.9 million for FY2017. Since these items did not arise during FY2018, the Group recorded a loss for FY2018 in contrast to a profit for FY2017, while the segment profit of property development, investment and trading also decreased dramatically for FY2018. Meanwhile, segment profit of the water supply business increased from approximately HK\$5.6 million for FY2017 to approximately HK\$19.1 million for FY2018 due to the aforesaid new customer, and the trading of securities business had an increase in segment loss due to fair value loss recognised on and loss on disposal of listed securities.

Financial performance for FP2018

As set out in the Interim Report, revenue of the Group decreased from approximately HK\$90.3 million for FP2017 to approximately HK\$82.2 million for FP2018, representing a decrease of approximately 9.0%. According to the management of the Company, the decrease in revenue was mainly attributable to the decreased revenue from the water supply business. Revenue of property development, investment and trading segment decreased slightly from approximately HK\$64.9 million for FP2017 to approximately HK\$62.3 million for FP2018 due to early termination of a tenancy during the period. Revenue of the water supply business of the Group also decreased from approximately HK\$25.4 million for FP2017 to approximately HK\$19.9 million for FP2018 due to the maintenance work carried out in Yellow River water source supply leading to a decrease in amount of water supply to customer. Due to the drop of revenue, the gross profit of the Group decreased from approximately HK\$77.0 million for FP2017 to HK\$67.5 million for FP2018, representing a decrease of approximately 12.3%.

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The Group recorded a loss for the period of approximately HK\$685.0 million for FP2018, representing an increase in loss for the period of approximately 388.6% from approximately HK\$140.2 million for FP2017. As stated in the Interim Report, such increase was mainly attributable to, among others, a negative other gains and losses and other expenses of approximately HK\$505.0 million for FP2018 (positive of approximately HK\$106.9 million for FP2017), which in turn was mainly due to the loss on fair value changes on investment properties and exchange losses. The aforesaid loss on fair value changes on investment properties also results in the segment loss of property development, investment and trading of approximately HK\$196.7 million for FP2018. Meanwhile, segment profit of the water supply business decreased from approximately HK\$10.1 million for FP2017 to approximately HK\$4.3 million for FP2018 due to decrease in segment revenue, and the trading of securities business had an increase in segment loss due to loss on disposal of listed securities held for trading and fair value loss recognised on its listed securities which were marked up to the market price as at 30 September 2018.

Financial position as at 31 March 2018 and 30 September 2018

Regarding the financial position of the Group, as shown in the table above, the bank balances and cash of the Group amounted to approximately HK\$430.7 million as at 31 March 2018 and decreased to approximately HK\$88.1 million as at 30 September 2018. According to the management of the Company, such change was mainly due to the combined effect of (i) the proceeds from disposal of asset through disposal of a subsidiary; (ii) refund of deposits for acquisition of interest in investments; (iii) borrowings raised; (iv) payment of refundable deposits for proposed acquisitions upon entering into of the MOUs; and (v) repayment of borrowings and interest paid. Please refer to the Interim Report for details.

The current ratio comparing the current assets and current liabilities of the Group decreased from approximately 111.3% as at 31 March 2017 to approximately 104.4% as at 31 March 2018. The net current assets of the Group also decreased from approximately HK\$209.0 million as at 31 March 2017 to approximately HK\$55.1 million as at 31 March 2018. Net assets of the Group amounted to approximately HK\$4,878.7 million as at 31 March 2018, representing a decrease of approximately 2.9% as compared with that of approximately HK\$5,025.9 million as at 31 March 2017. Based on the Interim Report, the current ratio of the Group decreased to approximately 84.1% as at 30 September 2018 and the Group recorded a net current liabilities, instead of net current assets, of approximately HK\$228.5 million as at 30 September 2018. According to the management of the Company, such change was mainly due to the combined effect of (i) the aforesaid change in bank balances and cash of the Group; (ii) the refundable deposits for proposed acquisitions (nil as at 31 March 2018); and (iii) the increase in current liabilities due to increase in borrowings due within one year. Please refer to the Interim Report for details.

The total borrowings of the Group amounted to approximately HK\$5,723.9 million as at 31 March 2018, representing a gearing ratio of approximately 118.6% (being the total borrowings of the Group divided by equity attributable to owners of the Company of approximately HK\$4,826.8 million) as compared with that of approximately 92.5% as at 31 March 2017. Based on the Interim Report, the total borrowings of the Group amounted to approximately HK\$5,665.6 million as at 30 September 2018, representing an increased gearing ratios to approximately 145.5%. According to the management of the Company, such increase in gearing ratio was due to, among other factors, the decrease in amount of investment properties of the Group as a result of exchange re-alignment and change in fair value, and therefore a decrease in net assets of the Group as at 30 September 2018. As stated in the Annual Report, the finance costs of the Group arising from such borrowings amounted to approximately HK\$424.4 million for FY2018 and approximately HK\$224.3 million for FP2018.

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The amount of cash of the Group was approximately HK\$430.7 million as at 31 March 2018 and approximately HK\$88.1 million as at 30 September 2018 while the Debts (as defined below) amounted to approximately HK\$2,299.5 million as at the Latest Practicable Date. We note that while the amount of net assets of the Group as at 31 March 2018 is high, investment properties amounting to approximately HK\$10,360.3 million represents a substantial amount of the total assets of the Group of approximately HK\$12,623.0 million. We have discussed with the management of the Company in this regard and understand that these investment properties are all under operating leases to generate rental income for the Group. As discussed with the management of the Company, in view of the current financial position, the Directors will (i) seek for refinancing of loans; (ii) consider to realise part of its property interests if necessary; (iii) negotiate for extension and revision of repayment terms; (iv) continue to monitor the financial positions of the Group and adopt measures to improve operating cashflow.

In addition, we also note that the net increase in cash and cash equivalents was approximately HK\$300.1 million for FY2018, of which net cash from operating activities, net cash used in investing activities and net cash from financing activities were approximately HK\$66.3 million, HK\$49.1 million and HK\$282.9 million respectively. The net cash from financing activities mainly comprised the proceeds from and repayments of bank and other borrowings and interest paid for FY2018. As advised by the management of the Company, the Group recorded a net decrease in cash and cash equivalents of approximately HK\$318.3 million for FP2018, of which net cash used in operating and investing activities were approximately HK\$38.0 million and HK\$288.1 million respectively, while net cash from financing activities was approximately HK\$7.8 million.

As disclosed in the announcement of the Company dated 30 October 2018, on 26 October 2018, Group Dragon Limited, an indirect wholly-owned subsidiary of the Company, as Vendor, Ms. Wang Hujuan as Purchaser, and Mr. Li Wakin as Purchaser Guarantor entered into Disposal Agreement. Pursuant to the Disposal Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Company and (if any) shareholder's loan due and owing by the Target Company to the Vendor at completion of the Disposal at a consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000). Please refer to the section headed "The Disposal" in the Letter from the Board for details regarding the Disposal.

As discussed with the management of the Company, the water supply business of the Group is carried out by the Target Company and its subsidiaries, and the Group will cease to operate water supply business upon completion of the Disposal. As discussed in the above paragraphs, revenue of the water supply business for FY2018 amounted to approximately HK\$46.8 million, representing approximately 4.1% of the total revenue of the Group. We also note from the Annual Report that the segment assets of the water supply business as at 31 March 2018 amounted to approximately HK\$134.9 million, representing approximately 1.1% of the total assets of the Group. The Board intended to utilise the proceeds from the Disposal for repayment of the Group's borrowings. The Disposal is subject to conditions as set out in the Letter from the Board and if such conditions have not been satisfied on or before noon of the Long Stop Date, the Disposal Agreement shall cease. Based on the financial position of the Group as detailed above and taking into account of the Disposal, where the consideration amounted only to RMB50,000,000 (equivalent to approximately HK\$56,500,000), we consider that the existing cash level of the Group cannot cover the Debts which are due by December 2019 and/or the related interest.

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Based on the latest financial position of the Group as discussed above, in particular the increasing gearing ratio and the below 100% current ratio, we consider that the existing cash level of the Group cannot cover the Debts which are due by May 2020 and/or the related interest.

2. Reasons for and benefits of the Rights Issue and the use of proceeds

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 be not less than approximately HK\$307 million and not more than approximately HK\$1,058 million. The net proceeds are intended to be used for partial repayment of short-term loans and long term loans borrowed in Hong Kong of approximately HK\$2,299.5 million payable within 12 months from the date of issuing the Rights Shares (the “**Debts**”) and settlement of interest expenses of approximately HK\$161.5 million payable within the next 12 months arising from all loans borrowed in Hong Kong, assuming the Rights Issue will be completed in May 2019. 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 May 2019, breakdowns of (i) the major loans borrowed in Hong Kong each exceeding HK\$100 million payable within the next 12 months following completion of the Rights Issue (Table A); and (ii) other short-term loans (Table B) borrowed in Hong Kong are set out below. The lenders or noteholders are mainly licensed money lenders in Hong Kong or, to the best knowledge of the Directors, controlled corporations (as defined in the SFO) of licensed corporations (as defined in the SFO) or Hong Kong listed companies which principal business includes securities investments, financial investments, provision of credit services or loan financing services:

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Table A, Major loans repayable on or before May 2020:

	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Interest payment terms (approximate)	Due dates	Total principal and interest payable from Latest Practicable Date to due date (approximate)	Lender Profile
(1)	Senior guaranteed notes (“Debt A”)	US\$95,000,000 (equivalent to approximately HK\$741.0 million)	8.00%	US\$3.8 million (equivalent to approximately HK\$29.6 million) interest payable semi-annually	September 2019	US\$102.8 million (equivalent to approximately HK\$801.5 million)	Private company
(2)	3-year 9.5% notes (“Debt B”)	HK\$500 million	9.50%	HK\$12 million interest payable quarterly	November 2019	HK\$547.4 million	Private company
(3)	3-year 9.5% notes	HK\$100 million	9.50%	HK\$2.4 million interest payable quarterly	November 2019	HK\$109.5 million	Private company
(4)	3-year 9.5% notes	HK\$160 million	9.50%	HK\$3.8 million interest payable quarterly	December 2019	HK\$171.5 million	SFO licenced corporation
(5)	3-year 9.5% notes	HK\$200 million	9.50%	HK\$4.8 million interest payable quarterly	January 2020	HK\$223.8 million	Hong Kong listed company
(6)	3-year 9.5% notes	HK\$180 million	9.50%	HK\$4.3 million interest payable quarterly	January 2020	HK\$197.1 million	SFO licensed corporation

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	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Interest payment terms (approximate)	Due dates	Total principal and interest payable from Latest Practicable Date to due date (approximate)	Lender Profile
(7)	3-year 9.5% notes	HK\$100 million	9.50%	HK\$2.4 million interest payable quarterly	March 2020	HK\$111.9 million	Private company
(8)	3-year 9.5% notes	HK\$100 million	9.50%	HK\$2.4 million interest payable quarterly	March 2020	HK\$111.9 million	Private company
		HK\$2,081.0 million				HK\$2,274.6 million	

Table B, Short-term loans:

	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Due date	Total principal and interest payable from Latest Practicable Date to due date (approximate)	Lender Profile
(1)	Unsecured loan (“Short-term Loan A”)	HK\$38.2 million	14.4%	August 2019	HK\$40.4 million	Licensed money lender
(2)	Unsecured loan (“Short-term Loan B”)	HK\$20 million	15%	August 2019	HK\$21.3 million	Licensed money lender
(3)	Unsecured loan (“Short-term Loan C”)	HK\$10 million	15%	September 2019	HK\$10.8 million	Licensed money lender
(4)	Unsecured loan (“Short-term Loan D”)	HK\$21 million	18%	October 2019	HK\$25.4 million	Licensed money lender
(5)	Unsecured loan (“Short-term Loan E”)	HK\$4.5 million	12%	October 2019	HK\$4.9 million	Licensed money lender

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	Loan type	Outstanding principal as at the Latest Practicable Date (approximate)	Annual interest rate	Due date	Total principal and interest payable from Latest Practicable Date to due date (approximate)	Lender Profile
(6)	Unsecured loan ("Short-term Loan F")	HK\$17.0 million	18%	October 2019	HK\$19.3 million	Licensed money lender
(7)	3-year 9.5% notes ("Short-term Loan G")	HK\$60.0 million	9.5%	February 2020	HK\$65.7 million	SFO licensed corporation
(8)	Unsecured loan ("Short-term Loan H")	HK\$34.1 million	Hong Kong Dollars Prime Rate of 5% p.a.	On demand	HK\$34.1 million <i>(Note)</i>	Private company
(9)	Margin financing ("Short-term Loan I")	HK\$1.5 million	18%	On demand	HK\$1.5 million <i>(Note)</i>	SFO licensed corporation
(10)	Margin financing ("Short-term Loan J")	HK\$35.4 million	9.252%	On demand	HK\$35.4 million <i>(Note)</i>	SFO licensed corporation
		<u>HK\$241.7 million</u>			<u>HK\$258.8 million</u>	

Note:

The figures represent their respective outstanding principal as at the Latest Practicable Date excluding the amount of interest to be payable, given these loan/financing are repayable on demand and do not have specific maturity dates.

The estimated net proceeds from the Rights Issue (taking into account the effect of deducting the related expenses for the Rights Issue) will be not less than approximately HK\$307 million (the "**Minimum Proceeds Scenario**") and not more than approximately HK\$1,058 million (the "**Maximum Proceeds Scenario**").

With reference to the Letter from the Board, the table below sets out, for illustration purpose only, the intended use of the net proceeds from the Rights Issue under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario:

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Table C, Use of proceeds:

	Minimum Proceeds Scenario		Maximum Proceeds Scenario	
	Amount (HK\$ million) (approximate)	Approximately %	Amount (HK\$ million) (approximate)	Approximately %
Repayment of interest				
– short-term loans (<i>Note 1</i>)	4.1		4.7	
– major loans repayable on or before May 2020 (<i>Note 2</i>)	59.0		78.0	
– other loans repayable after May 2020 (<i>Note 3</i>)	<u>7.2</u>		<u>14.4</u>	
	70.3	22.9	97.1	9.2%
Repayment of loan principal				
– short-term loans (<i>Note 1</i>)	30.0		72.5	
– Debt A	206.7		741.0	
– Debt B	<u>–</u>		<u>147.4</u>	
	<u>236.7</u>	(<i>Note 4</i>) <u>77.1%</u>	<u>960.9</u>	(<i>Note 5</i>) <u>90.8%</u>
Total	<u><u>307.0</u></u>	<u>100.0%</u>	<u><u>1,058.0</u></u>	<u>100.0%</u>

Notes:

- Details of short-term loans are presented in Table B above. In terms of their repayments, the Company intends to apply the proceeds from the Disposal to settle the outstanding principal of Short-term Loan A partially and utilise its available internal resources and/or obtain re-financing to settle the remaining principal of Short-term Loan A and the principal of Short-term Loan G. Apart from the above, the Company will prioritise repayment of the short-term loans and its interest expenses in accordance with the order of the maturity date or repayment due date. For illustration purpose, assuming the short-term loans are not extended, principal of Short-term Loans B and C will be settled under the Minimum Proceeds Scenario, and principal of Short-term Loans B, C, D, E, and F will be settled under the Maximum Proceeds Scenario. In the event any of the short-term loans are extended, the net proceeds will be allocated to settle principal of other short-term loans (excluding Short-term Loans A, G, H, I and J) according to their respective maturity dates or repayment due dates. We note that the Company indeed follows the general principle to repay loans when they fall due, in particular they will repay Short-term Loan B and C due by August 2019 and September 2019 with principal amount of HK\$30.0 million in aggregate under the Minimum Proceed Scenario, which apart from are the first two short-term loans that will fall due. Based on the subscription level of the Rights Issue, we understand that the Company will utilise the proceed to further settle Short-term Loans D, E and F when they fall due.
- These loans represent the major loans as disclosed in Table A above. The total finance costs up to the relevant due dates are approximately HK\$92.2 million. Part of the proceeds from the Rights Issue is intended to be used for settlement of interest expenses up to and including September 2019 and November 2019 under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario respectively. We note that the Company indeed prioritises interest payment in accordance with repayment due date and only settle them when they fall due.

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3. Other loans repayable after May 2020 represents the 9.5% notes with outstanding principal amount of HK\$300 million due in November 2020. Total finance costs relating to this loan for the next 12 months following the expected completion of the Rights Issue in May 2019 are approximately HK\$28.6 million. Part of the proceeds from the Rights Issue is intended to be used for settlement of interest expenses when they fall due, up to and including August 2019 and November 2019 under the Minimum Proceeds Scenario and the Maximum Proceeds Scenario respectively. We note that the Company indeed prioritises interest payment in accordance with repayment due date and only settle them when they fall due.
4. The Company presently intends to apply the proceeds to settle principal of short-term loans (as set out in Note 1 above) and principal of Debt A partially.
5. The Company presently intends to apply the proceeds to settle principal of short-term loans (as set out in Note 1 above) and the entire principal of Debt A; and the remaining proceeds will be used to settle principal of Debt B partially.
6. Holders of the notes or lenders of the loans which are to receive repayment from proceeds of the Right Issue set out above third parties independent of the Company and its connected persons, and did not hold any securities of the Company as at the Latest Practicable Date.

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 Group, the net proceeds from the Rights Issue will be utilised for settling the interest due arising from the Group's borrowings in Hong Kong, repayment of short-term loans, and full or partial repayment of Debt A and/or Debt B all in accordance with the order of maturity date or repayment due date.

In respect of the use of proceeds set out above, we noted that the general principle is that the Company will utilise the proceeds for interest payment and repayment of any loans in accordance with order of maturity date or repayment due date. Please refer to our assessments as detailed in the notes to Table C above. As stated in the notes to Table C above, we understand from the Company that by utilising the proceeds from the Rights Issue only, none of the major loans in Table A, save for Debt A depending on the subscription level of the Rights Issue, can be fully settled; regarding short-term loans in Table B above, for illustration purpose and assuming the short-term loans are not extended, out of Short-term Loans A to G. Only Short-term Loans B and C will be fully settled by the proceeds from Rights Issue and Short-term Loans D, E and F may or may not be fully settled depending on the subscription level of the Rights Issue. The three payable-on-demand unsecured loan/margin financing are not expected to be settled during the Forecast Period unless the respective lenders demand so, and in such event the Company will not utilise the proceeds from the Rights Issue for settling these loans. As discussed with the management of the Company, the Board will seek alternative financing or revision of payment terms for all the aforesaid loans that could not be fully settled (save for the payable-on-demand unsecured loan/margin financing which are not expected to be settled unless the respective lenders demand so), which totalling not less than HK\$1,290.8 million (under the Maximum Proceeds Scenario) and not more than HK\$2,015.0 million (under the Minimum Proceeds Scenario) in principal amounts.

Given the existing cash level of the Group as detailed in the paragraph headed "1. Financial information of the Group" above, and the higher interest rates of the short-term loans as compared with Debt A and Debt B, we consider that it is fair and reasonable to utilise the proceeds in such a way to avoid default in payment and reduce interest burden.

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Subsequent to the date of the Rights Issue Announcement, the Company has obtained (i) a new loan from a registered money lender in Hong Kong which is an Independent Third Party with the principal amount of HK\$10 million (included as Short-term Loan C in Table B) with interest of 15.0% per annum and repayable in September 2019; and (ii) three standby facilities from three registered money lenders in Hong Kong which are Independent Third Parties in an aggregate amount of HK\$280 million for working capital purpose. For illustration purpose, the table sets out details of the three standby facilities:

	Facility amount	Annual interest rate	Interest payment term	Expiry of facility availability period
(1)	HK\$70 million	14.4%	payable monthly	March 2020
(2)	HK\$90 million	18%	payable monthly	December 2019
(3)	HK\$120 million	14.4%	payable quarterly	March 2020

The above standby facilities are intended to be drawn down for operational and financial use when there is deficit in working capital of the Group. As at the Latest Practicable Date, the above standby facilities had not yet been utilised by the Group and may or may not be drawn.

As at 31 January 2019, the Group had approximately HK\$5,686.2 million debts in total, comprising (i) the major loans (set out in Table A above); (ii) short-term loans (set out in Table B above); (iii) other loans borrowed in Hong Kong repayable after May 2020 of approximately HK\$340 million; and (iv) other borrowings of the Company's PRC subsidiaries from banks in the PRC which are not presently intended to be repaid by proceeds from the Rights Issue. In respect of the PRC borrowings, approximately HK\$367.3 million, HK\$704.6 million and HK\$1,951.9 million of debts will be due within 1 year, 1 to 5 years and over 5 years respectively from 31 January 2019. All PRC borrowings are secured. Given a high level of debts, the finance costs arisen from such debts create a huge financial burden for the Company even before the due dates of Debt A and Debt B.

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 consider it is prudent to conduct the Rights Issue in preparation for repayment of loans and related finance costs.

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As advised by the management of the Company, 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 refinancing loan related finance costs, subject to the repayment priority mentioned above. As at the Latest Practicable Date, the Company has not commenced negotiation in respect of refinancing and/or extension of Debt A and Debt B.

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.

Apart from the Rights Issue, the Directors have considered alternative methods such as issue of convertible bonds, debt financing and placing of new shares to independent third parties in order to improve the liquidity position of the Group. Nevertheless, the Directors of the view that (i) further debt financing would result in additional interest burden and would bring adverse effect to financial performance of the Group; (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 Right Shares with pro-rata entitlement; (iii) there are still about 6 months to run before most of the major loans as disclosed in Table A above are due (the earliest one due in September 2019), the Directors might encounter difficulties in requesting for extension of such loans from the lenders at such an early stage. According to the past experience of the management of the Company, the lenders will only consider extension of loans when it is closer to the due date based on the then market conditions, the Group's repayment history and then financial position. The Company has approached respective lenders of major loans as disclosed in Table A above to negotiate for extension or revision payment terms. However, as at the Latest Practicable Date, the lenders were reluctant to negotiate the abovementioned since there are still 6 months to run before the due date. As a result, the Company is of the view that the Rights Issue is the most appropriate financing method. Please refer to paragraph headed "3. Other fund raising alternatives considered by the Group" below for our analysis in this regard.

We understand that, according to the past experience of the management of the Company, normally parties will commence negotiation on extensions of loans around 3 months before due dates but not earlier, as the counterparties may have to take a longer repayment history of the Group into account when determining the terms for extension. No open market information is available to us regarding the normal practice in relation to the period of time required for loan extension negotiations as this may vary among individual companies due to various factors, including but not limited to different financial position and credit history of individual borrowers and different internal practices of individual lenders. However, we note from the management of the Company that they presently would like to seek the financial flexibility to opt for full or partial repayment of the Debts instead of the extension of the maturity date of the Debts in order to release the Group's financial pressure from the related interest burden and/or in case of failure in extending loan maturity. As such, we consider that the Rights Issue represents one of the alternatives for the Group to finance the repayment of the Debts to the extent of the intended use of proceeds under the Rights Issue.

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Also taking into account (i) the risk that extensions for the loans may not be obtained; (ii) the expected time required for a rights issue; (iii) the uncertainty regarding the difference between the amount raised from the Rights Issue and the total amount of Debts and the time required for raising funds through other means to fulfil such shortfall, we are of the view and concur with the Directors' view that the Rights Issue conducted with completion six months before the due dates of Debt A and Debt B for prudence sake is in the interest of the Company and the Shareholders as a whole.

The Directors noted that after taking into account the present available internal resources and the estimated maximum net proceeds of approximately HK\$1,058 million from the Rights Issue, the Group will not have sufficient working capital for the next 12 months from the date of this circular in the absence of extension of borrowings and/or re-financing (the "**Working Capital Insufficiency**"). As such, apart from negotiating for extension for borrowings and re-financing from independent third parties of the Company and its connected persons, the Board had after the date of the Rights Issue Announcement, further discussed and explored other ways to obtain additional funding so as to ease the Group's debt level and improve the Group's financial healthiness. After assessing the potential financial benefits and impact, the Board considered that it might be appropriate to explore the opportunity to realise its investment in the water supply business or part of its property assets to Independent Third Party(ies). Please also refer to the paragraph headed "1. Financial information of the Group" above for our discussion on the disposal of the water supply business.

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.

In light of the above, the Board (including the members of the Independent Board Committee after having received and considered the advice from us) considers that (i) the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position with the least theoretical dilution effect; (ii) the Rights Issue would not result in additional interest burden or bring adverse effect to the financial performance of the Group; (iii) the proceeds from the Rights Issue would match with the expected timing of repayment of principal of short-term loans and principal of long-term loans payable within 12 months from expected date of completion of the Rights Issue in May 2019, as well as related finance costs; and (iv) the full acceptance of provisional entitlements in the Rights Issue undertaken by Dr. Yap would secure partial funding for the Group. Therefore the Board 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.

We have also discussed with the management of the Company regarding the Working Capital Insufficiency, including the material changes relating to the Group since the latest published audited accounts of the Group (the "**Material Changes**") as detailed in the section headed "IV. MATERIAL CHANGE" in Appendix I to the Circular. We note that among those changes, the Group recorded an unaudited net current liabilities as at 30 September 2018 as compared with an audited net current assets as at 31 March 2018. In addition, we note that the major loans with principal amounts of HK\$100 million or more totalling HK\$2,081.0 million as at the Latest Practicable Date as detailed above will be matured by as early as September 2019, which is 18 months or more from 31 March 2018, the date of the last

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financial year end. According to the management of the Company, the Working Capital Insufficiency is foreseen based on the bank balances and cash as at 30 September 2018, which decreased as detailed above, and mainly due to the projected continuous cash outflow of interest payment and repayment of certain loans when fall due while the cash inflow is insufficient to cover such cash outflow.

Also, as advised by the management of the Company, the Company and several Independent Third Parties as intended vendors entered into three MOUs dated 13 July 2018, 30 August 2018 and 17 September 2018 respectively for the proposed acquisitions of certain property interests in the PRC, pursuant to which the Company agreed to pay refundable deposits in an aggregate amount of approximately RMB750 million (or equivalent to approximately HK\$847 million) (the “**Refundable Deposits**”) to the Potential Vendor for securing an exclusive right on future acquisition of the entire equity interest in a Hong Kong company and two PRC companies (established under the laws of the PRC and are principally engaged in property leasing and management) (the “**MOU Targets**”). The amounts of the Refundable Deposits were determined and agreed by the parties to each of the MOUs respectively after arm’s length negotiation. While the amount of the Refundable Deposits are material, we understand from the management of the Company that (i) the Company has the right to terminate the acquisitions by serving a notice to the intended vendors and the Refundable Deposits shall be refunded to the Company within the Business Days after the notice of termination; and (ii) even considering full refunds, the Group may still have insufficient working capital within 12 months from the date of the Circular.

In the event the MOUs are terminated, the respective intended vendor(s) shall refund full amount of respective refundable deposits (without any deduction) within 10 business days after receipt of the Company’s written termination notice pursuant to the terms of the MOUs. Regarding MOU 1, the due diligence period expired on 13 January 2019 and the deposit had been refunded. Regarding MOU 2, the due diligence period will expire on 24 May 2019. In view of the insufficient working capital, we understand that as at the Latest Practicable date, the Board had no intention to extend the MOU 2 upon expiry of the due diligence period. After receiving the refundable deposit upon termination and subject to further negotiation and result of the due diligence review, the Group may consider re-entering into a revised memorandum of understanding without placing significant amount of deposit in relation to the proposed acquisition under MOU 2. As at the Latest Practicable Date, discussion of the revised terms of the MOU 2 had not commenced and no terms and conditions of revised MOU 2 had been agreed. We understand that the Directors are aware of the current position of the working capital and further capital requirement may be required for any future property development projects, and will adopt a cautious approach by taking these factors into account during negotiation and project assessment in the future. Regarding MOU 3, the due diligence period expired on 17 March 2019 and the Company had issued a termination notice to the intended vendor on 18 March 2019. The Company is expected to receive the refund of the deposit pursuant to the terms of the MOU 3 (i.e. on or before 1 April 2019).

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In summary, we noted that most of the Material Changes are negative, including (i) decrease in book value of investment properties; (ii) decrease in revenue of the property segment and the Group as a whole; (iii) the change from a gain to a loss for the property segment of the Group; (iv) the increase in loss of the Group; (v) change from a total net comprehensive income to a total net comprehensive expenses; (vi) increase in borrowings due within one year of the Group; (vii) change from a net current assets position of the Group to a net current liabilities position; (viii) decrease in bank balances and cash level of the Group; and (ix) the Working Capital Insufficiency. Some of the Material Changes are factual in nature and/or of uncertain nature, including (i) entering into of the aforesaid three MOUs with the payment of Refundable Deposits and possible future capital commitment and/or financing requirements; (ii) obtaining three new interest bearing unutilised loan facilities; (iii) termination of an acquisition with refund of deposits; and (iv) possible disposal of the water supply business which would change the business portfolios of the Group upon completion of the Disposal but generate one-off proceeds.

We have also discussed with management of the Company regarding the assumptions used in the working capital forecast. We note that the some of the major assumptions are general in nature, including the expected completion of the Rights Issue and the Disposal in May 2019 with proceeds and consideration received accordingly, the amount of proceeds not less than approximately HK\$307 million and not more than approximately HK\$1,058 million, and core business operation and asset base (including real assets, financial assets and any other forms of assets and/or liabilities and contingent liabilities) of the Group and the market condition in which the Group operates and/or invests in not differing materially from those of the present, including no acquisition or disposal and/or intended acquisitions or disposals (save for the Disposal) with concrete terms would be proposed, conducted and/or completed by the Group during the Forecast Period. Other major assumptions are made based on, among others, the experience of the management of the Company, including (a) lenders of loans without specific maturity dates will not demand partial or full repayment of loans; (b) no margin call for partial or full repayment of the margin loans and the related interest thereof will be made by the lenders; and (c) administrative expenses are expected to grow with the annual inflation rate of 1.50%. Other major assumptions are made, among others, based on the possible events under relevant documentations as discussed below with uncertainties involved, including (aa) other than the three unutilised loan facilities of HK\$280 million (which will be utilised when necessary), no new financing (including debt financing and/or equity financing and/or any other alternative financing) will be obtained by the Group and no existing borrowings will be extended by respective lenders; (bb) the potential acquisition under MOU 2 will be terminated and the Refundable Deposits placed by the Group of approximately HK\$734.3 million under MOU 2 and MOU 3 will be refunded during the forecast period; and (cc) distressed debt asset of approximately HK\$90.2 million, classified as available-for-sale investment under current asset in the Group's account, will be recovered during the forecast period.

The working capital forecast is compiled for the purpose of this circular to illustrate the cash flow position, in particular the working capital sufficiency, of the Group within a 12 months period with no intended implication on the expected future profit/loss of the Group, and it is noted that such assumptions are made for the purpose to draw the Shareholders' attention to, and where possible quantify, those uncertain factors which could materially disturb the ultimate cash flow of the working capital forecast. In particular, assumptions (aa), (bb) and (cc) above illustrate the fact that even if the assumed cash inflow from the relevant loan facilities, the refund of the Refundable Deposits and the recovery of relevant distressed debt assets (which are uncertain factors) are taken into account in the working capital forecast, the working capital forecast still implicates the Working Capital Insufficiency.

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In respect of these assumptions, we have discussed with the management of the Company and reviewed relevant documentations. We noted that (i) under the loan facilities agreements, subject to the terms of the respective loan facilities, the loans facilities are available for drawdown upon receipt of notice from the Company, and such loans are intended to be drawn down by the Group when there is deficit in working capital of the Group, and the assumed cash inflow from drawdown of such loans, the relevant payment of interests and repayment of principal after drawdown of the respective loan facilities have been taking into account in the working capital forecast. As at the Latest Practicable Date, these loan facilities have not yet been utilised by the Group and may or may not be drawn down; (ii) as discussed above, under the terms of the MOUs, the Refundable Deposits shall be refunded by the respective intended vendors within 10 Business Days after receipt of notices of termination from the Company. Regarding MOU 1, the due diligence period expired on 13 January 2019 and the deposit had been refunded. Regarding MOU 2, the due diligence period will expire on 24 May 2019. It is the intention of the Company to give notice of termination to the intended vendors upon the expiry of the due diligence period of the MOU 2 in accordance with the terms thereof, after receiving the refundable deposit upon termination and subject to further negotiation and result of the due diligence review, the Group may consider re-entering into a revised memorandum of understanding without placing significant amount of deposit in relation to the proposed acquisition under MOU 2. As at the Latest Practicable Date, discussion of the revised terms of the MOU 2 had not commenced and no terms and conditions of revised MOU 2 had been agreed. Regarding MOU 3, the due diligence period expired on 17 March 2019 and the Company had issued a termination notice to the intended vendor on 18 March 2019. The Company is expected to receive the refund of the deposit pursuant to the terms of the MOU 3 (i.e. on or before 1 April 2019); (iii) pursuant to the terms of the MOUs, as a safeguard, the refund is secured by pledge of relevant transfer documents and the relevant company seals and the relevant contract seals (if any) of the acquisition targets. If the intended vendors fail to refund the Refundable Deposit to the Company according to the aforesaid terms of the MOUs, the Company has the enforcement right to execute the relevant pledged transfer documents so as to obtain the entire equity interests of the MOU Targets (details of the transfer documents are set out in the section headed “11. MATERIAL CONTRACTS” in Appendix V to the Circular); and (iv) the management of the Company expects the distressed assets, being the Group’s rights to receive repayment of the principal amount of loans, to be realised within one year from 30 September 2018 through auction of pledged assets under the loans based on the litigation status as at 30 September 2018 and the legal opinion obtained by the Company.

The above assumptions are realistic in a sense and to the extent that the related assumed events thereof may possibly occur in accordance with the relevant documentations. However, due to the inherent uncertain nature of such assumptions, such assumptions are not meant to imply the likelihood of the actual occurrence of the events under such assumptions, and so may occur otherwise. For instance, the distressed assets under assumption (cc) are to be realised through auction of pledged assets under the loans by the relevant court of the PRC, the results of which remain uncertain. If the pledged assets are not sold in the said auction during the forecast period, the distressed assets may not be recovered, either in part or in full, within the forecast period as per assumption (cc).

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In light of the foregoing, we consider the assumptions made in the working capital forecasts are complete and justifiable for the aforesaid purpose, and that no important assumption has been omitted. Although we are not in the position to suspect whether the assumptions, whether general in nature, based on the experience of the management of the Company or relating to possible events under relevant documentations with uncertainties involved will or will not be actualised during the relevant forecast period, and/or the probability of the occurrence or non-occurrence of those events, in particular assumptions (aa), (bb) and (cc) above, as such events may or may not occur, we have inquired the Company and note that if assumptions (aa), (bb) and (cc) above are assumed otherwise, the bank balance and cash would be lowered by a total of not less than approximately HK\$1,037.7 million and not more than approximately HK\$1,060.6 million and the Shortfall (as defined below) would be increased accordingly. Nevertheless, it should be noted that the working capital forecasts do not in any manner represent or imply the actual future cash flow of the Group and/or the actual occurrence of any events under the assumptions of the working capital forecasts, and our opinion contained herein does not in any manner conclude or imply any events under the assumptions of the working capital forecasts will be actualised or not during the forecast period.

Based on the foregoing, we consider that the major factor for the Working Capital Insufficiency was that certain major borrowings previously due after more than one year will fall due during the forecast period in preparing the working capital forecast, while the future operating cash inflow of the Group are insufficient to match with the repayment schedule of borrowings and relevant interest payment.

We note that based on the working capital forecast, by the end of May 2020, there will be shortfall in working capital (the “**Shortfall**”) of approximately HK\$1,384.5 million under the Minimum Proceeds Scenario and approximately HK\$610.6 million under the Maximum Proceeds Scenario. We have discussed with the management of the Company and understand that the Company has continuously sought to resolve the liquidity issue as abovementioned, including but not limited to realising part of its property assets, and obtaining re-financing from third parties independent of the Company and its connected persons. For the former, as disclosed in the Company’s announcement dated 31 May 2018 and 31 July 2018, the Company, as the intended vendor, entered into the memorandum of understanding with the intended purchaser relating to a potential disposal of certain issued share capital of the target company, which, through its subsidiaries, is principally engaged in the development of real estate in the PRC and is holding certain property interests in a building in Guangzhou, the PRC. Nevertheless, since no formal agreement has been entered into between the Company and the intended purchaser on or before 28 September 2018, the aforesaid memorandum has lapsed on the same day. For the latter, the Company has obtained three unutilised standby loan facilities, with aggregate principal amount HK\$280 million and term period between 15 and 18 months as detailed above, in September 2018 in an attempt to alleviate the liquidity issue. The Shortfall, which has taken into account the drawdown of the aforesaid three loan facilities of aggregate principal amount HK\$280 million in the future when necessary, has not been resolved as at the Latest Practicable Date. In addition to the above actions taken, the Directors will also negotiate for extension and revision of repayment terms of the loans, and continue to monitor the financial positions of the Group and to improve the operating cashflow through various measures. In light of the aforementioned efforts demonstrated and measures proposed by the Board, we consider that the Board has continued and will continue to take actions to make up the Shortfall and such actions, including the Rights Issue, represent feasible financing alternatives for immediately available liquid cash..

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Having taken into consideration that:

- (i) the existing cash level of the Group cannot cover the Debts as at the Latest Practicable Date which are due by May 2020 and the related interest;
- (ii) the Rights Issue would provide additional funds for the Company to prepare for the repayment of the Debts and/or settlement of the related interest; and
- (iii) partial repayment of the Debts using the net proceeds from the Rights Issue would improve the financial position of the Group, in particular its reducing debt level and releasing the related interest burden, and strengthen the Group's capability to negotiate for other debt and/or equity financing activities in the future when appropriate,

we are of the view that the use of proceeds from the Rights Issue is justifiable, and we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Nevertheless, it should be noted that as stated in the paragraph headed "1. Financial information of the Group" above, the gearing ratio of the Group was approximately 118.6% as at 31 March 2018 and approximately 145.5% as at 30 September 2018, with finance cost arising from those borrowings amounting to approximately HK\$424.4 million for FY2018 and approximately HK\$224.3 million for FP2018. Meanwhile, the bank balances and cash of the Group were approximately HK\$430.7 million as at 31 March 2018 and HK\$88.1 million as at 30 September 2018. The Group recorded a net current assets of approximately HK\$55.1 million as at 31 March 2018 and a net current liabilities of approximately HK\$228.5 million as at 30 September 2018. Also, as stated in the paragraph headed "III. WORKING CAPITAL" in Appendix I to the Circular, the Directors are of the opinion that, after due and careful enquiry, taking into account the present available resources and the estimated maximum net proceeds of approximately HK\$1,058 million from the Rights Issue assuming all Shareholders have taken up the Rights Shares and the proceeds from the Disposal, as at the Latest Practicable Date, the Group will not have sufficient working capital for at least the next twelve months from the date of the Circular in the absence of extension of borrowings and/or obtaining re-financing.

In addition, as mentioned above, there are Material Changes which may affect or may have affected the financial position and performance of the Group. Your attention is drawn to the Material Changes as set out in the section headed "IV. MATERIAL CHANGE" in Appendix I to the Circular.

In view of such high gearing ratio and finance cost, the relatively low level of liquidity and the Working Capital Insufficiency, the Material Changes, in particular, (i) the deteriorated market value of the Group's property investment; and (ii) other Material Changes, especially those with adverse nature, including (a) decrease in revenue of the property segment and the Group as a whole; (b) the change from a gain to a loss for the property segment of the Group; (c) the increase in loss of the Group; (d) change from a total net comprehensive income to a total net comprehensive expenses; (e) increase in borrowings due within one year of the Group; (f) change from a net current assets position of the Group to a net current liabilities position; and (g) decrease in bank balances and cash level of the Group, as well as the premium represented by the Subscription Price to the recent market prices of the Adjusted Shares as detailed in the paragraph headed "4. Principal terms of the Rights Issue" below, Qualifying Shareholders should exercise caution when considering the acceptance of Rights Shares provisionally allotted to them

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and the application for excess Rights Shares. For avoidance of doubt, we envisage our role as to opine on whether the Rights Issue is in the interest of the Company and the Shareholders as a whole, and as to the fairness and reasonableness of the terms of the Rights Issue. Based on the factors details above, we consider that the Rights Issue is in the interest of the Company since the Rights Issue will raise a minimum proceeds of HK\$307.0 million under the Deed of Covenants and Undertakings, provided that no other Qualifying Shareholders, except Dr. Yap, accept the Rights Shares, and the terms of the Rights Issue are fair and reasonable as to be detailed below. However, we do not envisage our role as to opine on, and our opinion herein does not in any manner address to or imply, whether Qualifying Shareholders should or should not accept the Rights Shares.

3. Other fund raising alternatives considered by the Group

As disclosed in the Letter from the Board, 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) as compared with placing and open offer, 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 and exit by selling their nil-paid rights in the market for economic benefits, the Company is of the view that the Rights Issue is the most appropriate financing method.

In this regard, we have discussed with the management of the Company regarding the possibility of fund raising through alternative means. As stated in the paragraph headed “1. Financial information of the Group” above, the total borrowings of the Group amounted to approximately HK\$5,723.9 million as at 31 March 2018, representing a gearing ratio of approximately 118.6% as compared with that of approximately 92.5% as at 31 March 2017, and approximately HK\$5,665.6 million (representing a gearing ratio of approximately 145.5% as at 30 September 2018). The finance costs of the Group for FY2018 arising from such borrowings amounted to approximately HK\$424.4 million. Having considered the debt level of the Group and that additional debt financing would further increase the interest burden on the Group, we are of the view that debt financing would be less appropriate.

Taking into account that (i) the Rights Issue provides an exit to the Qualifying Shareholders who elect not accepting the Rights Shares by selling their nil-paid rights in the market for economic benefits; (ii) as compared to placing or subscription of new Shares which leads to an inevitable dilution of shareholding of the Qualifying Shareholders, the Rights Issue allows the Qualifying Shareholders to maintain their respective shareholding interests in the Company upon completion of the Rights Issue should they wish so; and (iii) debt financing would impose further interest burden on the Group as compared with the Rights Issue, we consider the Rights Issue to be a better financing alternative over other means of financing as discussed above.

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4. Principal terms of the Rights Issue

The Rights Issue is proposed to take place after the Capital Reorganisation has become effective. Details of the Rights Issue are as follows:

(a) *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.

(b) *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.

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 the Letter from the Board, 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.

(c) *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.

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As stated in the Letter from the Board, 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 who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for excess Rights Shares.

The Company will disregard any Qualifying Shareholder's application for excess Rights Shares to the extent that the total number of excess Rights Shares he has applied for exceeds (i) the total number of Rights Shares, minus (ii) the number of Rights Shares provisionally allotted to and accepted by him under the PAL.

Also, the Company will provide for Shareholders (except Dr. Yap, who has applied 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 acceptance of any Shareholder (other than Dr. Yap) of his provisional allotment under the PAL or application 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.

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

We consider that since the Qualifying Shareholders are given the right to subscribe for any Rights Shares not taken up, and that Dr. Yap has undertaken not to apply for any excess Rights Shares under the Rights Issue which prevents further dilution, the arrangement of excess application is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(d) *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.

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The Subscription Price represents:

- (i) a premium of approximately 4.24% over the equivalent closing price of HK\$0.66 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price HK\$0.033 per Existing Share as quoted on the Stock Exchange on the last business day prior to the date of the Rights Issue Announcement (i.e. 3 September 2018);
- (ii) a premium of approximately 1.18% over the adjusted 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;
- (iii) 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;
- (iv) a premium of approximately 1.18% over the adjusted 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;
- (v) a premium of approximately 56.36% over the adjusted closing price of HK\$0.44 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.022 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 90.11% to the net asset value (the “NAV”) of approximately HK\$6.95 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on (a) the audited equity attributable to owners of the Company of approximately HK\$3,893,424,000 as at 30 September 2018; (b) the fair value change of investment properties with reference to the valuation report of the Group as at 31 January 2019 as detailed in Appendix III to the Circular; and (c) 514,909,432 Adjusted Shares assuming the Capital Reorganisation has become effective.

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As stated in the Letter from the Board, 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 five 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 the Letter from the Board. The Board (including members of the Independent Board Committee after having received and considered the advice from us) 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 and no Right Shares will be offered to any Shareholders on a preferential basis.

(e) *Historical Share price performance*

We have reviewed the daily closing prices of the Shares for the period from 1 September 2017 to 4 September 2018, being the twelve calendar months period prior to the date of the Deed of Covenants and Undertakings, and further up to and including the Latest Practicable Date (the “**Review Period**”). Set out below are the closing prices per Adjusted Share (after taking into account the effect of the Capital Reorganisation) (the “**Adjusted Closing Prices**”) as quoted from the website of the Stock Exchange:

Graph A: Historical Adjusted Closing Prices



Source: Website of the Stock Exchange (www.hkex.com.hk)

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As shown in Graph A above, we noted that subsequent to a sudden increase in the Adjusted Closing Price with a peak on 9 November 2017, the Adjusted Closing Prices fluctuated and followed a general downward trend since January 2018 and up to the early October 2018. Since then, the Adjusted Closing Price stayed relatively stable below the Subscription Price and up to the Latest Practicable Date. The Adjusted Closing Price has been lower than the Subscription Price since the Last Trading Day (indicated by the vertical line in the Graph A above) and up to the Latest Practicable Date.

During the Review Period, the Adjusted Closing Prices ranged from a minimum of HK\$0.36 (on multiple dates since 12 October 2018) to a maximum of HK\$2.52 per Adjusted Share (on 9 November 2017), with an average of approximately HK\$1.25 per Adjusted Share. Accordingly, the Subscription Price represents (i) a premium of approximately 91.11% over the lowest Adjusted Closing Price; (ii) a discount of approximately 72.70% to the highest Adjusted Closing Price; and (iii) a discount of 44.52% to the average Adjusted Closing Price during the Review Period. In addition, the Subscription Price also represented a discount of approximately 90.11% to the NAV.

(f) Comparison to other rights issues

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we have searched for and reviewed other proposed rights issues initially announced by other listed companies on the Stock Exchange in the recent period through the HKEXnews website (<http://www.hkexnews.hk>). Based on the criteria that such rights issues shall be conducted in the six-month period prior to the date of the Deed of Covenants and Undertakings, we obtained an exhaustive list of 14 comparable rights issues (the “**Comparable Rights Issue(s)**”). We consider that a six-month period can reflect the market practice regarding rights issue in the most recent period. Nevertheless, taking into account the listed companies under the Comparable Rights Issues

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may be engaged in different business and have different financial performance than the Company, the following comparable analysis serves only as a general reference in relation to the terms of rights issues in recent period, such as discounts/premiums represented by the subscription prices and the dilution effects. Details of the Comparable Rights Issues are set out below:

No.	Company	Stock code	Date of initial announcement	Basis of entitlement	Premium/ (Discount) of subscription price over/(to) closing price on last trading day (%) (Note 1)	Premium/ (Discount) of subscription price over/(to) net asset value (%) (Note 1)	Theoretical dilution effect (%) (Note 2)
1.	Xinyi Automobile Glass Hong Kong Enterprises Limited	8328	16 March 2018	1 for 5	(11.90)	709.70 (Note 3)	2.04
2.	Enerchina Holdings Limited	622	28 March 2018	1 for 1	(7.22)	(78.50)	6.23
3.	PPS International (Holdings) Limited	8201	11 April 2018	1 for 1	(32.08)	(67.55)	16.04
4.	China Star Entertainment Limited	326	19 April 2018	2 for 1	(36.71)	(93.11)	24.47
5.	Jiyi Household International Holdings Limited	1495	25 April 2018	2 for 5	(14.29)	(35.48)	4.36
6.	Champion Technology Holdings Limited	92	30 May 2018	1 for 2	(43.66)	229.57 (Note 3)	14.55
7.	IDT International Limited	167	8 June 2018	1 for 2	(9.40)	122.82 (Note 3)	3.14
8.	Shougang Concord Grand (Group) Limited	730	13 June 2018	1 for 2	(2.09)	(61.00)	0.70
9.	Munsun Capital Group Limited	1194	21 June 2018	6 for 1	(26.67)	(97.51)	24.09

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No.	Company	Stock code	Date of initial announcement	Basis of entitlement	Premium/ (Discount) of subscription price over/(to) closing price on last trading day (%) (Note 1)	Premium/ (Discount) of subscription price over/(to) net asset value (%) (Note 1)	Theoretical dilution effect (%) (Note 2)
10.	Shanghai Prime Machinery Company Limited	2345	21 June 2018	1 for 5	2.40	(54.44)	Not applicable (Note 4)
11.	Sunway International Holdings Limited	58	28 June 2018	1 for 2	(12.15)	(77.16)	5.94
12.	China Grand Pharmaceutical and Healthcare Holdings Limited	512	4 July 2018	6 for 25	(3.70)	437.02 (Note 3)	0.72
13.	China Everbright International Limited	257	14 August 2018	10 for 27	(31.43)	7.33	8.85
14.	Chong Hing Bank Limited	1111	14 August 2018	1 for 2	(2.06)	(39.68)	0.82
	Mean premium/(discount)/mean dilution effect				(16.50)	(59.71)	8.61
	Maximum premium/minimum dilution effect				2.40	7.33	0.70
	Maximum discount/maximum dilution effect				(43.66)	(97.51)	24.09
	Rights Issue conducted by the Company			3 for 1	1.18	(90.11)	Not applicable (Note 4)

Source: HKEXnews website (<http://www.hkexnews.hk>)

Note:

- The premiums/discounts refer to the figures as disclosed in the respective initial announcements, circulars or prospectuses of the Comparable Rights Issues or, if not available, are calculated based on the subscription prices and relevant figures as stated in the previous financial reports of the relevant listed companies.

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2. The theoretical dilution effects are calculated based on the figures as disclosed in the respective announcements and the definition as stated in Rule 7.27B of the Listing Rules.
3. As these premiums represented by the subscription prices of the rights shares over the net asset values are substantially higher than the rest, these Comparable Rights Issues are excluded in calculating the mean premium and the maximum premium related to net asset value.
4. As the theoretical diluted price does not represent discount to the benchmarked price for each of this Comparable Rights Issue and the Right Issue, the theoretical dilution effect is not applicable for each of them.

We noted that all but one of the subscription prices of the Comparable Rights Issue represented discounts to the respective closing prices on the last trading day before the underwriting agreements, from approximately 2.06% to approximately 43.66%, and a premium of approximately 2.40%. The mean discount of approximately 16.5% is higher than the premium of approximately 1.18% represented by the Subscription Price. Meanwhile, we note that subscription prices of four Comparable Rights Issues had substantially higher premiums of over 100% over the respective net asset values, and the subscription prices of the remaining ten Comparable Rights Issues represented from a premium of as high as approximately 7.33% to a discount of as deep as 97.51% over/to the net asset value per share, with a mean discount of approximately 59.71%. Given that four out of fourteen Comparable Rights Issues had enormously high premiums, we consider that net asset value per share may not be a useful indicator in the determination of subscription prices.

Notwithstanding the discounts represented by the Subscription Price to the average Adjusted Closing Prices during the Review Period and the NAV, having considered that (i) as indicated in Graph A above, the Adjusted Closing Price has followed a general downward trend, from HK\$2.02 on 1 September 2017 to HK\$0.68 on Last Trading Day (a decrease of approximately 66.33% for such period) and further to HK\$0.22 on the Latest Practicable Date (a decrease of approximately 89.11% for the Review Period); (ii) the Subscription Price represents premiums of approximately 1.18% and 56.36% over the Adjusted Closing Prices on the Last Trading Day and the Latest Practicable Date; (iii) a higher Subscription Price would result in an even higher premium to Adjusted Closing Price, which would not be attractive for the Shareholders to participate in the Rights Issue in view of a lower market price; and (iv) all but one of the Comparable Rights Issues have discounts to closing price on last trading day, we considered that the Subscription Price is fair and reasonable.

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5. Potential dilution to the shareholding of the Shareholders

For illustrative purpose, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (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 Latest Practicable Date and up to the Record Date):

	As at the Latest Practicable Date		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			
			Assuming all Shareholders have taken up the Rights Shares		Assuming only Dr. Yap has taken up his Rights Shares					
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%		
The Concert Group	3,023,915,510 ^(Note)	29.36	151,195,775	29.36	604,783,100	29.36	604,783,100	62.45		
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.

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares on the same basis. The shareholding interests of the Qualifying Shareholders who elect to take up their respective entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. However, as illustrated in the table above, assuming only Dr. Yap has taken up his Rights Shares, the shareholding interests of other Qualifying Shareholders will be diluted upon completion of the Rights Issue by 46.84%, from 70.64% as at the Latest Practicable Date to 37.55% immediately upon completion of the Rights Issue. Nonetheless, given that the Theoretical Diluted Price of HK\$0.688 is the same as the Benchmarked Price of HK\$0.688 instead of a discount, the Rights Issue would not result in theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) in terms of value of Shares held by the Qualifying Shareholders who elect not to take up their respective entitlements in full. For general reference purpose, all but one of the Comparable Rights Issues had theoretical dilution effects ranging from approximately 0.70% to approximately 24.09%, with a mean of approximately 8.61%.

Notwithstanding the aforesaid potential dilution in shareholding, having balanced against the following factors:

- (i) the Rights Issue is on the basis that all Qualifying Shareholders have been offered equal opportunity to maintain or increase (by way of excess application) their respective shareholding in the Company;
- (ii) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market, subject to the then prevailing market conditions, should they wish so;

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- (iii) the dilutive nature in shareholdings is inherent for all cases of rights issues;
- (iv) the maximum dilution effect in terms of shareholding only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares;
- (v) the Theoretical Diluted Price is equal to the Benchmarked Price, meaning that the Rights Issue does not result in theoretical dilution effect as defined under Rule 7.27B of the Listing Rules while the Comparable Rights Issues have a mean theoretical dilution effect of approximately 8.61%; and
- (vi) the net proceeds from the Rights Issue will be used for repayment of Debts and/or settlement of the related interest and therefore reduce the debt level and interest burden of the Group,

we are of the opinion that the potential dilution effect on the shareholding for the Qualifying Shareholders who decide not to subscribe for their proportionate Rights Shares is justifiable.

Nonetheless, Qualifying Shareholders who do not accept the Rights Issue may consider selling their nil-paid rights to subscribe for the Rights Shares in the market, subject to the then prevailing market conditions.

6. Financial effects of the Rights Issue

(a) *Net tangible assets*

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$3,871.9 million or approximately HK\$7.52 per Adjusted Share (based on a total number of 514,909,432 Adjusted Shares then in issue) as at 30 September 2018.

Immediately upon completion of the Rights Issue,

- (i) based on 1,544,728,296 Rights Shares to be issued (i.e. assuming all Shareholders have fully taken up the Rights Shares), the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would be approximately HK\$4,929.7 million or HK\$2.39 per Adjusted Share (based on a total number of 2,059,637,728 Adjusted Shares then in issue) as at 30 September 2018; and
- (ii) based on 453,587,325 Rights Shares to be issued (i.e. assuming only Dr. Yap has fully taken up his Rights Shares entitlements), the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would be approximately HK\$4,179.0 million or HK\$4.31 per Adjusted Share (based on a total number of 968,496,757 Adjusted Shares then in issue) as at 30 September 2018.

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In both cases, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company would increase in total amount but decrease in value per Adjusted Share.

(b) Gearing ratio

The gearing ratio of the Group as at 30 September 2018 (being the total borrowings of the Group of HK\$5,665.6 million divided by shareholders' funds of HK\$3,893.4 million) was approximately 145.5%. As the total borrowings of the Group would be reduced through the utilisation of the net proceeds, the gearing ratio of the Group would decrease accordingly.

It should be noted that the above analysis of financial effects of the Rights Issue is for illustrative purposes only, and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

7. 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 has made 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.

The Rights Issue is subject to the fulfilment of the conditions paragraph headed "Conditions of the Rights Issue" under the section headed "Proposed Rights Issue" in the Letter from the Board including, among other things, the Executive granting the Whitewash Waiver to Dr. Yap. Accordingly, the Rights Issue may or may not proceed.

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Having considered (i) the reasons for the Rights Issue and the use of proceeds; (ii) the terms of the Rights Issue being fair and reasonable as discussed above; and (iii) the Deed of Covenants and Undertakings being a demonstration of Dr. Yap's commitment to the Company as well as his confidence in the future and growth prospects of the Company, we are of the opinion that the approval for the Whitewash Waiver, which is a condition of the Rights Issue, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATION

As detailed in the paragraph headed "2. Reasons for and benefits of the Rights Issue and the use of proceeds" above, in view of the high gearing ratio and finance cost, the relatively low level of liquidity of the Company and the Working Capital Insufficiency, the Material Changes, in particular, (i) the deteriorated market value of the Group's property investment; and (ii) other Material Changes, especially those with adverse nature, including (a) decrease in revenue of the property segment and the Group as a whole; (b) the change from a gain to a loss for the property segment of the Group; (c) the increase in loss of the Group; (d) change from a total net comprehensive income to a total net comprehensive expenses; (e) increase in borrowings due within one year of the Group; (f) change from a net current assets position of the Group to a net current liabilities position; and (g) decrease in bank balances and cash level of the Group, as well as the premium represented by the Subscription Price to the recent market prices of the Adjusted Shares as detailed in the paragraph headed "4. Principal terms of the Rights Issue" above, Qualifying Shareholders should exercise caution when considering the acceptance of Rights Shares provisionally allotted to them and the application for excess Rights Shares. For avoidance of doubt, we envisage our role as to opine on whether the Rights Issue is in the interest of the Company and the Shareholders as a whole, and as to the fairness and reasonableness of the terms of the Rights Issue. Based on the factors details above, we consider that the Rights Issue is in the interest of the Company since the Rights Issue will raise a minimum proceeds of HK\$307.0 million under the Deed of Covenants and Undertakings, provided that no other Qualifying Shareholders, except Dr. Yap, accept the Rights Shares, and the terms of the Rights Issue are fair and reasonable as detailed above. However, we do not envisage our role as to opine on, and our opinion herein does not in any manner address to or imply, whether Qualifying Shareholders should or should not accept the Rights Shares.

Nevertheless, taking into consideration of the above-mentioned principal factors and reasons, including:

- (i) the Rights Issue is on the basis that all Qualifying Shareholders have been offered equal opportunity to maintain or increase (by way of excess application) their respective shareholding in the Company;
- (ii) as compared to placing or subscription of new Shares which leads to an inevitable dilution of shareholding of the Qualifying Shareholders, the Rights Issue allows the Qualifying Shareholders to maintain their respective shareholding interests in the Company upon completion of the Rights Issue should they wish so;
- (iii) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market, subject to the then prevailing market conditions, should they wish so;

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- (iv) although the Subscription Price represents discounts to the average Adjusted Closing Prices during the Review Period and the NAV, the Subscription Price has represented premium over the Adjusted Closing Prices since the Last Trading Day while all but one of the Comparable Rights Issues represented discounts to closing prices on the last trading day;
- (v) the Theoretical Diluted Price is equal to the Benchmarked Price, meaning that the Rights Issue does not result in theoretical dilution effect as defined under Rule 7.27B of the Listing Rules while the Comparable Rights Issues have a mean theoretical dilution effect of approximately 8.61%;
- (vi) in view of the risk that extensions for the loans may not be obtained, and the expected time required for a rights issue and further fund raising in case of any shortfall between the amount of Debts and proceeds from the Rights Issue, it is prudent to conduct the Rights Issue with completion around six months before the due dates of Debt A and Debt B; and
- (vii) the Rights Issue would enable the Group to raise a minimum proceeds of HK\$307.0 million under the Deed of Covenants and Undertakings, provided no other Qualifying Shareholders, except Dr. Yap, accept the Rights Shares, and the net proceeds from the Rights Issue will be used for repayment of Debts and/or settlement of the related interest and therefore reduce the debt level and interest burden of the Group, as well as strengthen the Group's capability to negotiate for other debt and/or equity financing activities in the future when appropriate,

we consider that the terms of the Rights Issue and Whitewash Waiver are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the relevant resolutions to approve the Rights Issue and the Whitewash Waiver to be proposed at the SGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

Ms. Po Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, and is a responsible officer of Nuada Limited who has over 15 years of experience in corporate finance industry.

I. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the six months ended 30 September 2018 and each of the financial years ended 31 March 2016, 2017 and 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.mggl.com.hk>):

- Interim report of the Company for the six months ended 30 September 2018 (pages 4 to 60) <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/1231/LTN201812311438.pdf>
- Annual report of the Company for the financial year ended 31 March 2018 (pages 39 to 190) <http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0731/LTN20180731015.pdf>
- Annual report of the Company for the financial year ended 31 March 2017 (pages 48 to 214) <http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0728/LTN20170728513.pdf>
- Annual report of the Company for the financial year ended 31 March 2016 (pages 44 to 179) <http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728333.pdf>

The following summary of financial information for each of the three years ended 31 March 2016, 2017 and 2018 is extracted from the consolidated financial statements of the Company as set forth in the annual reports of the Company for the years ended 31 March 2016, 2017 and 2018, respectively.

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
	(audited)	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INCOME STATEMENT				
Revenue	25,852	85,792	1,150,672	82,207
(Loss)/Profit before taxation	(145,010)	1,965,027	(329,065)	(743,946)
Income tax (expense) credit	(1,670)	(742,872)	(168,770)	58,952
(Loss)/Profit attributable to:				
Owners of the company	(135,774)	1,220,221	(502,839)	(686,842)
Non-controlling interests	(10,906)	1,934	5,004	1,848
Total comprehensive (expense) income attributable to:				
Owners of the company	(205,621)	1,060,498	(155,944)	(933,334)
Non-controlling interests	(11,382)	(447)	9,465	(2,078)
Dividends recognized as distribution to owners	56,186	151,701	–	–
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss)/Earnings per share	(0.06)	0.13	(0.05)	(0.07)
Dividends per share	0.01	0.03	–	–

	For the year ended 31 March			For the six months ended 30 September
	2016	2017	2018	2018
	(audited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000	(unaudited) HK\$'000
STATEMENT OF FINANCIAL POSITION				
Total assets	6,905,184	12,435,804	12,623,049	11,349,225
Total liabilities	(3,169,118)	(7,409,910)	(7,744,308)	(7,410,166)
Total equity	3,736,066	5,025,894	4,878,741	3,939,059
Non-controlling interests	812,684	43,192	51,983	45,635
Total equity attributable to owners of the Company	2,923,382	4,982,702	4,826,758	3,893,424

The management discussion and analysis of the Company for the six months ended 30 September 2018 and each of the financial years ended 31 March 2016, 2017 and 2018 are disclosed in the interim report of the Company for the six months ended 30 September 2018 and annual reports of the Company for the financial years ended 31 March 2016, 2017 and 2018 respectively.

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the Company's auditors' report for each of the three financial years ended 31 March 2016, 2017 and 2018.

II. INDEBTEDNESS

(a) Borrowings

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately HK\$5,686.2 million comprising (i) secured borrowings of approximately HK\$3,360.4 million which included bank borrowings of approximately HK\$3,023.8 million and borrowings from financial institutions of approximately HK\$336.6 million; and (ii) unsecured borrowings which were loans payable of approximately HK\$2,325.8 million. Except for a secured borrowing from a financial institution of approximately HK\$300.0 million which was guaranteed by Dr. Yap and unsecured loans payable of approximately HK\$813.6 million which were guaranteed by Dr. Yap and/or the subsidiaries of the Company, the remaining borrowings were unguaranteed as at 31 January 2019.

The secured bank borrowings and secured borrowings from the financial institutions were secured by certain of the Group's land and buildings, investments in securities.

(b) Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as at the close of business on 31 January 2019, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the present available resources, the estimated maximum net proceeds of approximately HK\$1,058 million from the Rights Issue assuming all Shareholders have taken up the Rights Shares and the proceeds from the Disposal, the Group would not have sufficient working capital for at least the Forecast Period in the absence of extension of borrowings and/or obtaining re-financing. If the minimum net proceeds from the Rights Issue are raised, there will be shortfall in working capital of approximately HK\$1,384.5 million by the end of May 2020. If the maximum net proceeds from the Rights Issue are raised, there will be shortfall in working capital of approximately HK\$610.6 million by the end of May 2020.

Major assumptions and events taken into account by the Directors in preparing the working capital forecast include:

- (i) The Rights Issue will be completed in May 2019;
- (ii) The Disposal will be completed in May 2019 and the payment of the Consideration will be settled in accordance with the Disposal Agreement;
- (iii) The proposed acquisition in relation to MOU 2 of certain underlying property interests in the PRC will be terminated and the relevant deposits of MOU 2 and MOU 3 placed by the Group of RMB650 million (equivalent to approximately HK\$734 million) will be refunded during the Forecast Period (as at the Latest Practicable Date, the Company was still in the process of due diligence on the proposed acquisition under MOU 2);
- (iv) Lenders of loans with no specific maturity dates will not demand partial or full repayment of the loans during the Forecast Period;
- (v) Other than the unutilised standby facilities of HK\$280 million available for drawdown in case of a working capital deficit, no new financing (including debt financing and/or equity financing and/or any other alternative financing) will be obtained by the Group and no existing borrowings will be extended by respective lenders;
- (vi) Distressed debt asset of approximately HK\$90.2 million (taking into account the imputed interest rate 18.56% p.a.), classified as available-for-sale investment under current asset in the Group's account, will be recovered during the Forecast Period;

- (vii) No margin call for partial or full repayment of the margin loans and the related interest thereof will be made by the lenders during the Forecast Period;
- (viii) Administrative expenses are expected to grow with the annual inflation rate of 1.50%; and
- (ix) Core business operation and asset base (including real assets, financial assets and any other forms of assets and/or liabilities and contingent liabilities) of the Group and the market conditions in which the Group operates and/or invests in will not differ materially from those of present, including no acquisition or disposal and/or intended acquisition or disposal (save for the Disposal) with concrete terms would be proposed, conducted and/or completed by the Group during the Forecast Period.

In respect of the assumption (iii) above, in view of the insufficient working capital, the Board has no intention to extend MOU 2 upon expiry of the due diligence period. As disclosed in Letter from the Board to this circular, in the event the MOUs are terminated, the respective intended vendor(s) shall refund the full amount of respective refundable deposits (without any deduction) within 10 business days after receipt of the Company's written termination notice pursuant to the terms of the MOUs. Given the aforesaid, the Directors are of the view that the working capital assumption of refund of the deposits of HK\$734 million (i.e. the sum of refundable deposits of MOU 2 and MOU 3) is factually supportable. Regarding MOU 1, the due diligence period expired on 13 January 2019 and the deposit had been refunded. Regarding MOU 2, the due diligence period will expire on 24 May 2019. After receiving the refundable deposit upon termination and subject to further negotiation and result of the due diligence review, the Group may consider re-entering into a revised memorandum of understanding without placing significant amount of deposit in relation to the proposed acquisition under MOU 2. As at the Latest Practicable Date, discussion of the revised terms of MOU 2 had not commenced and no terms and conditions of revised MOU 2 had been agreed. The Directors are aware of the current position of the working capital and further capital requirement may be required for any future property development projects, and will adopt a cautious approach by taking these factors into account during negotiation and project assessment in the future. Regarding MOU 3, the due diligence period expired on 17 March 2019 and the Company is expected to receive the refund of deposit pursuant to the terms of MOU 3 (i.e. on or before 1 April 2019).

In respect of assumption (vi) above, as disclosed in the interim report of the Company for the six months ended 30 September 2018: (a) the distressed assets represented the Group's rights to receive repayment of the principal amount of loans, together with interest thereon from an Independent Third Party, 廣東富華房地產開發有限公司; (b) the distressed assets were secured by properties located in Guangzhou, the PRC; (c) the expected recovery date of the distressed assets is 31 March 2019; and (d) in considering the status of such distressed assets as at 30 September 2018 and certain actions taken, the management of the Group expected such distressed assets to be realised within one year from 30 September 2018.

The major factor leading to the insufficiency of working capital is that certain major borrowings of the Group (in particular, Debt A and Debt B) will fall due during the Forecast Period while the future operating cash inflow of the Group is insufficient to match the repayment schedule of borrowings and relevant interest payment.

The Board has continuously devoted effort to resolve the liquidity issue mentioned above, including but not limited to realising part of its property assets. However, as disclosed in the Company's announcements dated 31 May 2018 and 31 July 2018, the Company, as the intended vendor, entered into a memorandum of understanding (the "**Previous MOU**") with an intended purchaser relating to a potential disposal of certain issued share capital of a company, which, through its subsidiaries, is principally engaged in the development of real estate in the PRC and is holding certain property interests in a building in Guangzhou, the PRC. Nevertheless, since no formal agreement had been entered into between the Company and the intended purchaser on or before 28 September 2018, the Previous MOU lapsed on the same day.

During the Forecast Period, the main source of revenue is property rental income. However, the rental income received is insufficient to match the interest payment. Also, after taking into account the repayment of outstanding principal of borrowings, the working capital requirement could not be satisfied.

To address the working capital sufficiency issue, the Directors have taken or propose to take the following measure. In respect of the major loans repayable on or before May 2020 set out in the Table A (on pages 26 and 27 of this circular), the Directors intend to seek medium-term financing (i.e. 3 to 5 years) from Independent Third Parties to refinance, in particular, the major loans not covered by the proposed repayment by the net proceeds from the Rights Issue. Alternatively, the Board will devote its best effort to negotiate for extension and/or revision of repayment terms around 3 months prior to the respective maturity date of each major loan. In view of the significant amount of loan principals, the Directors will consider realising part of the Group's property interests if necessary.

Taking into account the assumption stated above, with the successful implementation of the measure mentioned above, the Directors are of the view that the Group would have had sufficient working capital for at least the Forecast Period.

IV. MATERIAL CHANGE

The Directors confirm that, save as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date:

Relating to the financial position of the Group:

- (1) According to the interim report of the Company for the six months ended 30 September 2018 (the "**Interim Report**"), the amount of investment properties of the Group decreased from approximately HK\$10,360.3 million as at 31 March 2018 to approximately HK\$9,328.5 million as at 30 September 2018, which was mainly due to currency realignment and change in fair value recognised in profit or loss. This represents a material decrease in book value of investment properties of the Group of approximately HK\$1,031.8 million. Taking into account the valuation report in Appendix III to this circular, the amount of investment properties of the Group would be approximately HK\$9,016.0 million as at 31 January 2019, where the difference between this and the aforesaid HK\$9,328.5 million was due to revaluation deficit resulted from the valuation report.
- (2) According to the Interim Report, the bank balances and cash of the Group decreased from approximately HK\$430.7 million as at 31 March 2018 to approximately HK\$88.1 million as at 30 September 2018, which was mainly due to the combined effect of the following:

- (a) the proceeds of approximately HK\$196.0 million from disposal of asset completed during the six months ended 30 September 2018 through disposal of a subsidiary, details of which are disclosed in paragraph (g) under the section headed “11. MATERIAL CONTRACTS” in Appendix V to this circular and the announcement of the Company dated 14 March 2018;
- (b) refund of deposits for acquisition of interest in investments of approximately HK\$283.6 million during the six months ended 30 September 2018, as the corresponding transaction did not proceed subsequent to 31 March 2018, which represents a material change relating to termination of a possible acquisition with a refund of deposit;
- (c) borrowings raised of approximately HK\$548.2 million for the six months ended 30 September 2018, offset by the repayment of borrowings and interest paid of HK\$536.1 million for the same period; and
- (d) payment of refundable deposits for proposed acquisitions of the Group amounting to approximately HK\$847.3 million incurred during the six months ended 30 September 2018 (for year ended 31 March 2018: nil), details of which are set out in item (7) below, which is material in terms of the amount of such refundable deposits.

The above represents a material decrease in bank balances and cash of approximately 79.5%.

- (3) According to the Interim Report, the Group recorded a net current liabilities of approximately HK\$228.5 million as at 30 September 2018, compared with a net current assets of approximately HK\$55.1 million as at 31 March 2018, which was mainly due to the net effect of the following:
 - (a) a relatively slight decrease in current assets; and
 - (b) an increase in current liabilities mainly due to the borrowings due within one year of the Group increasing from approximately HK\$728.7 million as at 31 March 2018 to approximately HK\$1,013.8 million as at 30 September 2018, mainly due to certain loans previously due after one year became closer to due dates, while non-current borrowings decreased from approximately HK\$4,995.2 million as at 31 March 2018 to approximately HK\$4,651.8 million as at 30 September 2018, which represents a material increase in borrowings due within one year of the Group of approximately HK\$285.1 million.

The above represents a material change in the liquidity of the Group from a net current asset position to a net current liability position. If the current borrowings or payable/liabilities fall due and the Company defaults in payment, the Company may face litigation or its pledged/secured assets, which consists of investment properties and investment in securities of the Group as securities for financing from banks and financial institutions, may be forfeited or forced sold and/or other default consequences may be initiated, as the case may be.

Relating to the trading position of the Group:

- (4) According to the Interim Report, as the Company did not derive any revenue from the sale of properties held for sale during the six months ended 30 September 2018, the revenue from sales of properties held for sale of the Group was nil for such period, compared with approximately HK\$974.3 million for the year ended 31 March 2018. In addition, the property development, investment and trading business segment of the Group recorded a loss of approximately HK\$196.7 million for the six months ended 30 September 2018, compared with segment profit of approximately HK\$49.8 million for the six months ended 30 September 2017, which was mainly due to loss on fair value changes on investment properties, compared with a fair value gain for the six months ended 30 September 2017.

These represent a material change in the revenue source of the Group as well as a material amount of decrease in revenue of the Group of approximately HK\$974.3 million, and a material change in the performance of the property development, investment and trading business segment of the Group from a profit to a loss.

- (5) According to the Interim Report, the loss for the period of the Group increased from approximately HK\$140.2 million for the six months ended 30 September 2017 to approximately HK\$685.0 million for the six months ended 30 September 2018 as a result of the material change in other gains and losses, other expenses from a gain of approximately HK\$106.9 million and approximately HK\$255.7 million for the six months ended 30 September 2017 and the year ended 31 March 2018 respectively, to a loss of approximately HK\$505.0 million for the six months ended 30 September 2018, which in turn was the results of exchange loss and loss on fair value changes on investment properties in the latter period (as detailed in item (1) above), compared with fair value gain, and exchange gain for the year ended 31 March 2018 and the six months ended 30 September 2017. This represents a material amount of increase in loss of the Group of approximately HK\$544.8 million when comparing the loss of the Group for the six months ended 30 September 2017 and that for the six months ended 30 September 2018.

In addition, according to the Interim Report, the Company recorded a total net comprehensive expense for the period of approximately HK\$935.4 million for the six months ended 30 September 2018, compared with a total net comprehensive income of approximately HK\$48.4 million for the six months ended 30 September 2017 as a result of the aforesaid increase of the loss for the period of the Group, and negative exchange differences arising from translation of foreign operations for the six months ended 30 September 2018, compared with positive differences for the six months ended 30 September 2017. This represents a material change in the financial performance of the Group from a total net comprehensive income to a total net comprehensive expense.

- (6) As disclosed in the announcement of the Company dated 30 October 2018, on 26 October 2018, Group Dragon Limited, an indirect wholly-owned subsidiary of the Company, as Vendor, Ms. Wang Hujuan as Purchaser, and Mr. Li Wakin as Purchaser Guarantor entered into the Disposal Agreement for the proposed disposal of the water supply business of the Group at a consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000), which is subject to certain conditions precedent. (Please refer to the aforesaid announcement and the section headed “THE DISPOSAL” under the “Letter from the Board” of this circular for details regarding the Disposal Agreement, which is also included as a material contract

in paragraph (m) under the section headed “11. MATERIAL CONTRACTS” in Appendix V to this circular). The Disposal constitutes a major transaction under the Listing Rules and represents a disposal of an existing non-core business of the Group and thus a possible change in the business segment mix and revenue stream of the Group upon Completion.

Relating to the outlook of the Group:

- (7) During the six months ended 30 September 2018, the Company and several Independent Third Parties entered into the MOUs pursuant to which the Company agreed to pay refundable deposits in an aggregate amount of RMB750 million (or equivalent to approximately HK\$847 million) (the “**Refundable Deposits**”) to the Independent Third Parties for possible acquisition of the entire equity interest in a Hong Kong company and two PRC companies (the “**Targets**”), the refund of which is secured by a pledge of relevant transfer documents and the relevant company seal and the relevant contract seal (if any). According to the MOUs, the Targets own (i) certain residential units; (ii) certain shops and car parks; and (iii) buildings together with a parcel of land in Guangzhou, the PRC. The intention of the Company at the time of entering into the MOUs was to acquire the properties for redevelopment and resale in the future. Such assets are pledged to secure bank loans.

The Company has the right to terminate the MOUs by serving a notice to the Independent Third Parties and the Refundable Deposits shall be refunded to the Company within 10 business days upon receipt of the notice. In order to safeguard the Company’s interests in the Refundable Deposits, each of the Refundable Deposits is secured by a pledge of transfer documents and the company seal and the contract seal (if any) of each of the Targets respectively (details of the transfer documents are set out in the section headed “11. MATERIAL CONTRACTS” in Appendix V to this circular). In the event that any of the intended vendors fail to refund the deposits in accordance with the terms of the MOUs, the Company shall exercise the transfer documents to obtain the equity interests in the Targets.

Details of the MOUs are included in paragraphs (i), (j) and (l) respectively under the section headed “11. MATERIAL CONTRACTS” in Appendix V to this circular.

In view of the insufficient working capital, the Board has no intention to extend the MOU 2 upon expiry of the due diligence period. As a result, in the event the MOUs are terminated, the Independent Third Parties shall refund the full amount of respective refundable deposits (without any deduction) within 10 business days upon receipt of the Company’s termination notice. Regarding MOU 1, the due diligence period expired on 13 January 2019 and the deposit had been refunded. Regarding MOU 2, the due diligence period will expire on 24 May 2019. After receiving the refundable deposit upon termination and subject to further negotiation and result of the due diligence review, the Group may consider re-entering into a revised memorandum of understanding without placing significant amount of deposit in relation to the proposed acquisition under MOU 2. As at the Latest Practicable Date, discussion of the revised terms of MOU 2 had not commenced and no terms and conditions of revised MOU 2 had been agreed. The Directors are aware of the current position of the working capital and further capital requirement may be required for any future property development projects, and will adopt a cautious approach by taking these factors into account during negotiation and project assessment in the future. Regarding MOU 3, the due

diligence period expired on 17 March 2019 and the Company had issued a termination notice to the intended vendor on 18 March 2019. The Company is expected to receive refund of the deposit pursuant to the terms of the MOU 3.

The MOUs represent intended possible acquisitions of assets and the amount of the Refundable Deposits of RMB750 million (equivalent to approximately HK\$847 million) is material, details of which are set out above. Should the acquisitions contemplated under the MOUs or revised memorandum of understanding that may be entered into by the Group (as the case may be) materialise, the assets and liabilities position of the Group may be affected, and further financing requirement and capital commitment related to the acquisitions of and investment in the Targets, the amount of which is uncertain, may be involved, subject to the Company's investment decision.

- (8) As stated in the section headed "III. WORKING CAPITAL" above in this Appendix, the Directors are of the opinion that, after due and careful enquiry, taking into account the present available resources, the estimated maximum net proceeds of approximately HK\$1,058 million from the Rights Issue assuming all Shareholders have taken up the Rights Shares, and the proceeds from the Disposal, the Group would not have sufficient working capital for at least the Forecast Period in the absence of extension of borrowings and/or obtaining re-financing. This represents a material change from sufficient to insufficient working capital within a 12 month period.

The Directors will continue to (i) negotiate for extension of borrowings with respective lenders as and when appropriate; (ii) refinance from third parties independent of the Company and its connected persons; and/or (iii) consider to realise part of properties assets of the Group if considered necessary. Please refer to the section headed "III. WORKING CAPITAL" above in this Appendix for details of the measures taken or proposed to be taken by the Directors to address the working capital sufficiency issue. In relation to (ii) above, the Company obtained in September 2018 from three licensed money lenders (which are third parties independent of the Company and its connected persons) interest bearing standby facilities amounting to HK\$70 million, HK\$90 million and HK\$120 million with availability periods of 18 months, 15 months and 18 months respectively. As at the Latest Practicable Date, the Company had not drawn down any of these loan facilities, and the Company may or may not draw down. These represent new loan facilities available to the Group which are material in terms of the amount of the loan facilities in an aggregate amount of HK\$280 million.

The aforementioned possible actions of the Directors may lead to possible material changes in the working capital requirement, debt level, properties portfolios, and the overall cash flow and financial position of the Group.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Upon Completion and the Capital Reorganisation having become effective, the Group will continue to be principally engaged in property development, investment and trading and trading of securities.

Currently, effects of the US-PRC trade war poses threat to the PRC economy and raises the risk of slowdown in the global economic growth. The macro-economic control imposed by the PRC government has impacted the availability of financing in the market. This is further exacerbated by the increase in base rate by the Hong Kong Monetary Authority in 2018. Coupled with the volatile stock market, these factors pose uncertainties as to how and when sufficient financing/re-financing can be obtained.

In view of the current working capital position and the debt level of the Group, the Company has re-prioritised its attention to exploring possible measures to mitigate the Group's liquidity pressure. The Company accordingly announced on 4 September 2018 the Rights Issue and announced on 30 October 2018 the Disposal. These are measures to ease the Group's debt level with an aim to improving its financial healthiness. The Group will continue to explore other ways to obtain additional funding with prudent assessment on the potential financial benefits and impact.

In addition, in view of the insufficient working capital, the Directors will consider realising part of the Group's property interests if considered necessary. Save for the above, the Group has no intention to dispose of or scale down its remaining business or assets.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE
ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets which has been prepared to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 September 2018. As it is prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue. The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2018 as extracted and derived from the Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2018 included in the published interim report of the Group and is adjusted for the effect of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 as adjusted for the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 as adjusted for the Rights Issue per share <i>(Note 3)</i> <i>HK\$</i>
Rights Issue of maximum number of Rights Shares of 1,544,728,296 to be issued at subscription price of HK\$0.688 per Rights Share	3,871,902	1,057,773	4,929,675	2.39
Rights Issue of minimum number of Rights Shares of 453,587,325 to be issued at subscription price of HK\$0.688 per Rights Share	3,871,902	307,068	4,178,970	4.31

Notes:

1. The amount of consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$3,893,424,000 adjusted for the intangible assets and goodwill of the Group attributable to owners of the Company of approximately HK\$21,522,000 as extracted and derived from the published interim report of the Group for the six months ended 30 September 2018.

The proposed Share Premium Reduction whereby the entire amount standing to the credit of the share premium account of the Company to be reduced to nil has had no effect on the amount consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018.

2. The estimated net proceeds from the Rights Issue are based on (i) the issuance of maximum number of Rights Shares of 1,544,728,296 at HK\$0.688 each and (ii) the issuance of minimum number of Rights Shares of 453,587,325 undertaken by Dr. Yap at HK\$0.688 each, after deducting the estimated related expenses of approximately HK\$5,000,000 to be incurred by the Company.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2018 as adjusted for the Rights Issue per share is calculated based on (i) 2,059,637,728 shares which represents 514,909,432 Adjusted shares before the Rights Issue and maximum number of Rights Shares of 1,544,728,296 to be issued, and (ii) 968,496,757 shares which represents 514,909,432 Adjusted Shares before the Rights Issue and minimum number of Rights Shares of 453,587,32 to be issued.

The number of 514,909,432 Adjusted Shares is calculated based on 10,298,188,650 existing ordinary shares in issue as at 30 September 2018 and adjusted for (i) Share Consolidation whereby every twenty issued and unissued existing shares of the Company at HK\$0.2 each to be consolidated into one Consolidated Share at HK\$4.0 each; (ii) the Capital Reduction whereby the issued share capital of the Company to be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$3.9 on each of the issued Consolidated Shares; and (iii) the Share Subdivision whereby each of the authorised but unissued Consolidated Shares to be divided into forty Adjusted Shares of HK\$0.1 each.

4. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2018.

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF MASTER GLORY GROUP LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Master Glory Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2018 and related notes as set out on pages II-1 and II-2 of the circular issued by the Company dated 27 March 2019 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of three rights shares for every one Adjusted Share held on the Record Date (the "Rights Issue") on the Group's financial position as at 30 September 2018 as if the Rights Issue had taken place at 30 September 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 September 2018, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2019

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Norton Appraisals Limited, an independent valuer, in connection with its valuation as at 31 January 2019 of the property interests located in the People's Republic of China and Hong Kong.



Unit F, 18/F., Seabright Plaza
9-23 Shell Street
North Point, Hong Kong
Tel: (852) 2810 7337 Fax: (852) 2810 6337

27 March 2019

The Directors

Master Glory Group Limited

Unit 703, 7/F., 1063 King's Road

Quarry Bay

Hong Kong

Dear Sirs,

In accordance with the instructions from Master Glory Group Limited (the "Company") and its subsidiaries (the "Group") for us to value the property interests located in the People's Republic of China (the "PRC") and Hong Kong (as more particularly described in attached summary of values) (the "Properties"), we confirm that we have carried out inspections, made relevant enquires and obtained such further information as we consider necessary for the purpose of providing you with our opinion of values of the Properties as at 31 January 2019 (the "Date of Valuation") for incorporation into the circular of the Company dated 27 March 2019.

Basis of Valuation

Our valuation has been undertaken on the basis of the market value, which is defined by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Valuation Standards

Our valuation has been carried out in accordance with all the requirements set out in The Codes on Takeovers and Mergers and Share Repurchases issued by The Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, and The HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors.

Valuation Methodology

In valuing the property interests in Group I which are held for investment in the PRC, we have adopted the Investment Approach by taking into account the current passing rents and the reversionary income potential of the tenancies or, wherever appropriate, the Direct Comparison Approach by making reference to comparable transactions as available in the relevant markets.

In valuing the property interests in Group II which are held for sale in Hong Kong, we have adopted the Direct Comparison Approach by making reference to comparable transactions as available in the relevant markets.

Title Documents and Encumbrances

For the property interests located in Hong Kong, we have caused title searches at the relevant Land Registries and we have not, however, searched the original documents to verify ownership or to determine the existence of any lease amendments which do not appear on the copies handed to us.

For property interests located in the PRC, we have been provided with copies of extracts of title documents. However, we have not inspected the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us. We have relied on the information given by the Group and its PRC legal adviser, Guangdong Fanli Law Firm, on 12 March 2019 (the “PRC Legal Adviser”), regarding the title and other legal matters relating to such property interests.

Sources of Information

We have relied to a considerable extent on the information provided by the Group and the PRC Legal Adviser, in respect of the titles to the Properties. We have also accepted advice given to us on matters such as identification of the Properties, particulars of occupancy, statutory notices, easements, tenure, areas, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuations are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the Properties but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximately. No on-site measurement has been taken.

Inspection and Structural Condition

We have inspected the Properties. The inspection was carried out by our Associate Director, Oliver Pan on 12 September 2018. However, we have not carried out site investigations to determine the suitability of ground conditions and services for the development. Our valuations are prepared on the assumption that these aspects are satisfactory.

Valuation Assumptions

Our valuation has been made on the assumption that the owner sells the Properties on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect their values.

No allowance has been made in our valuation for any charges, mortgages, resettlement costs or amounts owing neither on the Properties nor for any expenses or taxes which may be incurred in effecting a sale. As advised by the management of the Group, in the event that the properties are sold at the amount of the valuation, the tax liabilities may include corporate income tax (25% on the net profit upon disposal) and land appreciation tax (30% to 60% on the net appreciated amount less deductibles) for the properties held for investment in the PRC under Group I and stamp duty (0.01%) and profit tax (16.5%) for properties held for sale in Hong Kong under Group II. The Group has confirmed that it has intention to dispose the properties held for sale in Hong Kong under Group II and the potential tax obligation will be arised in the near future. The Group has also confirmed that in respect of Group I properties, being properties held for investment (ie, properties held with a view for rental or capital appreciation purpose), the likelihood of potential tax liability arising from disposal of these properties being crystallised is remote because the properties are held for capital appreciation purpose. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Currency

Unless otherwise stated, all sums stated in our valuation are in Hong Kong dollars. The exchange rate adopted in our valuation is approximately HK\$1 = RMB0.85 which was approximately the prevailing exchange rate as at the Date of Valuation.

Our summary of values and valuation report are attached hereto.

Yours faithfully,
For and on behalf of
Norton Appraisals Limited

Paul M. K. Wong
MCIREA, MHKIS, RPS (G.P.)
Director

Note: Mr. Paul M. K. Wong is a Registered Professional Surveyor who has more than 27 years' experience in valuation of properties in Hong Kong and PRC.

SUMMARY OF VALUES

Property	Market value as at 31 January 2019 (HK\$)	Interest attributable to the Group	Market value attributable to the Group as at 31 January 2019 (HK\$)
Property interests held for investment in the PRC			
1. Various car parking spaces on Levels B5 to B2, commercial units on Levels B2 to 8 and office units on Levels 10 to 19 and Levels 23 to 32, A-Mall, No. 70 Zhongshan Fifth Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	6,144,000,000	100%	6,144,000,000
2. The whole of 1st to 6th Floors, Golden Plaza, Nos. 11 and 13, Huangsha Avenue, Liwan District, Guangzhou, Guangdong Province, the PRC	1,948,000,000	100%	1,948,000,000
3. Various units and car parking spaces, Podong Plaza, No. 1 Guigang Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	472,000,000	100%	472,000,000
4. Shops Nos. 102, 103, 105, 106, 107 on 1st Floor and 201 on 2nd Floor, and 21 car parking spaces on B1 and B2 Floors, No. 22 Pan Fu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC	291,000,000	100%	291,000,000
5. Nos. 430, 432 and 434, Hui Fu East Road, Yuexiu District, Guangzhou, Guangdong Province, the People's Republic of China	161,000,000	100%	161,000,000
Sub-total:	<u>9,016,000,000</u>		<u>9,016,000,000</u>

Property	Market value as at 31 January 2019 (HK\$)	Interest attributable to the Group	Market value attributable to the Group as at 31 January 2019 (HK\$)
Property interests held for sale in Hong Kong			
6. House No. 6 and Car Parking Space Nos. 11 and 12, Horizon Ridge, Nos. 38-48 Horizon Drive, Hong Kong	112,000,000	100%	112,000,000
7. Car parking space nos. 18, 19, 22, 23, 24, 25 and 26 of Berkeley Bay Villa, Lot no. 836 D.D.214, Sai Kung, N.T.	3,850,000	100%	3,850,000
8. Car parking space nos. 14, 22, 23, 24, 25, 26, 27, 28 and 29 on Ground Floor, Cherry Court 10-12 Consort Rise, HK	8,100,000	100%	8,100,000
Sub-total:	<u>123,950,000</u>		<u>123,950,000</u>
Grand Total:	<u><u>9,139,950,000</u></u>		<u><u>9,139,950,000</u></u>

VALUATION REPORT

Property interests held for investment in the PRC

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 January 2019															
1. Various car parking spaces on Levels B5 to B2, commercial units on Levels B2 to 8 and office units on Levels 10 to 19 and Levels 23 to 32, A-Mall, No. 70 Zhongshan Fifth Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises various car parking spaces on Levels B5 to B2, commercial units on Levels B2 to 8 and office units on Level 10 to 19 and Level 24 to 32 of a 32-storey commercial/office development named as A-Mall (the "Development") completed in 2016.</p> <p>The total gross floor area of the property is approximately 83,732.61 sq.m.. The breakdown of area and respective usage are illustrated as follows:</p> <table border="1"> <thead> <tr> <th>Level</th> <th>Usage</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>B5-B2</td> <td>Car Parking Space</td> <td>19,602.59</td> </tr> <tr> <td>B2-8</td> <td>Commercial</td> <td>37,304.42</td> </tr> <tr> <td>Upper Levels</td> <td>Office</td> <td>26,825.60</td> </tr> <tr> <td colspan="2"></td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">83,732.61</td> </tr> </tbody> </table> <p>The Land Use Rights of the property have been granted for residential, commercial and other uses for terms of 70 years, 40 years and 50 years respectively.</p>	Level	Usage	Gross Floor Area (sq.m.)	B5-B2	Car Parking Space	19,602.59	B2-8	Commercial	37,304.42	Upper Levels	Office	26,825.60			83,732.61	The property is subject to various tenancies with the latest expiring on 31 December, 2038, yielding a total monthly basic rent of RMB14,952,454.	HK\$6,144,000,000 (100% interest)
Level	Usage	Gross Floor Area (sq.m.)																
B5-B2	Car Parking Space	19,602.59																
B2-8	Commercial	37,304.42																
Upper Levels	Office	26,825.60																
		83,732.61																

Notes:

Section I: Title Documents

- i) Pursuant to 4 Certificates of Real Estate Ownership Yue (2017) Guang Zhou Shi Bu Dong Chan Quan Nos. 00060721 to 00060724 dated 8 August 2017 issued by Guangzhou Land Resources and Planning Committee (廣州市國土資源和規劃委員會), the titles of units B501, B401, B301 and B2163 with a total gross floor area of 19,602.59 sq.m. have been vested in Guangzhou Ji Xiang Real Estate Development Limited (廣州吉祥房產發展有限公司) ("Guangzhou Jixiang"), a wholly-owned subsidiary of the Group, for garage use for a common term of 50 years commencing on 1 May 1995.

- ii) Pursuant to 2 Certificates of Real Estate Ownership Yue (2017) Guang Zhou Shi Bu Dong Chan Quan Nos. 00003168 and 00003169 dated 16 January 2018 issued by Guangzhou Land Resources and Planning Committee, the titles of units B201 and B101 with a total gross floor area of 11,016.19 sq.m. have been vested in Guangzhou Po Zhi Investment Limited (廣州市珀志投資有限公司) (“Guangzhou Pozhi”), a wholly-owned subsidiary of the Group, for commercial use for a common term of 40 years commencing on 1 May 1995.
- iii) Pursuant to 12 Certificates of Real Estate Ownership Yue (2017) Guang Zhou Shi Bu Dong Chan Quan Nos. 00071567 to 00071572, 00071574 to 00071576, 00071578, 00000257 and 00000261 issued by Guangzhou Land Resources and Planning Committee, the titles of units 102, 103, 105 to 111, 202, 302 and 402, with a total gross floor area of 11,498.5 sq.m. have been vested in Guangzhou Po Jian Investment Limited (廣州市珀堅投資有限公司) (“Guangzhou Pojian”), a wholly-owned subsidiary of the Group, for commercial use for a common term of 40 years commencing on 1 May 1995.
- iv) Pursuant to 4 Certificates of Real Estate Ownership Yue (2017) Guang Zhou Shi Bu Dong Chan Quan Nos. 00090889, and 00090891 to 00090893 dated 22 November 2017 issued by Guangzhou Land Resources and Planning Committee, the titles of units 502, 601, 701 and 801 with a total gross floor area of 14,789.73 sq.m. have been vested in Guangzhou Po Qi Investment Limited (廣州市珀琪投資有限公司) (“Guangzhou Poqi”), a wholly-owned subsidiary of the Group, for commercial use for a common term of 40 years commencing on 1 May 1995.
- v) Pursuant to 216 Certificates of Real Estate Ownership issued by Guangzhou Land Resources and Planning Committee, the titles of units 1001 to 1036, 1101 to 1136, 1201 to 1236, 1301 to 1336, 1401 to 1436 and 1501 to 1536 with a total gross floor area of 13,450.32 sq.m. have been vested in Guangzhou Po Yi Investment Limited (廣州市珀藝投資有限公司) (“Guangzhou Poyi”), a wholly-owned subsidiary of the Group, for office use for a common term of 50 years commencing on 1 May 1995.
- vi) Pursuant to 78 Certificates of Real Estate Ownership issued by Guangzhou Land Resources and Planning Committee during August and September 2017, the titles of units 1606, 1615, 1626, 1706, 1805, 1806, 1834, 1902, 1906, 1931, 2407, 2431, 2501 to 2538, 2606, 2609, 2614 to 2617, 2624, 2629, 2704, 2706, 2707, 2709, 2710, 2721, 2722, 2734, and 2827 to 2838 with a total gross floor area of 4,583.56 have been vested in Guangzhou Jixiang for office use for a common term of 50 years commencing on 1 May 1995.
- vii) Pursuant to the Certificate for State-owned Land Use Rights No. Hui Fu Guo Yong (2008) No. 01100155 dated 9 September 2008 issued by Guangzhou Land Resources and Housing Administration Bureau (廣州市國土資源和房屋管理局), the Land Use Rights of property, having a site area of 7,974 sq.m., have been granted to Guangzhou Jixiang for residential, commercial and other uses for terms of 70 years, 40 years and 50 years respectively.

Section II: Corporate Background

- viii) Pursuant to the Business License No. WaiS0102014018899 dated 25 July 2018, Guangzhou Jixiang has been established with a registered capital of USD25,720,000 as a limited liability company (Taiwan, Hong Kong or Macau legal person sole investment) for a term from 28 December 1991 to 28 December 2031.
- ix) Pursuant to the Business License No. S0112016005965 dated 5 July 2017, Guangzhou Pozhi has been established with a registered capital of RMB120,000,000 as a limited liability company (sino-foreign co-operative joint venture) since 20 July 2016.
- x) Pursuant to the Business License No. S0112016005664 dated 6 July 2016, Guangzhou Pojian has been established with a registered capital of RMB120,000,000 as an other-limited company since 6 July 2016.
- xi) Pursuant to the Business License No. S0112016005964 dated 20 July 2016, Guangzhou Poqi has been established with a registered capital of RMB120,000,000 as a limited liability company (sino-foreign co-operative joint venture) since 20 July 2016.
- xii) Pursuant to the Business License No. S0112016005962 dated 20 July 2016, Guangzhou Poyi has been established with a registered capital of RMB120,000,000 as a limited liability company (sino-foreign co-operative joint venture) since 20 July 2016.

Section III: Status of the Property

- xiii) As advised, various units with a total gross floor area of 4,757.8sq.m. are pending for registration of Certificate of Real Estate Ownership which are subject to compensation for resettlement (first phase). The restriction shall be released for a compensation of approximately of RMB47,410,000. We have assumed the said compensation has been fully settled as at the Date of Valuation and the said portion of the property has been taken into account of our valuation.

- xiv) As advised, various units with a total gross floor area of 858.9sq.m. are pending for registration of Certificate of Real Estate Ownership which are subject to compensation for resettlement (second phase). The restriction shall be released for a compensation of other resettlement properties purchased by the Group with a total gross floor area of approximately 671 sq.m., we have assumed the said compensation has been settled as at the Date of Valuation and the said portion of the property has been taken into account of our valuation. For indication purpose, the market value of the said resettlement properties is estimated as of RMB26,840,000 as at the Date of Valuation.
- xv) As advised, various units with a total gross floor area of 2,863.89 sq.m. are pending for registration of Certificate of Real Estate Ownership and we are informed that the said compensation for resettlement (third phase) have been fully paid as at the Date of Valuation. The restriction shall be released for a compensation of other resettlement properties purchased by the Group with a total gross floor area of approximately 2,239 sq.m., we have assumed the said compensation has been settled at the Date of Valuation and the said portion of the property has been taken into account of our valuation. For indication purpose, the market value of the said resettlement properties is estimated as of RMB89,560,000 as at the Date of Valuation.
- xvi) As advised, applications for Certificates of Real Estate Ownership of units 1607, 1621, 1821, 2416 and 2417 with a total gross floor area of 275.03 sq.m. are in progress. Pursuant to the opinion provided by the Group's legal adviser, the Company has the rights to apply for relevant title certificates for such properties. There will be no substantial legal obstacle for the application. In this valuation, we have taken into account such portion.
- xvii) Pursuant to the Restructuring Framework Agreement for the Real Estate Pre-sale Deed of Ji Xiang Building (currently known as A-Mall) (《吉祥大廈《房地產預售契約》) dated 16 July 2015 entered into between Guangzhou Jixiang and Industrial and Commercial Bank of China Guangdong Branch ("ICBC"), ICBC have the titles of 5 car parking spaces on Level B2. In this valuation, we have not taken into account such portion.
- xviii) Pursuant to the Mortgage Contract No.0360200096-2016 Nian Tong Fu (Di) Zi 0172 dated 8 December 2016, units 102 to 111 and 202 of the property are subject to a mortgage from Guangzhou Pojian in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Tong Fu Sub-branch, for an amount of RMB500,000,000.
- xix) Pursuant to the Mortgage Contract No.00360200096-2018 Nian Tong Fu (Di) Zi 0022 dated 8 January 2018, units B101 and B201 of the property are subject to a mortgage from Guangzhou Pozhi in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Tong Fu Sub-branch, for an amount of RMB500,000,000.
- xx) Pursuant to the Mortgage Contract No.0360200096-2017 Nian Tong Fu (Di) Zi 0209 dated 23 November 2017, units 502, 601, 701 and 801 of the property are subject to a mortgage from Guangzhou Poqi in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Tong Fu Sub-branch, for an amount of RMB450,000,000.
- xxi) Pursuant to the Mortgage Contract No.0360200096-2017 Nian Tong Fu (Di) Zi 0194 dated 11 September 2017, units 1001 to 1036, 1101 to 1136, 1201 to 1236, 1301 to 1336, 1401 to 1436 and 1501 to 1536 of the property are subject to a mortgage from Guangzhou Poyi in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Tong Fu Sub-branch, for an amount of RMB350,000,000.

Section IV: PRC Legal Opinion

- xxii) We have provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the following:
- (a) The Group is vested with proper land use rights of the property;
 - (b) The Group has obtained a proper legal title (except the portions of the property as stated in notes xiii-xv which are pending for registration of Certificate of Real Estate Ownership) of the property and can occupy, let, use or transfer the land rights to third parties;
 - (c) For the portions of the property as stated in notes xiii-xv which are pending for registration of certificate of Real Estate Ownership due to under litigations, the Group currently has the rights to use, occupy and manage the said portions. After purchasing of a total gross floor area of 2,239 sq.m. resettlement housing, the Group can let, mortgage and transfer the said portions to third parties; and
 - (d) The lease agreements are valid, legal binding and enforceable in accordance with their terms.

Section V: Others

- xxiii) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be approximately HK\$715,706,460 and the likelihood of such liability being crystallised is remote because the property is held for capital appreciation purpose.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 January 2019																
2. The whole of 1st to 6th Floors, Golden Plaza, Nos. 11 and 13, Huangsha Avenue, Liwan District, Guangzhou, Guangdong Province, the PRC	<p>The property comprises the whole of 1st to 6th Floors (Commercial portion) of a 31-storey commercial and residential complex named as Golden Plaza completed in 1998 and renovated in 2012/2013 and 2016/2017.</p> <p>Total gross floor area of the property is 28,552.78 sq.m.. The breakdown of area is as follows:</p> <table border="1"> <thead> <tr> <th>Floor</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>3,509.97</td> </tr> <tr> <td>2</td> <td>4,949.38</td> </tr> <tr> <td>3</td> <td>5,036.53</td> </tr> <tr> <td>4</td> <td>4,983.86</td> </tr> <tr> <td>5</td> <td>5,036.51</td> </tr> <tr> <td>6</td> <td>5,036.53</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">28,552.78</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	1	3,509.97	2	4,949.38	3	5,036.53	4	4,983.86	5	5,036.51	6	5,036.53		28,552.78	<p>Except for a portion of the property with a total gross floor area of 4,347.36 sq.m. which is currently vacant, the property is subject to various tenancies with the latest expiring on 31 May 2027 yielding a total monthly basic rent of approximately RMB3,158,327.</p>	<p>HK\$1,948,000,000 (100% interest)</p>
Floor	Gross Floor Area (sq.m.)																		
1	3,509.97																		
2	4,949.38																		
3	5,036.53																		
4	4,983.86																		
5	5,036.51																		
6	5,036.53																		
	28,552.78																		
	<p>The Land Use Rights of the property have been granted for a term of 40 years commencing on 12 September 1988 for commercial use.</p>																		

Notes:

Section I: Title Documents

- i) Pursuant to 167 Certificates of Real Estate Ownership issued by Guangzhou Land Resources and Housing Administrative Bureau (廣州市國土資源和房屋管理局) and Guangzhou Land Resources and Planning Committee (廣州市國土資源和規劃委員會) during March and April 2016, title of the property, having a total gross floor area of 28,552.78 sq.m., has been vested in Guangzhou Yehui Market Development Limited (廣州市冶暉市場開發有限公司) (“Yehui”), a wholly-owned subsidiary of the Group.

Section II: Corporate Background

- ii) Pursuant to the Business License No. S0312014044672 dated 24 January 2018, Yehui has been established with a registered capital of RMB65,000,000 as a limited liability company (sino-foreign co-operative joint venture) since 2 January 2004.

Section III: Status of the Property

- iii) Pursuant to four Mortgage Contracts entered between Yehui and Guangzhou Rural Commercial Bank, levels 3 to 6 of the property are subject to a mortgage from Yehui in favour of Guangzhou Rural Commercial Bank, Huaxia Sub-branch, for a maximum amount of RMB735,000,000.
- iv) As advised by the Company, Levels 1 to 3 of the property have been renovated as a food wholesale market during 2012 and 2013. Pursuant to the information provided, Yehui has received admission fees from various tenants amounted to approximately RMB143,168,000 from 2013 to 2015 when the tenants entered into their respective tenancies.

Section IV: PRC Legal Opinion

- v) We have provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:
 - (a) Yehui has obtained a proper legal title to the property;
 - (b) Yehui is vested with proper land use rights of the property and can occupy, use or transfer the land use rights to third parties;
 - (c) Yehui has been legally established; and
 - (d) The lease agreements are valid, legal binding and enforceable in accordance with their terms.

Section V: Others

- vi) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be zero and the likelihood of such liability being crystallised is remote because the property is held for capital appreciation purpose.

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 January 2019																				
3. Various units and car parking spaces, Podong Plaza, No. 1 Guigang Road, Yuexiu District, Guangzhou, Guangdong Province, the PRC	The property comprises various commercial units on 2nd to 6th Floors and car parking spaces of a 6-storey commercial building named as Podong Plaza completed in 2006. Total gross floor area of the property is 11,657.56 sq.m.. The breakdown of area is as follows:	Except for a portion of the property with a total gross floor area of 125.15 sq.m. which are currently vacant, the property is subject to various tenancies with the latest expiring on 14 December 2025 yielding a total monthly rent of approximately RMB605,715.	HK\$472,000,000 (100% interest)																				
	<table border="1"> <thead> <tr> <th data-bbox="491 795 560 823">Floor</th> <th data-bbox="759 757 895 863">Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="491 906 528 934">B3</td> <td data-bbox="794 906 895 934">1,346.07</td> </tr> <tr> <td data-bbox="491 944 528 972">B2</td> <td data-bbox="794 944 895 972">1,701.94</td> </tr> <tr> <td data-bbox="491 983 528 1010">B1</td> <td data-bbox="818 983 895 1010">125.15</td> </tr> <tr> <td data-bbox="491 1021 507 1049">2</td> <td data-bbox="794 1021 895 1049">1,927.90</td> </tr> <tr> <td data-bbox="491 1059 507 1087">3</td> <td data-bbox="794 1059 895 1087">1,669.15</td> </tr> <tr> <td data-bbox="491 1098 507 1125">4</td> <td data-bbox="794 1098 895 1125">1,651.13</td> </tr> <tr> <td data-bbox="491 1136 507 1164">5</td> <td data-bbox="794 1136 895 1164">1,636.13</td> </tr> <tr> <td data-bbox="491 1174 507 1202">6</td> <td data-bbox="794 1174 895 1202">1,600.09</td> </tr> <tr> <td></td> <td data-bbox="778 1253 895 1281">11,657.56</td> </tr> </tbody> </table>	Floor	Gross Floor Area (sq.m.)	B3	1,346.07	B2	1,701.94	B1	125.15	2	1,927.90	3	1,669.15	4	1,651.13	5	1,636.13	6	1,600.09		11,657.56		
Floor	Gross Floor Area (sq.m.)																						
B3	1,346.07																						
B2	1,701.94																						
B1	125.15																						
2	1,927.90																						
3	1,669.15																						
4	1,651.13																						
5	1,636.13																						
6	1,600.09																						
	11,657.56																						

The Land Use Rights of the property have been granted for a term of 50 years commencing on 19 April 2004 for various uses (as more particularly described in Note (i) below).

Notes:

Section I: Usage of the Property

- i) The property comprises the following units and their respective uses are:

Unit	Usage
The whole of B3 Floor	Garage and Facility Room
The whole of B2 Floor	Garage and Facility Room
Unit 23A on B1 Floor	Commercial
Unit 43A on B1 Floor	Commercial
Unit 53A on B1 Floor	Commercial
Unit 55 on B1 Floor	Commercial
Unit 56 on B1 Floor	Commercial
Unit 57 on B1 Floor	Commercial
Unit 201 on 2nd Floor	Shopping Mall
Unit 202 on 2nd Floor	Shopping Mall
Units 203 and 1 on 2nd Floors	Restaurant
Unit 301 on 3rd Floor	Shopping Mall
Unit 302 on 3rd Floor	Shopping Mall
Unit 303 on 3rd Floor	Shopping Mall
The whole of 4th Floor	Chess & Poker Room, Storage
Unit 501 on 5th Floor	Restaurant
Unit 502 on 5th Floor	Restaurant
Unit 601 on 6th Floor	Restaurant
Unit 602 on 6th Floor	Restaurant

Section II: Title Documents

- ii) Pursuant to 19 Certificates of Real Estate Ownership issued by Guangzhou Land Resources and Housing Administrative Bureau (廣州市國土資源和房屋管理局), the title of the property, having a total gross floor area of 11,657.56 sq.m., has been vested in Guangzhou Pofu Enterprise Limited (廣州市珀富實業有限公司) (“Pofu”), a wholly-owned subsidiary of the Group.

Section III: Corporate Background

- iii) Pursuant to the Business License No. S0112014C36186 dated 18 January 2018, Pofu has been established with a registered capital of RMB50,000,000 as an other-limited company since 28 February 2006.

Section IV: Status of the Property

- iv) Pursuant to the Mortgage Contract No. Ping Yin (Guangzhou) Di Zi (2012) Di C1001700071200001 dated 27 December 2012, the property excluding various units on B1 Floor are subject to a mortgage from Pofu in favour of Ping An Bank, Guangzhou Branch, for a total amount of RMB190,000,000.

Section V: PRC Legal Opinion

- v) We have provided with the Group’s PRC legal adviser’s opinion, which inter-alia, contains the followings:
- Pofu has obtained a proper legal title to the property;
 - Pofu is vested with proper land use rights of the property and can occupy, use or transfer the land use rights to third parties;
 - Pofu has been legally established; and
 - The lease agreements are valid, legal binding and enforceable in accordance with their terms.

Section VI: Others

- vi) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be zero and the likelihood of such liability being crystallised is remote because the property is held for capital appreciation purpose.

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 January 2019
4.	Shops Nos. 102, 103, 105, 106, 107 on 1st Floor and 201 on 2nd Floor, and 21 car parking spaces on B1 and B2 Floors, No. 22 Pan Fu Road, Yue Xiu District, Guangzhou, Guangdong Province, the PRC	No. 22 Pan Fu Road (“the Development”) also named as 泰峰大廈 (Tai Feng Building), is a comprehensive commercial/residential development completed in around 2007. The property comprises 21 car parking spaces and 6 commercial units of the Development. The total gross floor area of the commercial portion of the property is 4,490.94 sq.m.. The Land Use Rights of the property have been granted for commercial and garage uses for a term of 40 years.	Except for a portion of the commercial portion of the property with a total gross floor area of 2,256.32 sq.m. which is currently vacant, the commercial portion is subject to various tenancies with the latest expiring on 14 August 2028 yielding a total current monthly rent of approximately RMB247,781.	HK\$291,000,000 (100% interest)

Notes:

Section I: Title Documents

- i) Pursuant to 6 Certificates of Real Estate Ownership dated 21 November 2016 issued by Guangzhou Land Resources and Planning Committee (廣州市國土資源和規劃委員會), the titles of the commercial portion of the property, having a total gross floor area of 4,490.94 sq.m., have been vested in Guangzhou Xin Yu Shang Mao Limited (廣州市新雨商貿有限公司) (“Xin Yu Shang Mao”), a wholly-owned subsidiary of the Group, for commercial use for a term of 40 years commencing on 12 April 1999. Details are set out as follows:

No.	Certificate No.	Unit	Gross Floor Area (sq.m.)
1	Yue (2016)Guangzhou Real Estate Ownership No. 00267885	102	1,098.93
2	Yue (2016)Guangzhou Real Estate Ownership No. 00237928	103	84.11
3	Yue (2016)Guangzhou Real Estate Ownership No. 00237943	105	89.32
4	Yue (2016)Guangzhou Real Estate Ownership No. 00237945	106	27.12
5	Yue (2016)Guangzhou Real Estate Ownership No. 00237944	107	52.65
6	Yue (2016)Guangzhou Real Estate Ownership No. 00237942	201	3,138.81
			4,490.94

- ii) Pursuant to 21 Certificates of Real Estate Ownership issued by Guangzhou Land Resources and Planning Committee, the titles of car parking spaces Nos. 21, 23 to 35, 51 to 55 on B2 Floor, Nos. 135 and 136 on B1 Floor have been vested in Xin Yu Shang Mao for garage use.

Section II: Corporate Background

- iii) Pursuant to the Business License No. S0412015017764 dated 15 June 2018, Xin Yu Shang Mao has been established with a registered capital of RMB10,300,000 as a limited liability company (sino-foreign co-operative joint venture) since 25 August 2005.

Section III: Status of the Property

- iv) Pursuant to the Mortgage Contract No. 0360200096-2017 Nian Tong Fu (Di) Zi 0140 dated 3 July 2017, the property are subject to a mortgage from Xin Yu Shang Mao in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Tong Fu Sub-branch, for a total amount of RMB120,000,000.

Section IV: PRC Legal Opinion

- v) We have provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:
- (a) Xin Yu Shang Mao has obtained a proper legal title to the property;
 - (b) Xin Yu Shang Mao is vested with proper land use rights of the property and can occupy, use or transfer the land use rights to third parties;
 - (c) Xin Yu Shang Mao has been legally established; and
 - (d) The lease agreements are valid, legal binding and enforceable in accordance with their terms.

Section V: Others

- vi) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be zero and the likelihood of such liability being crystallised is remote because the property is held for capital appreciation purpose.

	Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 31 January 2019
5.	Nos. 430, 432 and 434, Hui Fu East Road, Yuexiu District, Guangzhou, Guangdong Province, the People's Republic of China	<p>The property is a 5-storey commercial building.</p> <p>Total gross floor area of the property is 1,370.46 sq.m..</p> <p>The Land Use Rights of the property have been granted for a term of 40 years commencing on 29 July 2010 for commercial use.</p>	The property is subject to a tenancy from 15 April 2014 to 14 April 2024, yielding a current monthly rent of RMB128,941.	HK\$161,000,000 (100% interest)

Notes:

Section I: Title Documents

- i) Pursuant to the Certificate for Real Estate Ownership No. Yue (2016) Guangzhou Shi Bu Dong Chan Quan Di 00246083 issued by Guangzhou Land Resources and Planning Committee (廣州市國土資源和規劃委員會) dated 1 August 2016, the title of the property, having a gross floor area of 1,370.46 sq.m., have been vested in Guangzhou Gao Jie Property Management Limited (廣州市高階物業管理有限公司) ("Gao Jie"), a wholly-owned subsidiary of the Group.

Section II: Corporate Background

- ii) Pursuant to the Business License No. S0412014003893 dated 18 January 2018, Gao Jie has been established with a registered capital of RMB500,000 as an other-limited liabilities company since 17 May 2013.

Section III: Status of the Property

- iii) Pursuant to the Mortgage Contract No. Gong Hang Dong Cheng Zhi Hang 2016 Nian Di Zi 055 dated 19 September 2016, the property are subject to a mortgage from Gao Jie in favour of Industrial and Commercial Bank of China, Guangzhou Branch, Dong Cheng Sub-branch, for a total amount of RMB30,000,000.

Section IV: PRC Legal Opinion

- iv) We have provided with the Group's PRC legal adviser's opinion, which inter-alia, contains the followings:
- (a) Gao Jie has obtained a proper legal title to the property;
 - (b) Gao Jie is vested with proper land use rights of the property and can occupy, use or transfer the land use rights to third parties;
 - (c) Gao Jie has been legally established; and
 - (d) The lease agreements are valid, legal binding and enforceable in accordance with their terms.

Section V: Others

- v) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be approximately HK\$250,255 and the likelihood of such liability being crystallised is remote because the property is held for capital appreciation purpose.

Property interests held for sale in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2019
6.	House No. 6 and Car Parking Space Nos. 11 and 12, Horizon Ridge, Nos. 38-48 Horizon Drive, Hong Kong 42/252nd shares of the Rural Building Lot No. 1012 (the "Lot")	Horizon Ridge is a private residential development comprising 6 3-storey terraced houses built on a carport podium which was completed in 1979. The property comprises a 3-storey terraced house with two carparking spaces. The gross floor area of the house is approximately of 3,800 sq.ft. and the saleable area is approximately of 2,704 sq.ft.. The Lot is held under Conditions of Sale No. 10919 lease for a term of 75 years commencing from 28 May 1976 and renewable for a further term of 75 years. The Government Rent payable for the Lot is HK\$1,000 per annum.	The property is currently vacant.	HK\$112,000,000 (100% interest)

Notes:

- i) The registered owner of the property is Beautiful Sky Holdings Limited, a wholly-owned subsidiary of the Group, vide Memorial No. 12042002690436 dated 30 March 2012.
- ii) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be approximately HK\$4,247,857 and there is likelihood of such liability being crystallised in the near future.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2019
7.	Car Parking Space Nos. 18, 19, 22, 23, 24, 25 and 26 of Berkeley Bay Villa, Lot No. 836 in D.D.214, Sai Kung, New Territories	Berkeley Bay Villa (the "Development") is a private residential development comprising 18 houses which was completed in 1978. The property comprises seven car parking spaces of the Development.	The property is currently vacant.	HK\$3,850,000 (100% interest)
	7/884 shares of Lot No. 836 In D.D.214 (the "Lot")	The Lot is held under New Grant No. SK5803 for a term of 99 years commencing on 1 July 1898 and has been statutorily extended to 30 June 2047. The Government Rent payable for the Lot is 3% of the rateable value from time to time of the Lot per annum.		

Notes:

- i) The registered owner of the property is Adrian Realty Limited, a wholly-owned subsidiary of the Group, vide Memorial No. SK298730 dated 31 October 1997.
- ii) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be approximately HK\$56,862 and there is likelihood of such liability being crystallised in the near future.

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2019
8.	Car Park Nos. 14, 22, 23, 24, 25, 26, 27, 28 and 29 on Ground Floor, Cherry Court 10-12 Consort Rise, Hong Kong 9/180 shares of The Remaining Portion of Inland Lot No. 623 (the "Lot")	Cherry Court (the "Development") is a private residential development built on a carport podium which was completed in 1978. The property comprises nine car parking spaces of the Development. The Lot is held under Government Lease for a term of 999 years commencing on 16 April 1860. The Government Rent payable for the Lot is HK\$1.27 per annum.	Six car park units are subject to tenancies with the latest expiring on 28 February 2020, yielding a total monthly rent of HK\$11,200.	HK\$8,100,000 (100% interest)

Notes:

- i) The registered owner of the property is Adrian Realty Limited, a wholly-owned subsidiary of the Group, vide Memorial No. UB7350924 dated 31 October 1997.
- ii) As advised by the Group, the potential tax payable by the Group arising from the disposal of the property as at the date of valuation is estimated to be approximately HK\$43,560 and there is likelihood of such liability being crystallised in the near future.

**INDEPENDENT ASSURANCE REPORT ON THE UNAUDITED REQUIRED FINANCIAL INFORMATION****To the board of directors of Master Glory Group Limited**

We have performed our work on the principal accounting policies adopted and the calculations used in the preparation of the unaudited loss on disposal of Regrowth Resources Limited (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) based on the financial position as at 30 September 2018, the unaudited consolidated revenue, net profit before tax and net profit after tax of the Target Group for the years ended 31 March 2017, 31 March 2018 and the six months ended 30 September 2017, 30 September 2018 as set out under section headed “Information of the Target Group” and “Earning” (collectively referred to as the “**Unaudited Required Financial Information**”), prepared by the directors of Master Glory Group Limited (the “**Company**”, the Company and its subsidiaries collectively referred to as the “**Group**”) for inclusion in the circular dated 27 March 2019 (the “**Circular**”) in connection with the proposed disposal of equity interests of the Target Company by the Group. We understand the Unaudited Required Financial Information is required to be reported on under Rule 10 of the Code on Takeovers and Mergers. Unless otherwise defined, terms used herein shall have the same meanings as those defined in this circular.

Directors’ responsibilities for the Unaudited Required Financial Information

The Unaudited Required Financial Information has been compiled by the directors of the Company based on the unaudited consolidated management accounts of the Target Group prepared by the directors of the Target Company. The Unaudited Required Financial Information was prepared on a basis consistent with the accounting policies adopted by the Company and its subsidiaries as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018, and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 2018. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Required Financial Information that is free from material misstatement; applying appropriate accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018 and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 2018; and making estimates that are reasonable in the circumstances.

The directors of the Company are solely responsible for the compilation of the Unaudited Required Financial Information.

Our independence and quality control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Required Financial Information has been properly compiled in accordance with the bases adopted by the Directors as set out under the paragraph headed “Directors’ responsibilities for the Unaudited Required Financial Information” of this report above and has also been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018, and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 2018.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“HKSAAE3000 (Revised)”) issued by the HKICPA.

Our work consisted primarily of procedures such as a) obtaining an understanding of the basis of preparation and the principal accounting policies adopted for compiling the Unaudited Required Financial Information through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Required Financial Information, c) comparing the principal accounting policies adopted in the preparation of the Unaudited Required Financial Information with those adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018 and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 2018, d) checking solely the arithmetical calculations and the compilation of the Unaudited Required Financial Information, and such other procedures that we considered necessary in the circumstances in accordance with HKSAAE3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Required Financial Information.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Required Financial Information.

Conclusion

In our opinion, based on the foregoing, so far as the accounting policies and calculations are concerned, the Unaudited Required Financial Information has been properly compiled in accordance with the bases adopted by the Directors as set out under the paragraph headed “Directors’ responsibilities for the Unaudited Required Financial Information” of this report above and has also been prepared on a basis consistent, in all material respects, with the accounting policies adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018 and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 2018.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

27 March 2019

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

27 March 2019

The Board of Directors
Master Glory Group Limited
Unit 703, 7/F
1063 King's Road
Quarry Bay
Hong Kong

Dear Sirs,

REPORT ON REQUIRED FINANCIAL INFORMATION

References are made to the announcement dated 30 October 2018 (the “**Announcement**”) and the circular dated 27 March 2019 (the “**Circular**”) both issued by Master Glory Group Limited (the “**Company**”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise specified.

We refer to certain financial information relating to the Disposal disclosed in the Announcement and the Circular, including the unaudited consolidated revenue, profit before tax, profit after tax of the Target Group for the financial years ended 31 March 2017 and 31 March 2018 and the six month periods ended 30 September 2017 and 30 September 2018, and the estimated loss as a result of the Disposal (the “**Required Financial Information**”). The Required Financial Information are regarded as profit forecast under Rule 10 of the Takeovers Code and therefore are required to be reported on by the Company’s financial adviser and its auditors or accountants. This letter is issued in compliance with the requirement under Rule 10.4 of the Takeovers Code.

We have discussed with you the bases upon which the Required Financial Information were prepared, i.e. the unaudited consolidated management accounts of the Target Group for the financial years ended 31 March 2017 and 2018 and the six months periods ended 30 September 2017 and 30 September 2018. We have also considered the report contained in Appendix IV to the Circular issued by ZHONGHUI ANDA CPA Limited, the consulting accountants appointed by the Company, which stated that so far as the accounting policies and calculations are concerned, the Required Financial Information have been properly compiled in accordance with the bases adopted by the Directors, and has also been prepared on a basis consistent, in all material respects, with the accounting policies normally adopted by the Group as set out in the audited consolidated financial statements of the Group for the year ended 31 March 2017 and 2018 and the unaudited interim financial statements of the Group for the six months ended 30 September 2017 and 30 September 2018.

The review carried out by us as described above is primarily based on the information and materials supplied to us by or on behalf of the Company, and the opinions expressed by, and the representations of, the employees and/or the senior management of the Company. We have relied upon the accuracy and completeness of all of such information and materials that were made available to us or were discussed with or reviewed by us and have assumed such accuracy and completeness for the purpose of providing this opinion. We have also relied on the assurances of the management of the Company that they are not aware of any facts or circumstances that would make any information necessary for us to provide this opinion inaccurate or misleading and that the management have not omitted to provide us with any information which may be relevant to the delivery of this opinion.

On the basis of the foregoing, we are of the opinion that the Required Financial Information, for which the Directors are solely responsible, have been made with due care and consideration.

We hereby give our consent to and confirm that we have not withdrawn our consent to the issue of the Circular with the inclusion of this letter.

Yours faithfully
For and on behalf of
Nuada Limited

Po Chan
Executive Director

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.

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

2. SHARE CAPITAL**(a) As at the Latest Practicable Date**

HK\$

Authorised share capital:

<u>100,000,000,000</u>	Existing Shares of HK\$0.20 each	<u>20,000,000,000</u>
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Issued and fully paid:

<u>10,298,188,650</u>	Existing Shares of HK\$0.20 each	<u>2,059,637,730</u>
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(b) Immediately following the Capital Reorganisation having become effective (assuming no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) from the Latest Practicable Date up to the Effective Date)

HK\$

Authorised share capital:

<u>200,000,000,000</u>	Adjusted Shares of HK\$0.10 each	<u>20,000,000,000</u>
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Issued and fully paid:

<u>514,909,432</u>	Adjusted Shares of HK\$0.10 each	<u>51,490,943.20</u>
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- (c) **Immediately following the Capital Reorganisation having become effective and completion of the Rights Issue (assuming (i) no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) from the Latest Practicable Date up to the Record Date; and (ii) all Qualifying Shareholders have taken up the Rights Shares to which they are entitled)**

HK\$

Authorised share capital:

<u>200,000,000,000</u>	Adjusted Shares of HK\$0.10 each	<u>20,000,000,000</u>
------------------------	----------------------------------	-----------------------

Issued and fully paid:

514,909,432	Adjusted Shares immediately following the Capital Reorganisation having become effective	51,490,943.20
1,544,728,296	Rights Shares to be allotted and issued under the Rights Issue	154,472,829.60
<u>2,059,637,728</u>	Adjusted Shares in issue immediately upon completion of the Rights Issue	<u>205,963,772.80</u>

All Existing Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

Since 31 March 2018 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no Existing Shares had been issued.

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.

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. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Existing Shares or Adjusted Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options, warrants or derivatives in issue which conferred any right to subscribe for, convert, or exchange into the Existing Shares and there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name	Name of company	Capacity	Number of shares interested in (long position)	Approximate % of interest
Dr. Yap	The Company	Beneficial owner	604,783,100	29.36%

Note:

453,587,325 Rights Shares have been undertaken to be accepted by Dr. Yap pursuant to the Deed of Covenants and Undertakings. Upon completion of the Capital Reorganisation and the Rights Issue, Dr. Yap will be interested in 604,783,100 Adjusted Shares and the number of issued Adjusted Shares will be increased to 2,059,637,728 assuming all Shareholders have taken up the Rights Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 in which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

4. SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no person (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company, (a) 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) who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities.

5. ADDITIONAL DISCLOSURE OF DEALINGS IN SHARES

- (a) Dr. Yap was beneficially interested in 3,023,915,510 Existing Shares as at the Latest Practicable Date. He entered into the Deed of Covenants and Undertakings on 4 September 2018, pursuant to which he had undertaken to accept the 453,587,325 Rights Shares to be provisionally allotted to him at the Subscription Price. Pursuant to the SFO, Dr. Yap was deemed to be interested in 604,783,100 Adjusted Shares as at the Latest Practicable Date. The Concert Group is therefore required to abstain from voting at the resolutions approving the Rights Issue and the Whitewash Waiver at the SGM. Save for the aforesaid, no Director had any shareholdings in the Company as at the Latest Practicable Date; and no Director was required to set out any intention to accept or reject the provisional allotment of Rights Shares, and intention to vote at the SGM as regards the Rights Issue and the Whitewash Waiver. Save for the aforesaid, (i) none of the members of the Concert Group; and (ii) no Director was interested in any shares of the Company pursuant to the SFO as at the Latest Practicable Date. Save for the aforesaid, no Director had dealt for value in the Existing Shares during the Relevant Period;
- (b) Save for the Deed of Covenants and Undertakings, none of the members of the Concert Group and no Director had dealt for value in the Existing Shares in the Relevant Period;
- (c) As at the Latest Practicable Date, save for the Deed of Covenants and Undertakings, the 3,023,915,510 Existing Shares held by Dr. Yap and the need to abstain from voting at the SGM set out above, (i) as at the Latest Practicable Date no person had irrevocably committed to accept or reject the provisional allotment of Rights Shares under the Right Issue or to vote for or against the proposed resolutions approving the Rights Issue, and/or the Whitewash Waiver at the SGM; (ii) as at the Latest Practicable Date, no Existing Shares were held by any person who had irrevocably committed himself to accept or reject the provisional allotment of the Rights Shares under the Rights Issue, or to vote for or against the resolution approving the Rights Issue and the Whitewash Waiver; and (iii) there was no dealing for value in the Existing Shares by such person during the Relevant Period;
- (d) Save for the Deed of Covenants and Undertakings, the Concert Group had no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code as at the Latest Practicable Date. No Existing Shares were held by any person with whom the Concert Group had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code as at the Latest Practicable Date and there was no dealing for value in the Existing Shares by such person during the Relevant Period.
- (e) As at the Latest Practicable Date and during the Relevant Period, the Concert Group had not borrowed or lent any Existing Shares;
- (f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding to transfer, charge or pledge the Rights Shares to be acquired by Dr. Yap in pursuance of the Rights Issue to any other persons;

- (g) As at the Latest Practicable Date, no benefit was to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue and/or the Whitewash Waiver;
- (h) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Concert Group and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Rights Issue and/or the Whitewash Waiver;
- (i) As at the Latest Practicable Date, (i) no subsidiary of the Company; (ii) no pension fund of the Company or of any of its subsidiaries; (iii) save for 18,000,000 Existing Shares held by Emperor Securities Limited (which was presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code) no person who was presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code, and (iv) no associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (excluding exempt principal traders and exempt fund managers) owned or controlled any interest in the Existing Shares, options or derivatives of the Company;
- (j) As at the Latest Practicable Date, no shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;
- (k) As at the Latest Practicable Date, there was no material contract entered into by Dr. Yap in which any Director had a material personal interest;
- (l) As at the Latest Practicable Date, save for the Deed of Covenants and Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Rights Issue and/or the Whitewash Waiver or otherwise connected therewith;
- (m) As at the Latest Practicable Date, no Director had borrowed or lent any Existing Shares;
- (n) As at the Latest Practicable Date, save for the Deed of Covenants and Undertakings, no person had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between (i) the Company; or (ii) any person who was presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” in the Takeovers Code; or (iii) any person who was an associate of the Company by virtue of classes (2), (3) and (4) of the definition of an “associate” in the Takeovers Code. As at the Latest Practicable date, save for the 3,023,915,510 Existing Shares held by Dr. Yap, no Existing Shares were held by any person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” of the Takeovers Code, or who was an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” of the Takeovers Code; and

- (o) Dr. Yap has undertaken to accept the 453,587,325 Rights Shares to be provisionally allotted to him under the Rights Issue pursuant to the Deed of Covenants and Undertakings. Assuming no other Shareholder accepts the provisional allotment of Rights Shares, upon completion of the Rights Issue, the maximum potential controlling holding of the Company's voting rights will be held by Dr. Yap at approximately 62.45%. As such holding exceeds 50% of the Company's voting rights at the completion of the Rights Issue, Dr. Yap may thereafter further increase his holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

6. MARKET PRICES

The closing prices of the Existing Shares quoted on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on the last business day prior to the date of the Rights Issue Announcement; (iii) on the Last Trading Day; and (iv) on the Latest Practicable Date were as follows:

Date	Closing price per Existing Share HK\$
29 March 2018	0.085
30 April 2018	0.075
31 May 2018	0.073
29 June 2018	0.053
31 July 2018	0.042
31 August 2018	0.033
3 September 2018 (being the last business day prior to the date of the Rights Issue Announcement)	0.033
4 September 2018 (being the Last Trading Day)	0.034
28 September 2018	0.020
31 October 2018	0.018
30 November 2018	0.023
31 December 2018	0.019
31 January 2019	0.020
28 February 2019	0.022
25 March 2019 (being the Latest Practicable Date)	0.022

The highest and lowest closing prices of the Existing Shares as quoted on the Stock Exchange during the Relevant Period were HK\$0.085 on 29 March 2018 and HK\$0.018 on 31 October 2018, respectively.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Director	Name of entity with competing business	Nature of business	Nature of interests
Dr. Yap	Rosedale Hotel Holdings Limited (“ Rosedale ”) and its subsidiaries	trading of securities and hotel operations	executive director of Rosedale

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had interest in any business that competes or may compete with the business of the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had service contracts with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contract) had been entered into or amended within six months before 4 September 2018 (being the date of the Rights Issue Announcement); (ii) which were continuous contracts with a notice period of 12 months or more or; (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period. No Director had any service contracts with the Group other than those which were expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

9. DIRECTORS' INTERESTS IN GROUP'S ASSETS OR CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been since 31 March 2018 (being the date to which the latest published audited financial statements of the Company were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

As at the Latest Practicable Date, save for the Deed of Covenants and Undertakings, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

11. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group from 4 September 2016 (being the date falling two years immediately preceding 4 September 2018 (being the date of the Rights Issue Announcement)) up to and including the Latest Practicable Date:

- (a) the placing and underwriting agreement dated 24 November 2016 (as supplemented by the supplemental placing and underwriting agreement dated 28 February 2017) entered into between the Company and Emperor Securities Limited (as placing agent) in relation to the placing of the three-year 9.5% notes with an aggregate principal amount of up to HK\$1,300 million in multiple tranches;
- (b) the placing agreement dated 16 March 2017 entered into between the Company and Emperor Securities Limited (as placing agent) in relation to the placing of the three-year 9.5% notes with an aggregate principal amount of up to HK\$300 million in multiple tranches;
- (c) the equity transfer agreement dated 30 March 2017 entered into between (i) 廣州市珀德企業管理有限公司(Guangzhou City Bo De Enterprise Management Company Limited*), an indirect wholly-owned subsidiary of the Company (as purchaser); and (ii) 周新捷 (Zhou Xinjie*), 鄭關邑 (Zheng Guanyi*), and 楊玉新 (Yang Yuxin*) (together as vendors) in relation to the acquisition of the entire equity interest of 廣州市新雨商貿有限公司 (Guangzhou City Xin Yu Shang Mao Company Limited*) at a consideration of RMB228,702,266;
- (d) the conditional sale and purchase agreement dated 11 May 2017 entered into between Mr. Dong Bo Frederic (as vendor) and Sky Clover Limited, being an indirect wholly owned subsidiary of the Company (as purchaser), in relation to the acquisition of 51% of the share capital of and voting rights in FULLPAY K.K. at a consideration of HK\$15,300,000;
- (e) the share transfer agreement dated 30 November 2017 (as supplemented by the supplemental agreement dated 10 January 2018) entered into among (i) 廣州市珀厚企業管理有限公司 (Guangzhou Pohou Business Management Co., Ltd.*), an indirect wholly-owned subsidiary of the Company (as purchaser); (ii) 廣州東送能源集團有限責任公司 (Guangzhou Dongsong Energy Group Co. Ltd.*) (as vendor); (iii) Mr. Lu Weidong (as guarantor of the vendor); and (iv) 西林國能電力有限公司 (Xilin Guoneng Power Co., Ltd.*) and 南丹聯合供電有限公司 (Nandan United Power Supply Co., Ltd.*) (as targets) for acquisition of the entire registered capital of the targets at a consideration of RMB196 million, which was subsequently terminated on 12 February 2018;

* For identification purpose only

- (f) the memorandum of understanding dated 30 November 2017 entered into among (i) 廣州市珀厚企業管理有限公司 (Guangzhou Pohou Business Management Co., Ltd.*), an indirect wholly-owned subsidiary of the Company; (ii) 廣州東送能源集團有限責任公司 (Guangzhou Dongsong Energy Group Co. Ltd.*); and (iii) 雲南廣龍電力有限公司 (Yunnan Guanglong Power Co., Ltd.*) in relation to the exclusive right to acquire the entire registered capital of 雲南廣龍電力有限公司 (Yunnan Guanglong Power Co., Ltd.*), which has subsequently lapsed as disclosed in the announcement of the Company dated 12 February 2018;
- (g) the provisional sale and purchase agreement dated 14 March 2018 entered into between (i) Precise Skill Investments Limited, an indirect wholly-owned subsidiary of the Company (as vendor); (ii) Ming Yun (International) Limited (as purchaser); and (iii) the Company (as guarantor of the vendor) in relation to the disposal of the entire issued share capital of Smartmedia Ltd. at a consideration of HK\$196 million;
- (h) the memorandum of understanding dated 31 May 2018 (as supplemented by the supplemental memorandum of understanding dated 31 July 2018) entered into between the Company (as vendor) and SMI Holdings Group Limited (as purchaser) setting out the preliminary understanding in relation to the proposed disposal of certain issued shares of Ally Fortune Investments Limited (being a wholly-owned subsidiary of the Company), which has subsequently lapsed as disclosed in the announcement of the Company dated 28 September 2018;
- (i) the MOU 1, being the memorandum of understanding dated 13 July 2018 (as supplemented by the supplemental memoranda of understanding dated 18 July 2018, 8 October 2018 and 28 December 2018) entered into between (i) 鍾國邦 (Zhong Guobang*), 廣州市錦田物業管理有限公司 (Guangzhou City Jintian Property Management Limited*) (together as intended vendors); and (ii) the Company (as intended purchaser) in relation to the possible acquisition of the entire equity interest of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*) at a consideration of RMB200 million with a due diligence period ended on 13 January 2019. Pursuant to the terms of the MOU 1, the Company paid a sum of RMB100 million (equivalent to approximately HK\$113 million) in cash to the intended vendors upon execution of the MOU 1 as a refundable deposit for the proposed acquisition, the refund of which is secured by a pledge of transfer documents (being two undated simple equity transfer agreements signed by each intended vendor for transfer of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*), undated shareholders' resolutions of the corporate intended vendor signed by its shareholders approving the transfer, undated directors' resolutions of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*) signed by its directors approving the transfers, and undated proposed amendment to articles of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*) relating to change of shareholders signed by its legal representative) and the company seal and the contract seal (if any) of 廣州市越東房地產發展有限公司 (Guangzhou City Yue Dong Development Limited*). The due diligence period of the MOU 1 expired on 13 January 2019 and the Company had issued termination notice on 12 January 2019. The deposit had been refunded and the Company had returned the pledged transfer documents and the relevant company seal and the relevant contract seal (if any) to the intended vendors;

* For identification purpose only

- (j) the MOU 2, being the memorandum of understanding dated 30 August 2018 (as supplemented by the supplemental memoranda of understanding dated 3 September 2018, 23 November 2018 and 28 December 2018) entered into between (i) 周建榮 (Zhou Jianrong*), 陳玉華 (Chen Yuhua*) (together as intended vendors); and (ii) the Company (as intended purchaser) in relation to the possible acquisition of the entire equity interest of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*) at a consideration of RMB1,300 million with a due diligence period of 3 months commencing from the date on which all due diligence documents have been provided (i.e. 25 February 2019). The due diligence period will expire on 24 May 2019. Pursuant to the terms of the MOU 2, the Company paid a sum of RMB300 million (equivalent to approximately HK\$339 million) in cash to the intended vendors upon execution of the MOU 2 as a refundable deposit for the proposed acquisition, the refund of which is secured by a pledge of transfer documents (being two undated simple equity transfer agreements signed by each intended vendor for transfer of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*), undated shareholders' resolutions of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*) signed by its shareholders approving the transfers, and undated proposed amendment to articles of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*) relating to change of shareholders signed by its legal representative) and the company seal and the contract seal (if any) of 廣州市舜維房地產開發有限公司 (Guangzhou City Shun Wei Development Limited*);
- (k) the Deed of Covenants and Undertakings;
- (l) the MOU 3, being the memorandum of understanding dated 17 September 2018 (as supplemented by supplemental memoranda of understanding dated 17 September 2018, 13 December 2018 and 28 December 2018) entered into between 黃藹婷 (Huang Aiting*) (as intended vendor) and the Company (as intended purchaser) in relation to the possible acquisition of the entire issued shares of Onland Development Limited at a consideration of RMB1,100 million with a due diligence period ended on 17 March 2019. Pursuant to the terms of the MOU 3, the Company paid a sum of RMB350 million (equivalent to approximately HK\$395 million) in cash to the intended vendor upon execution of the MOU 3 as a refundable deposit for the proposed acquisition, the refund of which is secured by a pledge of transfer documents (being an undated sold note signed by the intended vendor for transfer of Onland Development Limited, undated instrument of transfer signed by the intended vendor for transfer of Onland Development Limited, undated director's resolutions of Onland Development Limited approving the transfer and undated shareholder's resolutions of Onland Development Limited approving the transfer) and the company seal and the contract seal (if any) of Onland Development Limited. The due diligence period of the MOU 3 expired on 17 March 2019 and the Company had issued a termination notice to the intended vendor on 18 March 2019. The Company is expected to receive refund of the deposit within 10 business days after the receipt of the termination notice by the intended vendor pursuant to the terms of MOU 3 (i.e. on or before 1 April 2019); and
- (m) the Disposal Agreement.

* For identification purpose only

12. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, except as disclosed in the paragraph headed “MATERIAL CHANGE” set out in Appendix I to this circular, the Directors were not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2018, being the date to which the latest published audited financial statements of the Group were made up.

13. EXPENSES

The expenses in connection with the Rights Issue and the Whitewash Waiver, including but not limited to the financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$5 million and are payable by the Company.

14. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	certified public accountants
Norton Appraisals Limited	independent valuer
Nuada Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
ZHONGHUI ANDA CPA Limited	certified public accountants

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding, directly or indirectly, in any member of the Group nor did they have 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, none of the above experts had any direct or indirect interest in any assets which had been, since 31 March 2018 (the date to which the latest published audited financial statements of the Group were made up), acquired, or disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

15. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered Office of the Company	Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Head Office and Principal Place of Business in Hong Kong of the Company	Unit 703, 7/F, 1063 King's Road, Quarry Bay, Hong Kong
Authorised Representatives of the Company	Dr. Yap Unit 703, 7/F, 1063 King's Road, Quarry Bay, Hong Kong Ms. Wong Nam, Marian Unit 703, 7/F, 1063 King's Road, Quarry Bay, Hong Kong
Company Secretary of the Company	Ms. Wong Nam, Marian (associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators)
Auditor/Reporting Accountants of the Company	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong
Principal Bankers of the Company	Bank of China (Hong Kong) Limited 1 Garden Road, Central, Hong Kong The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road, Central, Hong Kong
Principal Share Registrar and Transfer Office of the Company	Conyers Corporate Services (Bermuda) Limited Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda
Hong Kong Branch Share Registrar and Transfer Office of the Company	Tricor Secretaries Limited Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Financial Adviser to the Company	INCU Corporate Finance Limited Unit 1701, 17/F, Wings Building, 110-116 Queen's Road Central, Central, Hong Kong

Legal Advisers to the Company*As to Hong Kong law*

K&L Gates
44th Floor, Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

As to Bermuda law

Conyers Dill & Pearman
29th Floor, One Exchange Square,
8 Connaught Square, Central, Hong Kong

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

Nuada Limited
Unit 1805-08, 18/F.,
OfficePlus@ Sheung Wan, 93-103 Wing Lok Street,
Sheung Wan, Hong Kong

Independent Valuer of the Company

Norton Appraisals Limited
Unit F, 18/F., Seabright Plaza, 9-23 Shell Street,
North Point, Hong Kong

Dr. Yap

Unit 703, 7/F, 1063 King's Road,
Quarry Bay, Hong Kong

16. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT**Executive Director**

Dr. YAP Allan, aged 63, was elected as the chairman of the Company in September 2008. Dr. Yap holds an Honorary degree of Doctor of Laws and has extensive experience in 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. 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. Dr. Yap was the chairman and executive director of Shaw Brothers Holdings Limited until October 2016 and the honorary chairman and non-executive director of SMI Holdings Group Limited until November 2017, both of which are companies whose shares are listed on the main board of the Stock Exchange. Dr. Yap ceased to be the chairman, director and chief executive officer of 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, with effect from 15 January 2019. Save as disclosed above, Dr. Yap did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Mr. HEUNG Pik Lun, Edmond, aged 57, joined the Group in December 2010 as a director of Master Glory Development (China) Company Limited (formerly known as Hanny Development (China) Company Limited), an indirect wholly-owned subsidiary of the Company and was appointed as an executive Director in February 2011. Mr. Heung obtained a bachelor of arts degree from University of Windsor, Canada. Mr. Heung is a member of Institute of Shopping Centre Management and in June 2013, he was elected a professional member of The Royal Institution of Chartered Surveyors. Mr. Heung did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Dr. WU Guangsheng, aged 40, was appointed as an executive Director in September 2016. Dr. Wu graduated from Wuhan University in 2001 with a bachelor's degree in business administration (管理學學士). Dr. Wu is the chairman of 華訊方舟股份有限公司(Huaxun Fangzhou Co., Ltd*), a company listed on the Shenzhen Stock Exchange (stock code: 000687).

Dr. Wu was elected as the vice chairman of the Guangdong-HK-Macao Bay Area Entrepreneurs Union (粵港澳大灣區企業家聯盟副主席) in 2017. Save as disclosed above, Dr. Wu did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Independent Non-executive Director

Mr. KWOK Ka Lap, Alva, aged 70, was appointed an independent non-executive Director in July 2003. Mr. Kwok is an independent non-executive director of ITC Properties Group Limited and Rosedale Hotel Holdings Limited, both of which are companies whose shares are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Kwok did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Mr. POON Kwok Hing, Albert, aged 57, was appointed an independent non-executive Director in February 2007. Mr. Poon graduated from The University of Bath, United Kingdom with a master of science degree in business administration. He is also a member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon is currently an independent non-executive director of Rosedale Hotel Holdings Limited and Shaw Brothers Holdings Limited, both of which are companies whose shares are listed on the main board of the Stock Exchange. Save as disclosed above, Mr. Poon did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Mr. SIN Chi Fai, aged 59, was appointed an independent non-executive Director in January 2008. He obtained a higher certificate in Business Studies (Banking) from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and was admitted as a member of the Singapore Institute of Directors in 2013. He has experience in the banking field. He is currently an independent non-executive director of Rosedale Hotel Holdings Limited, a company whose shares are listed on the main board of the Stock Exchange, and was appointed an independent director of China Enterprises Limited in 2010, a company whose shares are traded on the OTC Market in the United States of America. Save as disclosed above, Mr. Sin did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

* For identification purpose only

Dr. WU Chun Wah, aged 54, was appointed as an independent non-executive Director in June 2016. Dr. Wu holds a doctor degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. He also holds a master degree in business administration (in Hong Kong) from Northeast Louisiana University, a diploma in PRC economic relations and trade practice from Peking University, a diploma of PRC laws from Economic Laws Research Centre of the PRC government in Guangdong Province and a postgraduate diploma in management from Asia International Open University (Macau). He was admitted as a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities and Investment Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

Dr. Wu is an independent non-executive director of TANSH Global Food Group Co., Ltd, a company whose shares are listed on the main board of the Stock Exchange.

Dr. Wu was an independent non-executive director of FDB Holdings Limited (now known as Dafy Holdings Limited), a company whose shares are listed on the main board of the Stock Exchange, from November 2017 to January 2018. Save as disclosed above, Dr. Wu did not hold any other directorship in listed public companies in the three years immediately preceding the Latest Practicable Date.

Chief Executive Officer

Mr. HO Tat Wang, aged 51, is a holder of a bachelor's degree of social sciences from The University of Hong Kong. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in 2000 and 2001 respectively.

Business address of the Directors and chief executive officer

The business address of the Directors and chief executive officer is the same as the Company's head office and principal place of business in Hong Kong at Unit 703, 7/F, 1063 King's Road, Quarry Bay, Hong Kong.

17. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Unit 703, 7/F, 1063 King's Road, Quarry Bay, Hong Kong and on the websites of the Company (www.mggl.com.hk) and the SFC (www.sfc.hk) from the date of this circular up to and including the date of SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) the interim report of the Company for the six months ended 30 September 2018;
- (c) the annual reports of the Company for the financial years ended 31 March 2017 and 31 March 2018;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 46 to 47 of this circular;
- (e) the letter of advice from the Independent Financial Adviser, the text of which is set out on page IFA-1 to IFA-36 of this circular;
- (f) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group as set out in appendix II to this circular;
- (g) the valuation report from Norton Appraisals Limited relating to the property interests of the Group as set out in appendix III to this circular;
- (h) the reports from ZHONGHUI ANDA CPA Limited and Nuada Limited on the unaudited Required Financial Information as set out in appendix IV to this circular;
- (i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;
- (j) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix; and
- (k) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Master Glory Group Limited (the “**Company**”) will be held at Forum Room I, Basement 2, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong on Tuesday, 23 April 2019 at 10:30 a.m. to consider and, if thought fit, pass, with or without modifications, the following resolutions of the Company:

SPECIAL RESOLUTION

1. “**THAT** subject to (i) compliance with Section 46(2) of the Companies Act 1981 of Bermuda to effect the Capital Reduction and the Share Premium Reduction (each as defined below); and (ii) The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Adjusted Shares (as defined below), with effect from the business day (as defined below) immediately following the date of passing of this resolution:
 - (a) every twenty (20) issued and unissued shares of HK\$0.20 each in the share capital of the Company be consolidated into one (1) consolidated share (the “**Consolidated Share**”) of HK\$4.00 (the “**Share Consolidation**”);
 - (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation be cancelled and the issued share capital of the Company 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 be reduced from HK\$4.00 to HK\$0.10 (the “**Capital Reduction**”);
 - (c) each of the authorised but unissued Consolidated Shares be sub-divided into forty (40) shares (the “**Adjusted Shares**”) of HK\$0.10 each;
 - (d) the entire amount standing to the credit of the share premium account of the Company be reduced to nil (the “**Share Premium Reduction**”);
 - (e) the credit arising from the Capital Reduction and the Share Premium Reduction be transferred to the contributed surplus account of the Company and the directors of the Company (the “**Directors**”) be authorised to apply the amount in the contributed surplus account in any manner permitted by the laws of Bermuda and the bye-laws of the Company, including but not limited to setting off the accumulated losses of the Company; and

NOTICE OF SPECIAL GENERAL MEETING

- (f) any Director be and is hereby generally authorised to do all such acts and things, to sign and execute all such documents, including under the seal of the Company, where applicable, as he/she may, in his/her absolute discretion, consider necessary appropriate, desirable or expedient to implement or to give effect to any and all the arrangements set out in this resolution, including, without limitation, to aggregate, sell and retain for the benefit of the Company all fractional Adjusted Shares to which each shareholder of the Company is otherwise entitled.

For the purpose of this resolution, “business day” means a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for business.”

ORDINARY RESOLUTION

2. “**THAT** subject to (i) the passing of resolutions numbered 1 and 3 as set out in the notice convening the Meeting and (ii) The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); and (iii) satisfaction of all conditions as set out in the paragraph headed “Conditions of the Rights Issue” in the letter from the board of the circular of the Company dated 27 March 2019:
- (a) the issue by way of rights issue (the “**Rights Issue**”) of not more than 1,544,728,296 Adjusted Shares (as defined in resolution numbered 1 above) (the “**Rights Shares**”) at a subscription price of HK\$0.688 per Rights Share to the shareholders of the Company (the “**Shareholders**”) whose names shall appear on the register of members of the Company at the close of business on Monday, 6 May 2019 (the “**Qualifying Shareholders**”), or such other date as may be determined by the Company as the record date for the determination of the provisional entitlements of the Shareholders under the Rights Issue (the “**Record Date**”) (excluding those Shareholders (the “**Excluded Shareholders**”) whose addresses as shown on the register of members of the Company are outside Hong Kong whom the Directors, after making relevant enquiries, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of three (3) Rights Shares for every one (1) Adjusted Share then held on the Record Date be and is hereby approved;
- (b) any Director be and is hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue in particular, (i) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Excluded Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any

NOTICE OF SPECIAL GENERAL MEETING

territory outside Hong Kong; (ii) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Excluded Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares; and

- (c) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such documents and to take such steps as he/she may, in his/her absolute discretion, consider necessary, appropriate, desirable or expedient to implement or to give effect to or in connection with the Rights Issue and the transactions contemplated thereunder.

SPECIAL RESOLUTION

- 3. **“THAT** the waiver (the **“Whitewash Waiver”**) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission (or any delegate(s) of the Executive Director) to Dr. Yap Allan pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers (the **“Takeovers Code”**) in respect of the obligations of Dr. Yap Allan to make a mandatory general offer to the shareholders of the Company under Rule 26 of the Takeovers Code for all issued securities of the Company not already owned or agreed to be acquired by Dr. Yap Allan and parties acting in concert with him which 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 signed by him and the Company on 4 September 2018 when there is an undersubscription of the Rights Issue be and is hereby approved, confirmed and ratified, and that any Director be and is hereby authorised to do all things and acts and sign all documents which he considers desirable or expedient to implement and/or give effect to any matters relating to or in connection with the Whitewash Waiver.”

ORDINARY RESOLUTION

- 4. **“THAT**
 - (a) the agreement dated 26 October 2018 (the **“Agreement”**) entered into between Group Dragon Limited, an indirect wholly-owned subsidiary of the Company (the **“Vendor”**), Ms. Wang Hujuan, (the **“Purchaser”**) and Mr. Li Wakin, as the Purchaser’s guarantor, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Regrowth Resources Limited (the **“Disposal Company”**) and (if any) the shareholder’s loan due and owing by the Disposal Company to the Vendor at completion of the disposal, for a consideration of RMB50,000,000 (equivalent to approximately HK\$56,500,000) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF SPECIAL GENERAL MEETING

- (b) the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the terms of, or the transactions contemplated by, the Agreement and to agree to such variation, amendments or waiver or matters relating thereto as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the board of directors of
MASTER GLORY GROUP LIMITED
Wong Nam, Marian
Company Secretary

Hong Kong, 27 March 2019

Notes:

1. All resolutions will be put to vote at the Meeting by way of poll.
2. The register of members of the Company will be closed from Monday, 15 April 2019 to Tuesday, 23 April 2019 (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for the attendance of the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 12 April 2019.
3. A proxy form for use at the Meeting is enclosed with the circular issued by the Company dated 27 March 2019.
4. Any 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 instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
5. To be valid, the instrument appointing a proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, shall be deposited at Tricor Secretaries Limited at the address set out in Note 2 above not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
7. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

NOTICE OF SPECIAL GENERAL MEETING

As at the date of this notice, 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