
SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

At the EGM, Mr. David Yen Ching Wai who acted as the chairman of the EGM (the “**Chairman**”) reported that in the proxy form submitted by HKSCC, 230,000,000 Shares voted against all resolutions to be proposed and resolved at the EGM and accordingly, all resolutions relating to the Proposed Restructuring would have expected to be voted down. The said 230,000,000 Shares were determined by the Chairman to be for and on behalf of the Dissenting Shareholder.

A Shareholder present at the EGM raised an objection that it was irrational for a Shareholder to vote down the Proposed Restructuring as it could cause substantial damage to the interests of the Shareholders as a whole by halting the Resumption and preventing any value being recovered by the Shareholders through the Proposed Restructuring.

The said Shareholder further raised objection to the Chairman as to the impropriety of the Dissenting Shareholder’s votes (“**Objection**”).

Given the Objection, the Chairman consulted the Company’s legal advisers as to matters of Cayman Islands law about the authority of the Chairman under Article 77 of the Existing Articles to dis-apply the votes of the Dissenting Shareholder.

Upon consideration of the following circumstances and having sought and obtained legal advice as to matters of Cayman Islands law that he was entitled to exercise discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles, the Chairman decided to exercise his rights under Article 77 of the Existing Articles to dis-apply the Dissenting Shareholder’s votes (the “**Chairman Decision**”):

- (i) the Company had disclosed the dilution effect of the Proposed Restructuring by way of announcement as early as December 2018 and had further disclosed the dilution effect in the Circular dated 27 April 2019. The Dissenting Shareholder had never raised any issues with regard to the dilution effect until its legal adviser issued a letter dated 16 May 2019 stating its intention to vote against the resolutions approving the Proposed Restructuring;
- (ii) the Company was placed into the third delisting stage and the Stock Exchange only allows the Company to submit a new listing application relating to the submitted proposal (i.e. the proposal relating to the Proposed Restructuring) but not any other proposals. If the proposal fails to proceed for any reasons, the Stock Exchange will proceed with the cancellation of the Company’s listing;
- (iii) given that the votes cast by the Dissenting Shareholder were the only votes against the Proposed Restructuring, this was an evidence that the Dissenting Shareholder was acting irrationally;
- (iv) to put it another way, the Dissenting Shareholder’s votes against the Proposed Restructuring has no rational reason and could have caused damage to the economic position of the Company and the economic value of the Shares of the remaining Shareholders and creditors of the Company, particularly in

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circumstances where the Proposed Restructuring will return value for the Shareholders and the Creditors. If the Proposed Restructuring were voted down, the Shareholders would have received nothing; and

- (v) in an insolvency situation, creditors have priority to any return or distribution. Liquidators' fiduciary duties require them to put creditors' interests first when exercising their judgement in pursuing recovery.

Following the Chairman's Decision and after dis-applying the votes of the Dissenting Shareholder, all the ordinary resolutions and special resolutions were duly passed unanimously by the Shareholders by way of poll at the EGM.

The Liquidators also obtained written legal advice as to matters of Cayman Islands law confirming that the Chairman properly exercised his discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles.

At the Hearing held on 4 June 2019, the Grand Court was informed of the Chairman's Decision to dis-apply the votes cast by or on behalf of the Dissenting Shareholder. To avoid potential dispute from the Dissenting Shareholder, the Grand Court directed at the said Hearing that the Company do seek declaratory relief in conjunction with the orders sought for the Capital Reduction. Accordingly the Company filed and served the Declaratory Summons dated 12 June 2019 seeking a declaration that the resolutions proposed at the EGM were validly passed as declared by the Chairman; and/or in the alternative, a declaration that the votes of the Dissenting Shareholder cast at the EGM in respect of the Capital Reduction be set aside and disregarded in determining whether the resolutions considered at the EGM were passed. The Grand Court has listed the hearing of the Declaratory Summons and the application for the confirmation of the Capital Reduction at 10:00 a.m. on 5 July 2019 (Cayman Islands time).

The Grand Court directed that if the Dissenting Shareholder, or any other shareholder of the Company, wishes to appear and be heard in relation to the application for the Capital Reduction on 5 July 2019, that party must provide the Company with written notice of the intention to appear and be heard and must file and serve any evidence in support of its position by 26 June 2019. The Company may file reply evidence within seven days of receipt of evidence by any Shareholder and/or the Dissenting Shareholder.

As advised by legal advisers to the Company as to matters of Cayman Islands law, the Chairman has properly exercised his discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles. As such, the Company believes that the Proposed Restructuring (including the Public Offer) should continue to be carried out.

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Set out below are the key dates (in Hong Kong time) for Resumption:

Date	Major Event
26 June 2019	Deadline for any dissenting shareholder to file its written notice of the intention to appear and be heard in hearing to be held on 5 July 2019 and relevant evidence in support of its position
28 June 2019	Commencement of the Public Offer (including the Preferential Offering)
5 July 2019	Grand Court hearing for confirming Capital Reduction and Declaratory Summons (“ Event A ”)
8 July 2019 (Cayman Islands time)	Grand Court hearing for sanctioning the Creditors’ Scheme
9 July 2019	High Court hearing for sanctioning the Creditors’ Scheme
On or before 15 July 2019 (note 1)	Effective date of the Creditors’ Scheme
15 July 2019 (note 2)	Effective date of the Capital Reorganisation
19 July 2019	Application lists closes
25 July 2019	Announcement of completion of the YM Subscription, the New Placing, the Public Offer (including the Preferential Offering) and the Acquisition
26 July 2019	Resumption and dealing in the New Shares commence

Notes:

1. According to the Company Law (2018 Revision), the Creditors’ Scheme will become effective when an office copy of the court order sanctioning the Creditors’ Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration. Section 673(6) of the Companies Ordinance (Cap 622, laws of Hong Kong) provides that the Creditors’ Scheme will become effective when an office copy of the court order sanctioning the Creditors’ Scheme is registered with the Hong Kong Registrar of Companies. It is expected that such registrations will be completed within seven days of the court order.
2. Section 17(2) of the Companies Law (2018 Revision) provides that upon the registration of the order and minutes with the Cayman Islands Registrar of Companies, and not earlier, the resolution for the Capital Reduction as confirmed by the court order approving the Capital Reduction shall take effect. Further, the explanatory statement of the Creditors’ Scheme defines “Capital Reorganisation” as comprising the Capital Reduction, the Share Consolidation and the Increase in the Authorised Share

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Capital. The Share Consolidation and the Increase in the Authorised Share Capital take effect when the Capital Reduction takes effect i.e. upon registration with the Cayman Islands Registrar of Companies. It will therefore take a number of days for the court order approving the Capital Reduction to be sealed by the Grand Court and registered with the Cayman Islands Registrar of Companies.

Consequence if the Grand Court does not grant the orders sought by the Company under Event A

In the event that the Grand Court does not grant any of the orders sought by the Company under Event A, given the Proposed Restructuring will not be completed in such circumstances, the Company will announce its withdrawal of the Public Offer on the date of receipt of the court judgment. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Consequence if the Grand Court grants the orders sought by the Company under Event A

In the event that the Grand Court grants the orders sought by the Company under Event A, pursuant to the legal advisers to the Company as to matters of Cayman Islands law, the Dissenting Shareholder may apply for leave to appeal the relevant court orders but an application for leave has to be made to the Grand Court at the time the order is made or by summons issued within 14 days from the date of the sealed order, and that if the Grand Court refuses to grant leave, an application for leave may be made to the Cayman Islands Court of Appeal (“COA”) on an ex parte basis within seven days.

The Company’s legal advisers as to matters of Cayman Islands law advised that:

- (i) there is no specific timeframe for the Grand Court to issue its sealed orders for the Declaratory Summons and Capital Reduction (“Orders”), but it is expected to be within a matter of days after the hearing based on their experience;
- (ii) if the Dissenting Shareholder does not file application for leave to appeal with the Grand Court by the Appeal Deadline, the Dissenting Shareholder will be barred from making any application for appeal of the Orders or suspension of execution; and
- (iii) however, under Rule 11(6) of the Court of Appeal Rules, the Grand Court may allow an application for leave to appeal out of time if there are extenuating circumstances to do so. Given that the Dissenting Shareholder already has notice of the hearings on 5 July 2019 and 8 July 2019 in the Cayman Islands, the Company’s legal advisers as to matters of Cayman Islands law cannot see any circumstances where the Grand Court or the COA would grant leave to appeal out of time. The Company’s legal advisers as to matters of Cayman Islands law cannot see any extenuating or exceptional circumstance where the Grand Court or the COA would grant leave to appeal out of time to the Dissenting Shareholder.

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The legal advisers to the Company as to matters of Cayman Islands law are of the view that the Dissenting Shareholder's position in such application is in the realm of unrealistic or fanciful, and the prospect of the Dissenting Shareholder to obtain such leave to be low.

The Company's legal advisers as to matters of Cayman Islands law further advised that:

- (i) Rule 20 of the Court of Appeal 2014 provides that unless otherwise directed by the Grand Court or the COA, the appeals process will not operate as a suspension of execution of the proceedings under the decision of the Grand Court and no intermediate act or proceeding will be invalidated by commencing an appeal process;
- (ii) from their experience it is very difficult to obtain a suspension of execution pending a determination of an appeal. It could be reasonably expected that the party seeking the stay will be required to lodge a significant sum of money with the court in an amount attributable to the loss that would be suffered by the other party in the event that the judgment should not have been stayed before the court might entertain the application for a suspension;
- (iii) in other words, even if the Dissenting Shareholder makes an application for leave to appeal the orders of Capital Reduction and the Declaratory Summons, the validity and execution of the Orders will not be affected. Even if the Dissenting Shareholder makes an application to suspend the Orders pending its application for leave to appeal, the Dissenting Shareholder is likely to be required to deposit a significant sum of money with the court in an amount equivalent to the loss in value that is reasonably expected to be suffered by the stakeholders of the Company if the Proposed Restructuring cannot be effected.

Although it is possible that the Dissenting Shareholder may apply for leave to appeal or suspend the Orders during the Public Offer period or after Resumption, the legal advisers to the Company as to matters of Cayman Islands law consider that the Dissenting Shareholder's position is in the realm of unrealistic or fanciful, and the prospect of the Dissenting Shareholder to obtain such leave to be low and it is very difficult to obtain a suspension of execution.

In the event that the Grand Court grants the orders sought by the Company under Event A and in the scenario that:

- (i) the Grand Court and/or the COA grants leave to the appeal (in which event the Dissenting Shareholder has 14 days thereafter to lodge its appeal, and the hearing of the appeal will depend on the availability of the COA at its next sitting, which is expected to be in August 2019);

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- (ii) the Company completes the Proposed Restructuring (including the Public Offer) on 25 July 2019 and the Resumption will take place on 26 July 2019 as scheduled;
- (iii) the hearing of that appeal is **after** the Company completes the Proposed Restructuring and the Resumption; and
- (iv) the Dissenting Shareholder is successful with its arguments on appeal,

the Company's legal advisers as to matters of Cayman Islands law advised that the loss to the Dissenting Shareholder by way of any damages award (against the Company) will be nominal given, in fact, upon completion of the Proposed Restructuring and the Resumption, the Dissenting Shareholder will receive a significant benefit qua its shareholding in the Company.

In view of the above, the Proposed Directors consider that the impact of legal proceedings from the Dissenting Shareholder on the Proposed Restructuring (including the Public Offer) is to be minimal.

In the event that (i) the Appeal Deadline is on or before 24 July 2019; and (ii) the Dissenting Shareholder does not apply for leave to appeal the Orders or order for suspension of execution by the Appeal Deadline, given the Dissenting Shareholder is barred from making any application for appeal of the Orders after the Appeal Deadline, the Company will complete the Proposed Restructuring (including the Public Offer) on 25 July 2019 as scheduled.

However, in the event that (i) the Appeal Deadline is on or before 24 July 2019 and the Dissenting Shareholder applies for leave to appeal the orders or order for suspension of execution by the Appeal Deadline; **OR** (ii) the Appeal Deadline is beyond 24 July 2019 and the Company does not receive an irrevocable undertaking from the Dissenting Shareholder that it will not take further action for appeal by 24 July 2019 to the satisfaction of SFC and the Stock Exchange, the Company will announce its withdrawal of the Public Offer on 25 July 2019. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Consequence if the Dissenting Shareholder take actions in Hong Kong Court

The Company's legal adviser as to Hong Kong laws opined that, in principle, if the Dissenting Shareholder considers itself to be aggrieved by the Chairman's Decision, it could take out an application to the High Court to set aside the resolutions passed in the EGM. Yet the subject matter herein concerns the power and authority of the Chairman in the EGM, which is essentially the interpretation of Article 77 of the Existing Articles. As the Existing Articles are governed by Cayman Islands law, this is in essence a matter under Cayman Islands law, and the most appropriate forum for determining the issue would be the Grand Court, and not the High Court. Further, as the Company has filed the Declaratory Summons, any subsequent attempt by the

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Dissenting Shareholder to seek the High Court's assistance in relation to the same issue will have to be stayed pending the decision of the Grand Court in relation to the Declaratory Summons.

Consequence if the Creditors' Scheme does not become effective

In respect of the Creditors' Scheme sanction hearing on 8 July 2019 (Cayman Islands time) and the Creditors' Scheme sanction hearing on 9 July 2019 (Hong Kong time) for the Grand Court and the High Court respectively, all dissenting creditors and members of the Company are entitled to be heard on the petition for sanction. If any objection is raised by any dissenting creditors and members of the Company and such objection can be dealt with in a short time, the Company may request the courts to dismiss the objection in the sanction hearing. However, if the objection needs time for hearing and consideration, the courts will likely adjourn the petition to be heard on another day. If the courts do not sanction the Creditors' Scheme and the Creditors' Scheme does not become effective by 25 July 2019, i.e. the expected completion date of the Proposed Restructuring, the Public Offer will not become unconditional. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Announcement will be made when any of the scenarios occurs.