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## THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or transferred** all your securities in Orient Victory China Holdings Limited, you should at once hand this Prospectus and the accompanying Application Forms to the purchaser or transferee or to the bank, licenced securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of each of the Open Offer Documents, having attached thereto the documents specified in the paragraph headed “Documents delivered to the Registrar of Companies in Hong Kong” in Appendix V to this Prospectus, have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance. The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of those documents.

Shareholders with registered addresses in any of the Specified Territories and the Beneficial Owners who are residents of the Specified Territories are referred to the important information set out in the sections headed “Letter from the Board – Proposed Open Offer – Excluded Shareholders”.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

The Assured Entitlements, the Assured Allotment Application Forms, the Offered Securities and the Conversion Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any State or other jurisdiction of the United States and may not be offered, sold, allotted, taken up, exercised, resold, renounced, pledged, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any State or other jurisdiction of the United States. There will be no public offer of any securities in the United States.

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### ORIENT VICTORY CHINA HOLDINGS LIMITED

東勝中國控股有限公司

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

**(Stock Code: 265)**

## OPEN OFFER OF OFFERED SHARES WITH AN ALTERNATIVE OF UNLISTED PERPETUAL CONVERTIBLE SECURITIES ON THE BASIS OF ONE (1) OFFERED SHARE FOR EVERY FIVE (5) ORDINARY SHARES HELD ON THE RECORD DATE

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Terms used in this cover shall have the same meanings as defined in this Prospectus.

The Open Offer is subject to the satisfaction of certain conditions as described in the paragraph headed “Proposed Open Offer – Conditions of the Open Offer” under the section headed “Letter from the Board”. In particular, it is subject to, among other things, the Underwriting Agreement having become unconditional and not having been terminated (see the section headed “Termination of the Underwriting Agreement” on pages 11 to 12 of this Prospectus).

**The Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 5:00 p.m. on 17 October 2016 or such other time or date as the Company and the Underwriter may agree in writing to terminate the Underwriting Agreement on the occurrence of certain events including force majeure as set out in the section headed “Termination of the Underwriting Agreement” on pages 11 to 12 of this Prospectus.**

**If the Underwriter terminates the Underwriting Agreement, or if the conditions of the Underwriting Agreement are not fulfilled (or waived by the Underwriter) in accordance with the terms thereof, the Open Offer will not proceed. Shareholders should therefore exercise caution when dealing in the Ordinary Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.**

**The latest time for acceptance of and payment for the Offered Securities is 4:00 p.m. on 14 October 2016.** The procedures for application and payment, transfer or conversion of the Offered Perpetual Convertible Securities are set out on pages 34 to 35 of this Prospectus.

The existing Ordinary Shares have been dealt with on an ex-entitlement basis since 9:00 a.m. on 20 September 2016. Such dealings in the Ordinary Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. A person dealing in Ordinary Shares on an ex-entitlement basis will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed.

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## NOTICES

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The Open Offer is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. Furthermore, if the conditions of the Open Offer are not fulfilled, the Open Offer may not proceed, in which case, a further announcement will be made by the Company at the relevant time. It should also be noted that the Ordinary Shares have been dealt with on an ex-entitlement basis from 20 September 2016. Such dealings will take place when the conditions of the Open Offer remain unfulfilled and the Underwriting Agreement is subject to termination in accordance with the terms thereof. Any person dealing in the securities of the Company up to the date on which such condition is fulfilled or waived and up to the Latest Time for Termination will accordingly bear the risk that the Open Offer may not become unconditional and may not proceed. Any person dealing or contemplating any dealing in the securities of the Company during this period who is in any doubt about his or her position is recommended to consult his or her own professional adviser.

**EXCEPT AS OTHERWISE SET OUT HEREIN, THE OPEN OFFER DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS OR BENEFICIAL OWNERS IN THE SPECIFIED TERRITORIES.** This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the Offered Securities or to take up any entitlements to the Offered Securities in any jurisdiction in which such an offer or solicitation is unlawful. None of the Offered Securities, the Conversion Shares, this Prospectus, the Assured Allotment Application Form or the Excess Application Form will be registered under the securities laws of any of the Specified Territories and none of the Offered Securities, the Conversion Shares, this Prospectus, the Assured Allotment Application Form or the Excess Application Form will qualify for distribution under any of the relevant securities laws of any of the Specified Territories (other than pursuant to any applicable exceptions as agreed by the Company). Accordingly, the Assured Entitlements, the Assured Allotment Application Forms, the Offered Securities and the Conversion Shares may not be offered, sold, pledged, taken up, resold, renounced, transferred or delivered, directly or indirectly, into or within any of the Specified Territories absent registration or qualification under the respective securities laws of such Specified Territories, or exemption from the registration or qualification requirement under applicable rules of such Specified Territories.

Shareholders with registered addresses in any of the Specified Territories and Beneficial Owners who are residents of the Specified Territories are referred to the sections of this Prospectus headed “Letter from the Board – Proposed Open Offer – Excluded Shareholders”.

### **NOTICE TO CANADIAN INVESTORS**

The Offered Securities will not be distributed in Canada. No offering of securities will be made in Canada as no prospectus will be qualified with any Canadian provincial regulators. The Company will also not be relying on any prospectus exemption to offer securities in Canada. Without clearance of a prospectus and without relying on a prospectus exemption, the distribution of Offered Securities is prohibited in Canada. Shareholders who are resident in Canada are Excluded Shareholders and the Open Offer will not be made available to the Excluded Shareholders. The attention of Ordinary Shareholders who are resident in Canada or holding Ordinary Shares on behalf of persons who are resident in Canada is drawn to the section headed “Excluded Shareholders” below.

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## NOTICES

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### NOTICE TO PRC INVESTORS

This Prospectus does not constitute a public offer of the Offered Securities, whether by way of sale or subscription, in the PRC. The offering of the Offered Securities is not subject to the applicable PRC law.

Accordingly, the Open Offer will be extended to Overseas Shareholders with registered addresses in the PRC.

### NOTICE TO INVESTORS IN MALAYSIA

This Prospectus has not been and will not be registered as a prospectus with the Malaysian Securities Commission (“SC”) under the Capital Markets and Services Act 2007 (“CMSA”). This Prospectus will not be deposited as an information memorandum with the SC. Accordingly, this Prospectus and any other document or material in connection with the issue or offer for sale, or invitation for acquisition of the Offered Securities shall not be circulated nor distributed, nor may the Offered Securities be issued, offered or sold, or be made subject of an invitation for acquisition, whether directly or indirectly, to any person in Malaysia, other than to the persons specified in Sections 229(l)(b) or 230(l)(b) or Schedules 6 or 7 of the CMSA.

The approval of the SC has not been sought and, consequently, the Offered Securities may not be made available, or offered for acquisition, nor may any invitation to acquire the Offered Securities, whether directly or indirectly, be issued to any person in Malaysia unless such issue, offer or invitation is exempted from the requirement for the approval of the SC by virtue of Schedule 5 to the CMSA.

### NOTICE TO INVESTORS IN THE UNITED STATES

The Assured Entitlements, the Assured Allotment Application Forms, the Offered Securities and the Conversion Shares have not been and will not be registered under the U.S. Securities Act or securities laws of any State or other jurisdiction of the United States and may not be offered, sold, allotted, taken up, exercised, resold, renounced, pledged, transferred or delivered, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any State or other jurisdiction of the United States. There will be no public offer of any securities in the United States.

**The Open Offer Documents, the Offered Securities and the Conversion Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any U.S. regulatory authority, nor have any the foregoing authorities passed upon or endorsed the merits of the Open Offer, the Open Offer Documents, the Offered Securities or the Conversion Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.**

None of this Prospectus, the Assured Allotment Application Form or the Excess Application Form constitutes, will constitute, or forms or will form, part of any offer or invitation or issue, purchase or acquire the Offered Securities to any person with a registered address, or who is located, in the United States. The Offered Securities are being offered outside the United States in reliance on Regulation S.

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## NOTICES

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In addition, until 40 days after the commencement of the Open Offer, any offer, sale or transfer of the Offered Securities or Conversion Shares in or into the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the U.S. Securities Act.

Each subscriber of Offered Securities being offered and sold outside the United States will be deemed to have represented and agreed, among other things, that the subscriber is acquiring the Offered Securities in an offshore transaction meeting the requirements of Regulation S.

Any person subscribing for or accepting Offered Securities will be required to represent, among others, that such person:

- (i) is not resident or located in, or a citizen of, the United States;
- (ii) it is not accepting an offer to acquire or take up the Offered Securities on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States at the time the instruction to accept was given;
- (iii) it is not taking up for the account of any person who is located in the United States, unless:
  - (a) the instruction to take up was received from a person outside the United States; and
  - (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the Offered Securities in an “offshore transaction” within the meaning of Regulation S;
- (iv) it is acquiring the Offered Securities in an “offshore transaction” as defined in Regulation S;
- (v) it has not been offered the Offered Securities by means of any “directed selling efforts” as defined in Regulation S;
- (vi) it is not acquiring Offered Securities with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such Offered Securities or Conversion Shares into the United States; and
- (vii) it understands that neither the Offered Securities nor the Conversion Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any State, territory, or possession of the U.S. and the Offered Securities are being distributed and offered outside the U.S. in reliance on Regulation S. Consequently it understands the Offered Securities and the Conversion Shares may not be offered, sold, pledged or otherwise transferred in or into the U.S., except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to the representations and warranties above.

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## NOTICES

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### **FORWARD-LOOKING STATEMENTS**

All statements in this Prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this Prospectus include, without limitation, statements in respect of the Company’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Company operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this Prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Company’s strategy and operations and industry developments. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Company’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Company or that the Company does not currently consider material could also cause the events and trends discussed in this Prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this Prospectus. Except as required by applicable laws, the Company does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this Prospectus, be it as a result of new information, future events or otherwise.

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## DEFINITIONS

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

“Announcement”	the announcement dated 5 September 2016 issued by the Company in relation to the Open Offer
“Application Form(s)”	the Assured Allotment Application Form(s) and the Excess Application Form(s) in respect of the Offered Securities to be issued to the Qualifying Shareholders
“Articles”	the articles of association of the Company
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Assured Allotment Application Form(s)”	the form(s) of application for use by the Qualifying Shareholders to apply for their Assured Entitlement of the Offered Securities
“Assured Entitlement”	assured entitlements to Offered Securities
“Beneficial Owner(s)”	any beneficial owner(s) of Ordinary Shares whose Ordinary Shares are registered as shown in the register of members of the Company in the name of a nominee shareholder
“Board”	the board of Directors of the Company
“Bonus Warrants”	the warrants issued by the Company on 4 May 2016, and the terms of such warrants are described in the circular of the Company dated 26 April 2016
“Business Day(s)”	a day (other than a Saturday, a Sunday or a day on which a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Orient Victory China Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose Ordinary Shares are listed on the Main Board of the Stock Exchange
“Conversion Date”	the date on which a Conversion Notice is served and the certificate in respect of the Perpetual Convertible Securities is surrendered to the Registrar
“Conversion Notice”	the notice to be served by the holders of Perpetual Convertible Securities to the Company for the conversion of Perpetual Convertible Securities into Conversion Shares pursuant to the terms and conditions of the Perpetual Convertible Securities
“Conversion Shares”	the new Ordinary Shares to be allotted and issued to the holders of Offered Perpetual Convertible Securities upon the conversion of the Perpetual Convertible Securities
“Converting Securities Holder(s)”	holder(s) of Perpetual Convertible Securities who propose(s) to exercise all or any part of the conversion rights attached to his/her/its Perpetual Convertible Securities
“Director(s)”	the director(s) of the Company
“Excess Application Form”	the form of application for use by Qualifying Shareholders to apply for excess Offered Securities
“Excluded Shareholders”	the Overseas Shareholders whose registered addresses in the Company’s register of members as at the Record Date are in places where the Directors, after making enquiries, consider it necessary or expedient, on account of either of (i) legal restrictions under the laws of the relevant place or (ii) the requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offered Securities to such Ordinary Shareholders
“Existing Perpetual Convertible Securities”	the perpetual convertible securities issued by the Company on 30 March 2016, and the terms of such securities are set out in the circular of the Company dated 29 January 2016
“Group”	the Company and its subsidiaries



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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Intermediary”	in relation to a Beneficial Owner whose Ordinary Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, means the Beneficial Owner’s broker, custodian, nominee or other relevant person who is a CCASS Participant or who has deposited the Beneficial Owner’s Ordinary Shares with a CCASS Participant
“Issue Date”	on or around 24 October 2016, being the date of issuance of the Offered Securities
“Last Trading Day”	2 September 2016, being the last trading day before the date of the Announcement
“Latest Practicable Date”	23 September 2016, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information for inclusion therein
“Latest Time for Acceptance”	4:00 p.m. on 14 October 2016, or such later time or date as may be agreed between Orient Victory Real Estate and the Company, being the latest time for acceptance of, and payment for, the Offered Securities
“Latest Time for Termination”	5:00 p.m. on the second Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between Orient Victory Real Estate and the Company, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offered Perpetual Convertible Securities”	the Perpetual Convertible Securities proposed to be offered to the Qualifying Shareholders for subscription at their election under the Open Offer on the basis of the Offered Perpetual Convertible Securities issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share they are entitled to take up in lieu of all or part of their respective corresponding entitlements to the Offered Shares

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## DEFINITIONS

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“Offered Securities”	the Offered Shares to be offered to the Qualifying Shareholders under the Open Offer, or the Offered Perpetual Convertible Securities to be offered to Qualifying Shareholders in lieu of their respective corresponding entitlements to the Offered Shares under the Open Offer, or a combination of both, at the election of Qualifying Shareholders
“Offered Shares”	the new Ordinary Shares to be offered and allotted to Qualifying Shareholders under the Open Offer
“Open Offer”	the proposed issue by the Company of the Offered Shares by way of open offer to Qualifying Shareholders on the basis of one (1) Offered Share for every five (5) existing Ordinary Shares held by the Qualifying Shareholders as determined on the Record Date, with an alternative to take up all or part of the entitlement as Offered Perpetual Convertible Securities on the basis of the Offered Perpetual Convertible Securities issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share each Qualifying Shareholder is entitled to take up
“Open Offer Documents”	this Prospectus and the Application Forms
“Ordinary Share(s)”	ordinary share(s) of par value HK\$0.005 each in the share capital of the Company
“Ordinary Shareholder(s)”	holders of Ordinary Share(s)
“Orient Victory Real Estate” or “Underwriter”	Orient Victory Real Estate Group Holdings Limited, a company incorporated in the BVI and whose entire issued share capital/equity is beneficially owned by Mr. Shi Baodong, the controlling shareholder of the Company, an executive Director and the chairman of the Company, and the underwriter of the Open Offer
“Outstanding Bonus Warrants”	the outstanding number of Bonus Warrants, being 784,217,483 warrants, as at the Latest Practicable Date
“Overseas Shareholder(s)”	the Ordinary Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose address(es) as shown in the register of members of the Company on that date is(are) outside Hong Kong

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## DEFINITIONS

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“Perpetual Convertible Securities”	the perpetual convertible securities with a principal amount of HK\$0.128 per unit to be issued by the Company under the Open Offer with the rights and restrictions summarised in the sub-section headed “Summary of the Terms of the Perpetual Convertible Securities”
“PRC”	the People’s Republic of China which, for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Prospectus”	this prospectus despatched to the Ordinary Shareholders specifying details of the Open Offer
“Prospectus Posting Date”	29 September 2016, being the date of despatch of the Open Offer Documents
“Qualifying Shareholders”	the Ordinary Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date
“Record Date”	28 September 2016, being the record date for determining entitlements to participate in the Open Offer
“Registrar”	Union Registrars Limited, the Company’s Hong Kong branch share registrar and registrar for the Offered Securities
“Regulation S”	Regulation S under the U.S. Securities Act
“Related Party Loan”	the loan provided by a company controlled by Mr. Shi Baodong to finance part of the consideration for the acquisition of China Comfort Travel Group Company Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Specified Territories”	Canada, Malaysia and the United States, being jurisdictions where the Offered Securities will not be made available for subscription by Overseas Shareholders with registered addresses in these jurisdictions
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.128 for each Offered Share or each unit of Offered Perpetual Convertible Securities

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed to this term in the Listing Rules
“Underwriting Agreement”	the underwriting agreement dated 5 September 2016, entered into between the Company and Orient Victory Real Estate in relation to the Open Offer
“United States”	the United States of America
“U.S. Securities Act”	the U.S. Securities Act of 1933
“Warrantholders”	holders of Bonus Warrants
“Yu Ming”	Yu Ming Investment Management Limited, a licensed corporation permitted to carry out Types 1 (securities trading), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Qualifying Shareholders of the Company on the terms of the Perpetual Convertible Securities and make recommendation as to the merits of the Offered Perpetual Convertible Securities and whether they should elect the Offered Perpetual Convertible Securities
“%”	per cent.

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## EXPECTED TIMETABLE

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The expected timetable for the Open Offer is set out below:

**2016**

Despatch of Open Offer Documents . . . . . Thursday, 29 September

Period for acceptance of Offered Securities as well as application for

excess Offered Securities (both days inclusive) . . . . . Friday, 30 September –  
Friday, 14 October

Latest time for acceptance of and payment for Offered Securities. . . . . 4:00 p.m. on  
Friday, 14 October

Latest time for the termination of the Underwriting Agreement . . . . . 5:00 p.m. on  
Monday, 17 October

Announcement of allotment results of the Open Offer . . . . . Friday, 21 October

Refund cheques in respect of wholly or partially unsuccessful

applications for excess Offered Securities expected to be despatched

on or before . . . . . Monday, 24 October

Certificates for Offered Securities expected to be despatched on or before. . . . . Monday, 24 October

Dealings in Offered Shares commence . . . . . 9:00 a.m. on  
Tuesday, 25 October

**All dates and times referred to in this Prospectus are Hong Kong local dates and times. Dates or deadlines specified in this Prospectus for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be extended or varied by the Company. Further announcement(s) will be made as and when appropriate in the event that there is any change to the expected timetable for the Open Offer.**

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION OF AND PAYMENT FOR THE OFFERED SECURITIES**

If there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) before 12:00 noon (Hong Kong time) but no longer in force after 12:00 noon (Hong Kong time) on the latest date for acceptance of and payment for the Offered Securities in Hong Kong, the Latest Time for Acceptance will be extended to 5:00 p.m. (Hong Kong time) on the same day; or
- (ii) between 12:00 noon and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of and payment for the Offered Securities in Hong Kong, the Latest Time for Acceptance will be postponed to 4:00 p.m. (Hong Kong time) 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 place at 4:00 p.m. on 14 October 2016 (Friday), the dates mentioned in this section may be affected. The Company will notify the Ordinary Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

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## RISK FACTORS

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*You should carefully consider all the information in this Prospectus, including the risks and uncertainties described below, before making an investment decision with respect to the Perpetual Convertible Securities.*

### **RISKS RELATED TO THE PERPETUAL CONVERTIBLE SECURITIES**

**Holders of the Perpetual Convertible Securities may not receive the scheduled Distributions at the Distribution Payment Date or at all.**

Holders of the Perpetual Convertible Securities are entitled to fixed distributions payable semi-annually at 6% per annum in arrears on the distribution payment date each year as set out in the sub-section headed “Summary of the Principal Terms of the Perpetual Convertible Securities – Distributions” in the Letter from the Board. Under the terms and conditions of the Perpetual Convertible Securities, the Company may at its sole discretion elect to cancel any scheduled distributions (except that the first two Distributions are not cancellable) in full by giving notice to the holders prior to each relevant distribution payment date, provided that all decisions to cancel any distribution by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. The number of times distribution by the Company are cancelled is not restricted and if the Company decides to cancel any scheduled distributions, any distributions so cancelled are non-cumulative. Therefore, holders of the Perpetual Convertible Securities may not receive any scheduled distributions after the first two Distributions.

**The Perpetual Convertible Securities are perpetual securities and investors have no right to require redemption.**

The Perpetual Convertible Securities are perpetual with no maturity date. The holders have no right to require the Company to redeem the Perpetual Convertible Securities while the Company may redeem the Perpetual Convertible Securities in certain circumstances as described in the sub-section headed “Summary of the Principal Terms of the Perpetual Convertible Securities – Redemption” in the Letter from the Board. Therefore, the holders may not be able to cash in their investments, except if the Company exercises its right of redemption, by selling the Perpetual Convertible Securities in the open market or by converting the Perpetual Convertible Securities into Ordinary Shares and then selling the Ordinary Shares in the open market. However, there is no guarantee that the Company will exercise its right of redemption. In addition, holders may not be able to sell the Perpetual Convertible Securities at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Perpetual Convertible Securities.

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## RISK FACTORS

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**There is no open market for Perpetual Convertible Securities.**

The Perpetual Convertible Securities may be assigned or transferred by their holders by delivery of the certificate issued in respect of those Perpetual Convertible Securities, with the transfer form, in such form as may from time to time be adopted by the Company, duly completed, signed and duly stamped, to the Registrar. However, the Perpetual Convertible Securities will not be listed on the Stock Exchange or any other stock exchanges and there is no assurance that an active market will develop. If an active market for the Perpetual Convertible Securities does not develop, the Perpetual Convertible Securities could trade at a price lower than the price the holders paid for them, and the holders of the Perpetual Convertible Securities may not be able to resell their Perpetual Convertible Securities for an extended period of time, or at all, although holders of the Perpetual Convertible Securities do have the right to convert their Perpetual Convertible Securities into Ordinary Shares and to sell such Ordinary Shares in the open market.



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriting Agreement contains customary rights of termination. If at any time prior to the Latest Time for Termination certain events have occurred, including (but not limited to):

- (i) any matter or circumstance arises as a result of which any of the conditions set out in the section headed “Conditions of the Underwriting Agreement” above has become incapable of satisfaction as at the required time;
- (ii) any breach of any of the representations, warranties or undertakings given by the Company pursuant to the Underwriting Agreement comes to the knowledge of Orient Victory Real Estate, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement, or Orient Victory Real Estate has cause to believe that any such breach has occurred and such breach has not been cured to the satisfaction of Orient Victory Real Estate;
- (iii) any event occurs or matter arises or is discovered, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given by the Company under the Underwriting Agreement (as the case may be) would have rendered any of those representations, warranties or undertakings untrue, inaccurate, incomplete or misleading in any material respect, comes to the knowledge of Orient Victory Real Estate;
- (iv) any statement contained in this Prospectus has become or been discovered to be untrue, inaccurate, incomplete or misleading in any material respect;
- (v) any matter arises or is discovered which would, if this Prospectus was to be issued at the time, constitute a material omission therefrom;
- (vi) the Company’s application to the Main Board of the Stock Exchange for permission for the listing of the Offered Shares and the Conversion Shares on the Stock Exchange is withdrawn by the Company and/or refused by the Stock Exchange;
- (vii) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable) changes in certain financial, political, economic, legal, tax and market conditions or any event of force majeure in certain jurisdictions as set out in the Underwriting Agreement,

which, in the sole opinion of Orient Victory Real Estate:

- (i) is or will be, or is likely to be, materially adverse to the general affairs, management, business, financial trading or other condition or prospects of the Group;
- (ii) has or will have or is likely to have a material adverse impact on the success of the Open Offer; or
- (iii) makes it impracticable, inadvisable or inexpedient to proceed with the Open Offer on the terms and in the manner contemplated in the Announcement and the Open Offer Documents,

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## **TERMINATION OF THE UNDERWRITING AGREEMENT**

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then in any such case Orient Victory Real Estate may by notice in writing to the Company, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement.

If at any time prior to the Latest Time for Termination any such termination notice is given by Orient Victory Real Estate, the Underwriting Agreement will terminate (save in respect of certain rights and obligations under the Underwriting Agreement) and such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement occurring prior to such termination and neither the Company nor Orient Victory Real Estate shall have any claim against the other party.



**ORIENT VICTORY CHINA HOLDINGS LIMITED**

**東勝中國控股有限公司**

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

**(Stock Code: 265)**

***Executive Directors:***

Mr. SHI Baodong (*Chairman*)

Mr. WANG Jianhua

Ms. XU Yongmei

***Non-executive Director:***

Mr. LI Yankuan

***Independent non-executive Directors:***

Mr. DONG Xiaojie

Mr. HE Qi

Mr. LAW Wang Chak, Waltery

***Registered Office:***

Floor 4, Willow House  
Cricket Square PO Box 2804  
Grand Cayman  
KY1-1112  
Cayman Islands

***Principal Place of Business  
in Hong Kong:***

2603, 26/F, Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

29 September 2016

*To the Qualifying Shareholders and,  
for information only, the Excluded Shareholders and the Warrantholders*

Dear Sir or Madam,

**OPEN OFFER OF OFFERED SHARES WITH AN ALTERNATIVE OF  
UNLISTED PERPETUAL CONVERTIBLE SECURITIES ON THE BASIS OF  
ONE (1) OFFERED SHARE FOR EVERY FIVE (5) ORDINARY SHARES  
HELD ON THE RECORD DATE**

**INTRODUCTION**

Reference is made to the Announcement in relation to the Open Offer of Offered Shares at the Subscription Price (i.e. HK\$0.128 per Offered Share) on the basis of one (1) Offered Share for every five (5) Ordinary Shares held by the Qualifying Shareholders as determined on the Record Date. Each Qualifying Shareholder is also entitled to elect to take up all or part of its/his/her entitlement as Offered Perpetual Convertible Securities (on the basis of the Offered Perpetual Convertible Securities issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share it/he/she is entitled to take up) in lieu of its/his/her corresponding entitlement to the Offered Shares under the Open Offer.

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## LETTER FROM THE BOARD

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The purpose of this Prospectus is to provide you with further details of the Open Offer, including (i) the procedures for application of and payment for, and transfer and conversion of, the Offered Securities; (ii) certain financial information of the Group; and (iii) general information of the Group.

### PROPOSED OPEN OFFER

#### Issue Statistics

Basis of the Open Offer:	One (1) Offered Share for every five (5) Ordinary Shares held by Qualifying Shareholders on the Record Date. Each Qualifying Shareholder is also entitled to elect to take up all or part of its/his/her entitlement as Offered Perpetual Convertible Securities (on the basis of the Offered Perpetual Convertible Securities issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share it/he/she is entitled to take up) in lieu of its/his/her corresponding entitlement to the Offered Shares under the Open Offer
Subscription Price for each Offered Shares or Offered Perpetual Convertible Securities:	HK\$0.128 per Offered Share or per unit of Offered Perpetual Convertible Securities
Number of Ordinary Shares in issue on the Record Date:	11,763,596,665 Ordinary Shares
Offered Securities proposed to be issued:	2,352,719,333 Offered Shares or units of Offered Perpetual Convertible Securities
Offered Securities Orient Victory Real Estate has undertaken to take up in respect of its assured entitlement:	1,378,266,004 units of Offered Perpetual Convertible Securities
Offered Securities underwritten by Orient Victory Real Estate:	All the Offered Securities other than those which have been undertaken to be subscribed by Orient Victory Real Estate, being 974,453,329 Offered Shares or units of Offered Perpetual Convertible Securities. Orient Victory Real Estate will take up all the underwritten Offered Securities in the form of Offered Perpetual Convertible Securities.
Status of Offered Shares:	The Offered Shares, when allotted and fully paid, will rank pari passu in all respects with the Ordinary Shares then issue. Holders of fully paid Offered Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offered Shares.

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## LETTER FROM THE BOARD

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Under the Open Offer, based on the share capital of the Company as at the Record Date,

- assuming all of the Qualifying Shareholders elect to subscribe in full their respective entitlements in the form of Offered Shares only, the Offered Shares to be issued under the Open Offer represent approximately 20% of the total issued share capital as at the Record Date or approximately 16.7% of the enlarged share capital immediately after completion of the Open Offer; or
- assuming all of the Qualifying Shareholders elect to subscribe in full their respective entitlements in the form of the Offered Perpetual Convertible Securities only, the Offered Perpetual Convertible Securities (if fully converted into Ordinary Shares based on the initial conversion price) represent approximately 20% of the total issued share capital as at the Record Date and immediately after completion of the Open Offer, and approximately 16.7% of the enlarged share capital immediately after the full conversion of the Offered Perpetual Convertible Securities.

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

### Summary of the Principal Terms of the Offered Perpetual Convertible Securities

A summary of the principal terms and conditions of the Offered Perpetual Convertible Securities is set out below.

Denomination:	HK\$0.128 per unit of the Perpetual Convertible Securities.
Issue Date:	On or around 24 October 2016 (the “ <b>Issue Date</b> ”)
Ranking:	The obligations of the Company under the Perpetual Convertible Securities are direct, unconditional, unsecured and unsubordinated. The Perpetual Convertible Securities shall at all times rank pari passu without any preference among themselves. In the event of the winding-up of the Company, the rights and claims of the holders of the Perpetual Convertible Securities (the “ <b>Holders</b> ” and each a “ <b>Holder</b> ”) shall rank ahead all other present and future subordinated creditors of the Company, and rank at least equally with all other present and future unsecured and unsubordinated creditors of the Company, save for such exceptions as may be provided in applicable legislation.

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## LETTER FROM THE BOARD

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Distributions:	Fixed distribution payable semi-annually (each a “ <b>Distribution</b> ”) at 6% per annum in arrears (the “ <b>Distribution Payment Date</b> ”), subject to the optional cancellation by the Company.
Optional cancellation of Distributions:	<p>The Company may at its sole discretion elect to cancel any scheduled Distributions in full by giving notice to the Holders not more than 60 and not less than 30 business days prior to each relevant Distribution Payment Date. The number of times Distributions may be cancelled by the Company is not restricted. Distributions that are cancelled shall be non-cumulative and the Holders shall have no right to any cancelled Distribution. On redemption of the Perpetual Convertible Securities by the Company, the Company may elect to cancel the accrued Distributions payable on the date of the redemption. For the avoidance of doubt, there will be no interest on any cancelled Distribution. All decisions to cancel any Distribution by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. In considering whether to approve the cancellation of any Distribution by the Company, the independent non-executive Directors will take into account the financial condition, prospects, results of operations, business and general affairs of the Company at the time and will consider factors including but not limited to the Company’s ability to meet its current and non-current liabilities with its cash and other current assets, the Company’s liquidity and adequacy of its cashflows and expected cashflows to meet its daily operation and working capital requirements, the Company’s profit and working capital forecast, cash reserve and availability of financing for any on-going projects, major capital expenditure commitment and other business expansion plans, and market sentiment. No part of the Distributions shall be converted into Conversion Shares in lieu of payment, and the first two Distributions are not cancellable by the Company.</p>
Conversion:	<p>The Holders shall have the right to convert any of their Perpetual Convertible Securities into new Ordinary Shares at any time after the Issue Date, subject to the terms of the Perpetual Convertible Securities.</p>

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## LETTER FROM THE BOARD

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Conversion Price:	Initially HK\$0.128 per Conversion Share, subject to adjustment as provided for in the terms of the Perpetual Convertible Securities (details of which are set out in Appendix IV to this Prospectus), including but not limited to an alteration to the nominal amount of the Ordinary Shares as a result of consolidation, subdivision or reclassification, capitalisation of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares. The Company undertakes that it will not take any corporate action which will result in an adjustment to the conversion price pursuant to the terms and conditions of the Perpetual Convertible Securities if such action would result in a breach of Rule 7.24(5) of the Listing Rules requiring shareholders' approval for the Open Offer.
Restrictions on Conversion:	No conversion right shall be exercised by the Holder (or when it is exercised by virtue of a Conversion Notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that Conversion Notice as invalid) if the Company will be in breach of the Listing Rules or the Codes on Takeovers and Mergers and Share Buy-backs immediately following such conversion.
Voting:	The Perpetual Convertible Securities do not carry any voting rights and the Holders are not entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a Holder.
Transferability:	Subject to the terms of the Perpetual Convertible Securities, the Perpetual Convertible Securities may be transferred by delivery of the certificate issued in respect of those Perpetual Convertible Securities, with the transfer form, in such form as may from time to time be adopted by the Company, duly completed, signed and duly stamped, to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. No transfer of the Perpetual Convertible Securities will be valid unless and until such transfer has been entered on the register of holders.

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## LETTER FROM THE BOARD

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### Redemption:

The Perpetual Convertible Securities may be redeemed at the option of the Company in full on any Distribution Payment Date at their principal amount (together with any Distribution accrued to the date fixed for redemption but subject to the Company's right to cancel such Distributions). All decisions to redeem the Perpetual Convertible Securities by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. In considering whether to approve the redemption of the Perpetual Convertible Securities by the Company, the independent non-executive Directors will take into account the financial condition, prospects, results of operations, business and general affairs of the Company at the time and will consider factors including the Company's cash resources, liquidity, the level of and adequacy of the Company's cash and cash equivalents, current assets and available credit lines, the availability of cheaper alternative financing options, the financial ratios of the Company, profit and working capital forecast, and market sentiment.

*Note:* Notwithstanding that under the terms and conditions of the Perpetual Convertible Securities the Company has the discretion to cancel any scheduled Distributions (except that the first two Distributions are not cancellable), the Company has no present intention to exercise such discretion and the Company will consider, among other things, the then financial and operating conditions of the Company as described above if and when it decides whether to exercise its discretion to cancel any scheduled Distributions. Furthermore, based on the current financial and operating conditions of the Company, the Company does not have any current intention to exercise such discretion. The Company expects that such discretion will only be exercised in extreme circumstances, including when the Company expects it does not have sufficient cashflow to pay the Distributions whilst maintaining target gearing level and credit ratings.

### Conditions of the Open Offer

Under the Listing Rules, the Open Offer is not subject to the approval of the Ordinary Shareholders. However, the Open Offer is conditional upon (i) the Underwriting Agreement having become unconditional and (ii) Orient Victory Real Estate not having terminated the Underwriting Agreement in accordance with the terms thereof. The conditions to the Underwriting Agreement and the circumstances in which Orient Victory Real Estate may terminate the Underwriting Agreement are set out in the sections headed "Conditions of the Underwriting Agreement" and "Termination of the Underwriting Agreement" below. If the conditions to the Open Offer are not fulfilled, the Open Offer will not proceed.



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## LETTER FROM THE BOARD

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### **Basis of Open Offer**

One (1) Offered Share for every five (5) Ordinary Shares held by the Qualifying Shareholders as at the close of business on the Record Date. Each Qualifying Shareholder is also entitled to elect to take up all or part of its/his/her entitlement as Offered Perpetual Convertible Securities (on the basis of the Offered Perpetual Convertible Securities issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share it/he/she is entitled to take up) in lieu of its/his/her corresponding entitlement to the Offered Shares under the Open Offer. Acceptance for all or part of a Qualifying Shareholder's entitlement to the Open Offer should be made by completing the Assured Allotment Application Form and lodging the same with a remittance for the Offered Securities being accepted.

### **Fractions of Entitlements to the Offered Securities**

Entitlements to the Offered Securities will be rounded down to the nearest whole unit. Fractional entitlements to the Offered Securities will not be allotted and will be aggregated and made available for application by the Qualifying Shareholders who wish to apply for the Offered Securities in excess of their own entitlements.

### **Subscription Price**

The Subscription Price is HK\$0.128 per Offered Share or per unit of Offered Perpetual Convertible Securities, payable in full on application.

The Subscription Price was determined based on a discount of approximately 5.19% to the average closing price per Ordinary Share for the last five full trading days up to and including the Last Trading Day, being HK\$0.135, after arm's length negotiations between the Company and Orient Victory Real Estate and taking into account the market environment and the prevailing market prices of the Ordinary Shares. The Subscription Price represents:

- (i) a discount of approximately 2.29% to the closing price of HK\$0.131 per Ordinary Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.19% to the closing price of HK\$0.135 per Ordinary Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 4.69% to the average closing price of HK\$0.134 per Ordinary Share for the last 10 full trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.80% to the average closing price of HK\$0.149 per Ordinary Share for the last 30 full trading days up to and including the Last Trading Day;
- (v) a discount of approximately 29.97% to the average closing price of HK\$0.183 per Ordinary Share for the last 90 full trading days up to and including the Last Trading Day; and
- (vi) a discount of approximately 49.90% to the average closing price of HK\$0.255 per Ordinary Share for the last 180 full trading days up to and including the Last Trading Day.

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## LETTER FROM THE BOARD

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The Directors consider the terms of the Open Offer and the Subscription Price to be fair and reasonable and are in the interests of the Company and the Ordinary Shareholders as a whole.

### Qualifying Shareholders

To qualify for the Open Offer, an Ordinary Shareholder must:

- (a) be registered as a member of the Company on the Record Date; and
- (b) not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, all transferees of Ordinary Shares must have lodged all transfers of Ordinary Shares (together with the relevant share certificate(s)) by 4:00 p.m. (Hong Kong time) on 21 September 2016 with the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

Based on the register of members of the Company as at the close of business on the Record Date, there were a total of seven Overseas Shareholder(s) with registered addresses located in Canada, Malaysia, the PRC and the United States holding in aggregate approximately 10.80% of the total number of issued Ordinary Shares of the Company as at the close of business on the Record Date. The Directors have, in compliance with Rule 13.36(2) of the Listing Rules, conducted enquiries regarding the feasibility of extending the Open Offer to such Overseas Shareholder(s).

After making enquiries with the Company's overseas legal advisers regarding the legal restrictions under the laws of the relevant jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges for the Company to offer the Perpetual Convertible Securities to such Overseas Shareholders in accordance with Rule 13.36(2) of the Listing Rules, the Directors have been advised by the legal advisers in the PRC that either (i) there is no legal restriction under the applicable legislation of the relevant jurisdictions or requirement of any relevant regulatory body or stock exchange with respect to extending the Open Offer to the Overseas Shareholders with registered addresses in the PRC, or (ii) the Company would be exempt from obtaining approval from, and/or registration of the Open Offer Documents with, the relevant regulatory authorities under the applicable laws and regulations of the PRC. Accordingly, the Open Offer will be extended to the Overseas Shareholders with registered addresses in the PRC.

### Excluded Shareholders

Excluded Shareholders are Overseas Shareholders and Ordinary Shareholders or Beneficial Owners who are otherwise known by the Company to be residents in places outside Hong Kong, and in respect of whom the Directors, based on enquiries made by the Directors, consider it necessary or expedient not to extend the Open Offer to such Ordinary Shareholders or Beneficial Owners on account either of the legal and/or regulatory restrictions under the laws of the relevant jurisdictions in which such Ordinary Shareholders or Beneficial Owners (as the case may be) are located or the requirements of the relevant regulatory body or stock exchange in those relevant jurisdictions. The Open Offer has not been, and will not be, extended to the Excluded Shareholders.

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## LETTER FROM THE BOARD

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In accordance with Rule 13.36(2)(a) of the Listing Rules, the Board has made enquiries with the Company's overseas legal advisers regarding the legal restrictions under the applicable securities legislation of the relevant jurisdictions including the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Offered Securities to the Ordinary Shareholders in those territories. Based on the legal advice of the Company's legal advisers in relation to the laws of the Specified Territories, the extension of the Open Offer to the Overseas Shareholders with registered addresses in the Specified Territories would, or might, in the absence of compliance with relevant registration and/or filings and/or other special formalities in the Specified Territories, be unlawful or impracticable, and the compliance with the registration and other special formalities in the Specified Territories could be both costly, time-consuming or impracticable, and therefore inexpedient to do so. Having considered the circumstances, likely costs, time involved and impracticability if overseas compliance was to be observed in the Specified Territories, the Directors are of the view that the costs and/or time involved and/or impracticability of overseas compliance would outweigh the benefits which the Company and the Ordinary Shareholders as a whole would receive by including the Overseas Shareholders in the Specified Territories in the Open Offer and have therefore decided not to extend the Open Offer to the Overseas Shareholders with registered addresses in the Specified Territories.

Accordingly, for the purposes of the Open Offer, the Excluded Shareholders are:

- (a) Ordinary Shareholders whose name(s) appeared in the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in any of the Specified Territories, except those Ordinary Shareholders with addresses in the United States who fulfil the relevant requirements to the satisfaction of the Company; and
- (b) any Ordinary Shareholder(s) or Beneficial Owner(s) at that time who is/are otherwise known by the Company to be residents in any of the Specified Territories, except for those Ordinary Shareholders or Beneficial Owners resident in the United States who fulfil the relevant requirements to the satisfaction of the Company.

Notwithstanding any other provision in the Open Offer Documents, the Company reserves the right to permit any Ordinary Shareholder to take up its/his/her entitlement to Offered Securities if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations or requirements giving rise to the restrictions in question.

In any event, it is the responsibility of any person (including but without limitation to custodian, nominee, agent and trustee) receiving the Open Offer Documents outside Hong Kong and wishing to take up the Offered Securities under the Open Offer to satisfy itself/himself/herself as to the full observance of the laws of the relevant territory or jurisdiction, including obtaining any governmental or other consents or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection with taking up any Offered Securities.

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## LETTER FROM THE BOARD

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Each subscriber (including but without limitation to custodian, nominee, agent and trustee) of Offered Securities being offered and sold outside the U.S. will be deemed (by accepting delivery of this Prospectus) to have given each of the following representations and warranties to the Company and to any person acting on their behalf, unless in its sole discretion the Company waives such requirement:

- It/he/she was an Ordinary Shareholder as at the Record Date;
- It/he/she may lawfully be offered, take up, obtain, subscribe for and receive the Offered Securities in the jurisdiction in which it/he/she resides or is currently located;
- Subject to certain exceptions, it/he/she is not resident or located in, or a citizen of, the United States;
- Subject to certain exceptions, it/he/she is not accepting an offer to acquire or take up the Offered Securities on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States at the time the instruction to accept was given;
- It/he/she is not taking up for the account of any person who is located in the United States, unless:
  - (i) the instruction to take up was received from a person outside the United States; and
  - (ii) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) has investment discretion over such account or (B) is an investment manager or investment company that it is acquiring the Offered Securities in an “offshore transaction” within the meaning of Regulation S;
- It/he/she is acquiring the Offered Securities in an “offshore transaction” as defined in Regulation S;
- It/he/she has not been offered the Offered Securities by means of any “directed selling efforts” as defined in Regulation S;
- It/he/she is not acquiring Offered Securities with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such Offered Securities or Conversion Shares into the United States; and
- It/he/she understands that neither the Offered Securities nor the Conversion Shares have been or will be registered under the U.S. Securities Act or with any securities regulatory authority of any State, territory, or possession of the U.S. and the Offered Securities are being distributed and offered outside the U.S. in reliance on Regulation S. Consequently, it/he/she understands the Offered Securities and the Conversion Shares may not be offered, sold, pledged or otherwise transferred in or into the U.S., except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act.

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## LETTER FROM THE BOARD

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For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to the representations and warranties above.

Furthermore, any acceptance of the Offered Securities by any person will be deemed to constitute a representation and warranty from such person to the Company that those local laws and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult your professional advisers. Any Offered Securities which would otherwise have been comprised in the Assured Entitlements of the Excluded Shareholders will be available for application by the Qualifying Shareholders who wish to apply for Offered Securities in excess of their own Assured Entitlements.

### **Distribution of the Open Offer Documents**

Distribution of the Open Offer Documents into jurisdictions other than Hong Kong may be restricted by law. Any person who receives the Open Offer Documents (including, without limitation, any agent, custodian, nominee and trustee) should be aware of and comply with the applicable restriction in the relevant jurisdiction(s). Failure to comply with any applicable restrictions may constitute a violation of the securities laws of the relevant jurisdiction. Any Ordinary Shareholder or Beneficial Owner who is in doubt as to its/his/her position should consult an appropriate professional adviser without delay. In particular, subject to certain exceptions as determined by the Company, this Prospectus should not be distributed, forwarded to or transmitted in, into or from any of the Specified Territories together with the Assured Allotment Application Form or the Excess Application Form.

The Open Offer Documents will not be registered in any jurisdiction other than Hong Kong.

### **Certificates for the Offered Securities**

#### ***Certificates of the Offered Securities for applicants holding the Ordinary Shares in his/her/its own name***

Subject to the fulfilment of the conditions of the Open Offer, certificates for the fully paid Offered Securities are expected to be posted to successful applicants by ordinary post at their own risk on or before 24 October 2016. For each applicant of Offered Shares, one share certificate will be issued in respect of all the Offered Shares allotted to such applicant, and for each applicant of Offered Perpetual Convertible Securities, one certificate for all the Offered Perpetual Convertible Securities will be issued in respect of all the Offered Perpetual Convertible Securities allotted to such applicant. Refund cheques in respect of wholly or partially unsuccessful applications for Offered Securities in excess of Assured Entitlement are also expected to be posted on or before 24 October 2016 by ordinary post to the applicants at their own risk.

#### ***Certificates of the Offered Securities for applicants holding the Ordinary Shares through CCASS***

For beneficial owners holding their Ordinary Shares through CCASS and decide to subscribe for the Offered Shares, HKSCC will directly credit the number of Offered Shares allocated to his/her/its CCASS account.

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## LETTER FROM THE BOARD

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For beneficial owners holding their Ordinary Shares through CCASS and have subscribed for the Offered Perpetual Convertible Securities, the Offered Perpetual Convertible Securities received by such persons will initially be held in the name of HKSCC Nominees Limited. HKSCC will not however provide any transfer or conversion services in respect of any Perpetual Convertible Securities. Please refer to the paragraph headed “Transfer and Conversion of the Perpetual Convertible Securities” below.

### **Application for Listing**

No application will be made for the listing of, and permission to deal in, the Offered Perpetual Convertible Securities on the Stock Exchange or any other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offered Shares and the Conversion Shares issuable upon the conversion of the Offered Perpetual Convertible Securities.

Subject to the granting of listing approval by the Stock Exchange, the Offered Shares and the Conversion Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings 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.

Dealings in the Offered Shares and the Conversion Shares on the Stock Exchange will be subject to payment of the applicable stamp duty, Stock Exchange trading fee, transaction levy payable to the Securities and Futures Commission, or any other applicable fees and charges in Hong Kong.

### **Outstanding Existing Perpetual Convertible Securities and Bonus Warrants**

As at the Latest Practicable Date, none of the Existing Perpetual Convertible Securities have been converted and 784,259,285 Bonus Warrants have been exercised. The outstanding Existing Perpetual Convertible Securities and Outstanding Bonus Warrants, upon conversion or exercise (as the case may be) in full, would require the Company to issue and allot an aggregate of 1,096,947,431 new Ordinary Shares.

Save as aforesaid, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Ordinary Shares as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### UNDERWRITING ARRANGEMENTS

#### Undertaking to Subscribe for Assured Entitlement

As at the Latest Practicable Date, Orient Victory Real Estate is interested in 6,891,330,020 Ordinary Shares, representing approximately 58.58% of the total number of Ordinary Shares in issue of the Company. Orient Victory Real Estate has irrevocably undertaken to the Company that it will elect to subscribe, in full its entitlement under the Open Offer (in the form of Offered Perpetual Convertible Securities), and lodge acceptance for such amount of the Offered Perpetual Convertible Securities under the Open Offer.

#### Underwriting Agreement

As at the Latest Practicable Date, Orient Victory Real Estate, the underwriter of the Open Offer, is interested in 6,891,330,020 Ordinary Shares, representing approximately 58.58% of the total number of Ordinary Shares in issue. Pursuant to the Underwriting Agreement, Orient Victory Real Estate has agreed to underwrite the Offered Securities other than those Offered Securities which have been undertaken to be subscribed by Orient Victory Real Estate. The Directors are of the view that the Underwriting Agreement has been entered into on normal commercial terms and the principal terms of the Underwriting Agreement are set out below:

Date: 5 September 2016

Underwriter: Orient Victory Real Estate

Orient Victory Real Estate is principally engaged in investment holding and its ordinary course of business does not include underwriting of securities.

Offered Securities underwritten  
(Note): All the Offered Securities other than those Offered Perpetual Convertible Securities which have been undertaken to be subscribed by Orient Victory Real Estate, being 974,453,329 Offered Securities. Orient Victory Real Estate will take up all the underwritten Offered Securities in the form of Offered Perpetual Convertible Securities.

Commission payable to the  
underwriter: Nil

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## LETTER FROM THE BOARD

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### *Conditions of the Underwriting Agreement*

The obligations of Orient Victory Real Estate under the Underwriting Agreement are conditional upon, amongst other things:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offered Shares and the Conversion Shares either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than three business days after the Record Date, and such approval not having been withdrawn or revoked on or prior to the Latest Time for Termination;
- (ii) the Stock Exchange issuing a certificate authorising registration of this Prospectus with the Hong Kong Companies Registry in accordance with section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date (or such later time and/or date as the Company and Orient Victory Real Estate may agree in writing) and, following registration of this Prospectus as referred to in paragraph (iii) below, a copy of this Prospectus having been published on the HKExnews website not later than the Prospectus Posting Date (or such later time and/or date as the Company and Orient Victory Real Estate may agree in writing);
- (iii) a duly certified copy of this Prospectus (and other required documents) having been lodged with the Hong Kong Companies Registry not later than the Prospectus Posting Date, and the Hong Kong Companies Registry issuing a confirmation of registration letter not later than the Prospectus Posting Date;
- (iv) none of the Company's representations, warranties or undertakings contained in the Underwriting Agreement being breached, untrue, inaccurate or misleading in any material respect; and
- (v) compliance by the Company with its obligations under the Underwriting Agreement.

The Company shall use its best endeavours to procure the fulfilment of each of the conditions set out above. In particular, the Company shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may reasonably be required by Orient Victory Real Estate and the Stock Exchange in connection with the matters contemplated in the Underwriting Agreement.

Orient Victory Real Estate may at any time in writing waive any of the conditions set out in paragraphs (iv) and (v) above or extend the time or date for fulfilment of any of the above conditions (in which case a reference in the Underwriting Agreement to the time or date for the satisfaction of such condition shall be to its fulfilment by the time or date as so extended) and such waiver or extension may be made subject to such terms and conditions as determined by Orient Victory Real Estate.



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## LETTER FROM THE BOARD

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If any of the conditions set out above (which has not previously been waived by Orient Victory Real Estate if capable of being waived under the Underwriting Agreement) is not fulfilled, or becomes incapable of fulfilment, at or before the time and date specified therein or, in the absence of such specification, the Latest Time for Termination (or, in any such case, such later date or dates as Orient Victory Real Estate may agree with the Company in writing), the Underwriting Agreement (save in respect of certain rights and obligations under the Underwriting Agreement) shall terminate and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement occurring prior to such termination.

### *Termination of the Underwriting Agreement*

The Underwriting Agreement contains customary rights of termination. If at any time prior to the Latest Time for Termination certain events have occurred, including (but not limited to):

- (i) any matter or circumstance arises as a result of which any of the conditions set out in the section headed “Conditions of the Underwriting Agreement” above has become incapable of satisfaction as at the required time;
- (ii) any breach of any of the representations, warranties or undertakings given by the Company pursuant to the Underwriting Agreement comes to the knowledge of Orient Victory Real Estate, or there has been a breach on the part of the Company of any other provision of the Underwriting Agreement, or Orient Victory Real Estate has cause to believe that any such breach has occurred and such breach has not been cured to the satisfaction of Orient Victory Real Estate;
- (iii) any event occurs or matter arises or is discovered, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given by the Company under the Underwriting Agreement (as the case may be) would have rendered any of those representations, warranties or undertakings untrue, inaccurate, incomplete or misleading in any material respect, comes to the knowledge of Orient Victory Real Estate;
- (iv) any statement contained in this Prospectus has become or been discovered to be untrue, inaccurate, incomplete or misleading in any material respect;
- (v) any matter arises or is discovered which would, if this Prospectus was to be issued at the time, constitute a material omission therefrom;
- (vi) the Company’s application to the Main Board of the Stock Exchange for permission for the listing of the Offered Shares and the Conversion Shares on the Stock Exchange is withdrawn by the Company and/or refused by the Stock Exchange;

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## LETTER FROM THE BOARD

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- (vii) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable) changes in certain financial, political, economic, legal, tax and market conditions or any event of force majeure in certain jurisdictions as set out in the Underwriting Agreement,

which, in the sole opinion of Orient Victory Real Estate:

- (i) is or will be, or is likely to be, materially adverse to the general affairs, management, business, financial trading or other condition or prospects of the Group;
- (ii) has or will have or is likely to have a material adverse impact on the success of the Open Offer; or
- (iii) makes it impracticable, inadvisable or inexpedient to proceed with the Open Offer on the terms and in the manner contemplated in the Announcement and the Open Offer Documents,

then in any such case Orient Victory Real Estate may by notice in writing to the Company, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement.

If at any time prior to the Latest Time for Termination any such termination notice is given by Orient Victory Real Estate, the Underwriting Agreement will terminate (save in respect of certain rights and obligations under the Underwriting Agreement) and such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement occurring prior to such termination and neither the Company nor Orient Victory Real Estate shall have any claim against the other party.

### CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE OPEN OFFER

As at the Latest Practicable Date, the shareholding structure of the Company is set out below:

	<b>No. of Ordinary Shares</b>	<b>%</b>
Orient Victory Real Estate	6,891,330,020	58.582
Mr. Dong Xiaojie*	1,500,000	0.013
Mr. Law Wang Chak, Waltery*	350,000	0.003
Public	<u>4,870,416,645</u>	<u>41.402</u>
Total	<u><u>11,763,596,665</u></u>	<u><u>100</u></u>

\* Mr. Dong Xiaojie and Mr. Law Wang Chak, Waltery are independent non-executive Directors.

## LETTER FROM THE BOARD

- (i) Assuming all Qualifying Shareholders elect to **accept** their respective entitlements
- (a) assuming all Qualifying Shareholders (other than Orient Victory Real Estate) elect to take up **Offered Shares only**, the shareholding structure of the Company after completion of the Open Offer is set out below:

	Immediately after completion of the Open Offer			Immediately after completion of the Open Offer, assuming all the Offered Perpetual Convertible Securities are converted in full at the initial conversion price		
	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities
Orient Victory Real Estate	6,891,330,020	54.100	1,378,266,004	8,269,596,024	58.582	–
Mr. Dong Xiaojie*	1,800,000	0.014	–	1,800,000	0.013	–
Mr. Law Wang Chak, Waltery*	420,000	0.003	–	420,000	0.003	–
Public	5,844,499,974	45.883	–	5,844,499,974	41.402	–
Total	<u>12,738,049,994</u>	<u>100</u>	<u>1,378,266,004</u>	<u>14,116,315,998</u>	<u>100</u>	<u>–</u>

\* Mr. Dong Xiaojie and Mr. Law Wang Chak, Waltery are independent non-executive Directors.

## LETTER FROM THE BOARD

- (b) assuming all Qualifying Shareholders elect to take up **Offered Perpetual Convertible Securities only**, the shareholding structure of the Company after completion of the Open Offer is set out below:

	Immediately after completion of the Open Offer			Immediately after completion of the Open Offer, assuming all the are converted in full at the initial conversion price		
	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities
Orient Victory Real Estate	6,891,330,020	58.582	1,378,266,004	8,269,596,024	58.582	–
Mr. Dong Xiaojie*	1,500,000	0.013	300,000	1,800,000	0.013	–
Mr. Law Wang Chak, Waltery*	350,000	0.003	70,000	420,000	0.003	–
Public	4,870,416,645	41.402	974,083,329	5,844,499,974	41.402	–
Total	<u>11,763,596,665</u>	<u>100</u>	<u>2,352,719,333</u>	<u>14,116,315,998</u>	<u>100</u>	<u>–</u>

\* Mr. Dong Xiaojie and Mr. Law Wang Chak, Waltery are independent non-executive Directors.

## LETTER FROM THE BOARD

- (ii) Assuming all Qualifying Shareholders elect **not to accept** their respective entitlements the shareholding structure of the Company after completion of the Open Offer is set out below:

	Immediately after completion of the Open Offer			Immediately after completion of the Open Offer, assuming all the Offered Perpetual Convertible Securities are converted in full at the initial conversion price		
	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities	No. of Ordinary Shares	%	No. of units of Perpetual Convertible Securities
Orient Victory Real Estate	6,891,330,020	58.582	2,352,719,333	9,244,049,353	65.485	–
Mr. Dong Xiaojie*	1,500,000	0.013	–	1,500,000	0.011	–
Mr. Law Wang Chak, Waltery*	350,000	0.003	–	350,000	0.002	–
Public	4,870,416,645	41.402	–	4,870,416,645	34.502	–
Total	<u>11,763,596,665</u>	<u>100</u>	<u>2,352,719,333</u>	<u>14,116,315,998</u>	<u>100</u>	<u>–</u>

*Note:* Mr. Dong Xiaojie and Mr. Law Wang Chak, Waltery are independent non-executive Directors.

The figures also assume that all Ordinary Shareholders are Qualifying Shareholders.

### IMPACT OF THE OPEN OFFER ON THE SHARE VALUE OF THE COMPANY

The dilution impact of the Open Offer is calculated based on the following formula:

$$\begin{array}{lcl}
 \text{Dilution impact of the Open Offer} & = & \begin{array}{l} \text{discount of the subscription price to the latest closing price of HK\$0.131 per Ordinary Share (as quoted on the Stock Exchange on 23 September 2016, being the Latest Practicable Date)} \end{array} \times \begin{array}{l} \text{the percentage of Offered Shares to be issued under the Open Offer with reference to the total issued share capital of the Company as enlarged by the Open Offer (the "Dilution Ratio")} \end{array}
 \end{array}$$

Based on the above formula, the dilution impact of the Open Offer is equal to approximately 0.38%, which is equivalent to 2.29% multiplied by 16.67%.

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## LETTER FROM THE BOARD

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### **WARNING OF THE RISKS OF DEALINGS IN THE ORDINARY SHARES**

The Open Offer is conditional upon (i) the Underwriting Agreement having become unconditional and (ii) Orient Victory Real Estate not having terminated the Underwriting Agreement in accordance with the terms thereof. The conditions to the Underwriting Agreement and the circumstances in which Orient Victory Real Estate may terminate the Underwriting Agreement are set out in the sections above headed “Conditions of the Underwriting Agreement” and “Termination of the Underwriting Agreement”. If the conditions to the Open Offer are not fulfilled, the Open Offer will not proceed.

Any person contemplating buying or selling Ordinary Shares from the date of this Prospectus up to the date on which all the conditions of the Open Offer are fulfilled bears the risk that the Open Offer may not become unconditional or may not proceed. Potential investors should exercise caution when dealing in Ordinary Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

### **APPLICATION FOR ASSURED ENTITLEMENT TO OFFERED SECURITIES**

The Assured Allotment Application Form is enclosed with this Prospectus which entitles Qualifying Shareholders to whom it is addressed to apply for the number of Offered Securities on an assured basis as shown therein subject to payment in full by the Latest Time for Acceptance. Qualifying Shareholders should note that they may apply on an assured basis for any number of Offered Securities only up to the number set out in the Assured Allotment Application Form.

If Qualifying Shareholders wish to apply for all of their Assured Entitlements to the Offered Securities as specified in the Assured Allotment Application Form or wish to apply for any number less than their Assured Entitlement under the Open Offer, they must complete, sign and lodge the Assured Allotment Application Form in accordance with the instructions printed thereon, together with remittance for the full amount payable in respect of such number of Offered Securities they have applied for with Union Registrars Limited, the Registrar, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong by no later than 4:00 p.m. on 14 October 2016. All remittance(s) must be made in Hong Kong dollars and by cheque or cashier order. Cheques must be drawn on an account with, or banker’s cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “ORIENT VICTORY CHINA HOLDINGS LIMITED – OPEN OFFER” and crossed “Account Payee Only”.

It should be noted that unless the duly completed and signed Assured Allotment Application Form, together with the appropriate remittance, have been lodged with the Registrar by no later than 4:00 p.m. on Friday, 14 October 2016, the Assured Entitlement under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

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## LETTER FROM THE BOARD

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### APPLICATION FOR EXCESS OFFERED SECURITIES

Qualifying Shareholders will have the right to apply for Offered Securities in excess of their own Assured Entitlements under the Excess Application Form, but are not assured of being allocated any Offered Securities in excess of those comprised in their Assured Entitlements.

Any Offered Securities (i) not taken up by the Qualifying Shareholders in accordance with their Assured Entitlements; (ii) to which the Excluded Shareholders would otherwise have been entitled; or (iii) created by the aggregation of fractional Offered Securities, will be made available for excess applications by Qualifying Shareholders.

The Directors will allocate the Offered Securities in excess of Assured Entitlement at their discretion, but on a fair and equitable basis, to Qualifying Shareholders who have applied for excess Offered Securities on a *pro rata* basis with reference to the number of excess Offered Securities applied for by the relevant Qualifying Shareholders. For the avoidance of doubt, the allocation of the Offered Securities in excess of Assured Entitlement will not be based on the number of the Ordinary Shares held by the relevant Qualifying Shareholders and no preference will be given to topping-up odd lots to whole board lots.

The Board will regard any nominee company whose name appears on the register of members of the Company (“**Registered Nominee Company**”) as a single shareholder. Accordingly, the above arrangement in relation to allocation of excess Offered Securities will not be extended to the Beneficial Owners individually.

Application for excess Offered Securities may be made by completing and signing the enclosed Excess Application Form in accordance with the instructions printed thereon and lodging it, together with a separate remittance for the full amount payable on application in respect of the excess Offered Securities applied for, with Union Registrars Limited, the Registrar, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong no later than 4:00 p.m. on Friday, 14 October 2016. All remittances must be made in Hong Kong dollars and by cheque or cashier order. Cheques must be drawn on an account with, and banker’s cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “ORIENT VICTORY CHINA HOLDINGS LIMITED – EAF” and crossed “Account Payee Only”.

All cheques or banker’s cashier orders will be presented for payment upon receipt and all interest earned on such monies, if any, will be retained for the benefit of the Company. Completion and return of the Excess Application Form together with a cheque or banker’s cashier order in payment for the excess Offered Securities applied for will constitute a warranty by the applicant that the cheque or banker’s cashier order will be honoured on first presentation. If the cheque or banker’s cashier order is dishonoured on first presentation, the application for excess Offered Securities is liable to be rejected.

If no excess Offered Securities are allotted to the Qualifying Shareholders, the amount tendered on application is expected to be returned by means of cheques to such Qualifying Shareholders in full without interest by ordinary post at their own risk to their registered addresses on or before 24 October 2016. If the number of excess Offered Securities allotted to the Qualifying Shareholders is less than that applied for, the surplus application money is also expected to be returned to them by means of cheques by ordinary post at their own risk to their registered addresses on or before 24 October 2016.

The Excess Application Form is for use only by Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques or banker’s cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar.

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## LETTER FROM THE BOARD

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If the conditions of the Open Offer are not fulfilled by the Latest Time for Termination, the Open Offer will not proceed and the monies received in respect of application for the Offered Securities without interest will be returned to the applicants by means of cheques crossed “Account Payee Only” to be despatched by ordinary post to their registered addresses and, in the case of joint applicants, to the registered address of the applicant whose name appears first on the register of members of the Company, at the risk of such applicants, on or before 24 October 2016.

### **TRANSFER AND CONVERSION OF THE PERPETUAL CONVERTIBLE SECURITIES**

#### **Persons holding the Perpetual Convertible Securities through CCASS**

The Perpetual Convertible Securities will not be listed on the Stock Exchange (or any other stock exchange). The Perpetual Convertible Securities received by any persons holding their Ordinary Shares through CCASS will initially be held in the name of HKSCC Nominees Limited. HKSCC will not however provide any transfer or conversion services in respect of any Perpetual Convertible Securities. Any person holding any Perpetual Convertible Securities through HKSCC Nominees Limited must arrange for withdrawal of such Perpetual Convertible Securities from CCASS and the registration of the Perpetual Convertible Securities in his own name in order to effect any transfer or conversion of the Perpetual Convertible Securities. A fee of HK\$1.00 will be charged by CCASS for each withdrawal of Perpetual Convertible Securities. Once the Perpetual Convertible Securities have been withdrawn from CCASS and registered in the name of the Holder or his/her/its designated CCASS Participant or Intermediary, the Holder can transfer the Perpetual Convertible Securities or convert the Perpetual Convertible Securities into Ordinary Shares pursuant to the procedures set out below.

#### **Procedures for exercise of the conversion rights attached to the Perpetual Convertible Securities**

The Converting Securities Holder(s) may on any Business Day exercise the conversion rights attached to such Perpetual Convertible Securities by delivering to the office of the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, the Conversion Notice during normal business hours (from 9:00 a.m. to 4:00 p.m.) on any Business Day stating his/her/its intention to convert together with the original certificate of the Perpetual Convertible Securities and proof reasonably satisfactory to the Company of the authority of the person or person(s) to execute the Conversion Notice. The form of the Conversion Notice will be printed on the reverse side of the certificate of the Perpetual Convertible Securities. The Conversion Notice shall be irrevocable and shall oblige the Converting Securities Holder to accept the Conversion Shares arising on such conversion on and subject to the Articles of the Company. The Company shall be responsible for payment of all taxes and stamp, issue and registration fees and duties (if any), and Stock Exchange levies and charges (if any) arising on any such conversion. Any calculation by the Company of the number of Conversion Shares falling to be issued on a conversion shall, in the absence of manifest error, be conclusive and binding on the Converting Securities Holder.

The conversion of the Perpetual Convertible Securities into Ordinary Shares is subject to a payment to the Registrar of a fee of HK\$2.50 per certificate of the Perpetual Convertible Securities to be cancelled and will be borne by the Converting Securities Holder.



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## LETTER FROM THE BOARD

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As soon as practicable and in any event not later than 15 Business Days after the Conversion Date, the Company shall register the Converting Securities Holder (or such other person(s) as it may direct in the Conversion Notice) as holder(s) of the relevant number of Ordinary Shares in the Company's register of members. The certificate for the new Ordinary Shares will be made available for personal collection by the holder entitled thereto during normal business hours (Monday to Friday: 9:00 a.m. to 4:00 p.m.) on any Business Day at the office of the Registrar, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from the 15th Business Day after the Conversion Date.

No conversion of any Perpetual Convertible Securities will be effected during the period of 10 Business Days ending on (and including) any Distribution Payment Date.

Any holder wishing to convert only part of his holding of Perpetual Convertible Securities evidenced by a certificate must first split the certificate by lodging it with the Registrar. A fee will be charged by the Registrar for the splitting of Perpetual Convertible Securities certificates, currently being HK\$2.50 per new certificate to be issued using the 10 Business Days' service. Where some but not all of the Perpetual Convertible Securities in respect of which a certificate is issued are to be converted, a new certificate in respect of the balance of the Perpetual Convertible Securities not so converted will be made available for personal collection by such holder during normal business hours (Monday to Friday: 9:00 a.m. to 4:00 p.m.) on any Business Day at the office of the Registrar, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from the tenth Business Day onwards of receipt of the documents specified above by the Registrar and upon production of such identification documents as may be reasonably requested by the Company or the Registrar.

A conversion right may only be exercised in respect of a minimum amount where conversion would result in 10,000 Ordinary Shares (the "**Minimum Conversion Multiple**"), or its integral multiples or otherwise all the Perpetual Convertible Securities held by the Holder. A Holder holding less than the Minimum Conversion Multiple may convert its Perpetual Convertible Securities into Ordinary Shares provided all the Perpetual Convertible Securities held by the Holder are converted.

If the number of Ordinary Shares falling to be allotted and issued upon the exercise of any conversion rights shall exceed the number of unissued Ordinary Shares in respect of which approval for listing has been granted by the Listing Committee, the issue, deposit and delivery of Ordinary Shares shall, in respect only of such excess number of Ordinary Shares, be postponed to the Business Day next following the day on which approval for listing of such Ordinary Shares has been granted.

### **Procedures for transfer of the Perpetual Convertible Securities**

The Registrar is appointed as the transfer agent to receive documents in respect of the splitting and registration of transfer of the Perpetual Convertible Securities.

A transfer of the Perpetual Convertible Securities shall be effected by completing and signing a transfer form, in such form as may from time to time be adopted by the Company, by both the transferor and transferee and duly stamped. The transfer form can be obtained at the office of the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The certificates for the Perpetual Convertible Securities must be delivered for registration during normal business hours (Monday to Friday: 9:00 a.m. to 4:00 p.m.) on any Business Day at the office of the Registrar, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point,

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## LETTER FROM THE BOARD

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Hong Kong, accompanied by (i) a duly executed and stamped transfer form; (ii) in case of the execution of the transfer form on behalf of a corporation by its officers, the authority of that person or those persons to do so; and (iii) such other evidence (including legal opinions) as the Company may reasonably require if the transfer form is executed by some other persons on behalf of the Holders. The Registrar shall, within 10 Business Days of receipt of such documents from the holders, cancel the existing certificate and issue a new certificate of the Perpetual Convertible Securities in favour of the transferee.

Each new certificate to be issued upon a transfer of the Perpetual Convertible Securities will be made available for personal collection by the holder entitled thereto during normal business hours (Monday to Friday: 9:00 a.m. to 4:00 p.m.) on any Business Day at the office of the Registrar, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from the tenth Business Day onwards of receipt of the documents specified above by the Registrar and upon production of such identification documents as may be reasonably requested by the Company or the Registrar.

Any holder wishing to transfer only part of his holding of Perpetual Convertible Securities evidenced by a certificate must first split the certificate by lodging it with the Registrar. A fee will be charged by the Registrar for the splitting of Perpetual Convertible Securities certificates, currently being HK\$2.50 per new certificate to be issued using the 10 Business Days' service. Where some but not all of the Perpetual Convertible Securities in respect of which a certificate is issued are to be transferred, a new certificate in respect of the balance of the Perpetual Convertible Securities not so transferred will be made available for personal collection by such holder during normal business hours (Monday to Friday: 9:00 a.m. to 4:00 p.m.) on any Business Day at the office of the Registrar, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from the tenth Business Day onwards of receipt of the documents specified above by the Registrar and upon production of such identification documents as may be reasonably requested by the Company or the Registrar.

Any transfer of the Perpetual Convertible Securities will be subject to payment of stamp duty. Furthermore, registration of transfer of the Perpetual Convertible Securities is subject to payment to the Registrar of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each certificate cancelled or each new certificate issued, whichever number of certificates cancelled/issued is higher. No transfer of any Perpetual Convertible Securities will be registered during the period of 10 Business Days ending on (and including) any Distribution Payment Date.

### USE OF PROCEEDS

The estimated net proceeds of the Open Offer will be approximately HK\$291,622,554. The Company intends to apply any subscription monies received to:

- (i) pay the subscription price for the 40% shares in a joint venture company in the amount of US\$1 million (equivalent to approximately HK\$7.8 million), representing approximately 2.67% of the net proceeds, and make initial capital injection to a fund to be established by the joint venture company of approximately HK\$200 million, representing approximately 68.58% of the net proceeds (further details of which are set in the Company's announcements dated 13 July 2016 and 19 July 2016, respectively);

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## LETTER FROM THE BOARD

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- (ii) strengthen the Company's general working capital in the amount of HK\$31.62 million, representing approximately 10.84% of the net proceeds;
- (iii) set up a wholly-owned licensed corporation regulated by the Securities and Futures Commission with a minimum capital injection of approximately HK\$10 million, representing approximately 3.43% of the net proceeds;
- (iv) the 6% distribution reserve for the Offered Perpetual Convertible Securities in the amount of approximately HK\$10.2 million, representing approximately 3.5% of the net proceeds; and
- (v) if possible, acquire asset(s) with potential appreciation so as to enhance the asset value of the Group in the amount of approximately HK\$32 million, representing approximately 10.98% of the net proceeds. As at the Latest Practicable Date, the Company was still looking for suitable target(s) for acquisition.

Save as disclosed above or elsewhere in the Announcement and this Prospectus, the Company does not have other funding needs in the next 12 months based on the Board's latest estimate. Assuming there are no further acquisitions or major investment activities in the next 12 months except as disclosed in the Announcement, the proceeds raised from the Open Offer can satisfy the funding needs of the Company in the next 12 months.

### REASONS FOR THE OPEN OFFER

The offering of Perpetual Convertible Securities as an alternative is not structured to undermine the pre-emptive rights of the Company's shareholders. The Company is offering Ordinary Shares under the Open Offer as the default position, and Perpetual Convertible Securities are merely an option for shareholders if they consider Perpetual Convertible Securities a better investment in the Company and/or a more suitable for their investment profile. The Board believes that the Open Offer is in the interests of both the Company and its Ordinary Shareholders as a whole.

With respect to the Company:

- (i) The Company has a high debt ratio (total liabilities divided by total tangible assets) of approximately 111% and debt to net worth ratio (total debt divided by tangible net worth) of approximately -945%, respectively as at 31 December 2015. With the financial position of the Group referencing the above ratios, there is an imminent need for the Company to reduce its debt as it is currently very difficult for the Company to incur new indebtedness or undertake acquisitions, which are needed to expand and grow its business. In particular, it is difficult for the Company to borrow bank loans. Since both the Ordinary Shares and the Perpetual Convertible Securities will be accounted for as equity (and not debt) in the financial statement of the Company, the Open Offer will result in a lower gearing ratio for the Company and hence lower borrowing costs of the Company in the future.
- (ii) The issuance of Perpetual Convertible Securities is an alternative source of financing for the Company and the rate of Distribution is likely to be lower than what the Company would otherwise have to pay for external financing.

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## LETTER FROM THE BOARD

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- (iii) The terms of the Perpetual Convertible Securities will allow the Company to cancel Distributions (save for the first two Distributions) in the event that the Company is not commercially or financially viable to pay the Distribution. This ensures that the Company is able to better control its financing costs.

With respect to the Ordinary Shareholders:

- (i) The Open Offer will strengthen the equity base of the Company and increase the Company's working capital. With the proceeds raised from the Open Offer, the Company will be able to solve its current financial difficulties and continue to develop its business operations and generate more revenue, thus enhancing shareholder value.
- (ii) The Company has considered alternative ways of equity financing, including by way of placing of Ordinary Shares. However, compared with Open Offer which give all existing Ordinary Shareholders the opportunity to maintain their respective pro rata shareholding in the Company, a placing of Ordinary Shares only allows the Ordinary Shares to be placed to certain specific investors, which could cause more severe dilution impact from the perspective of the non-participating Ordinary Shareholders. In addition, given the Ordinary Shares of the Company are currently traded at a relatively low price, the Company believes that it is not fair for public shareholders if the Ordinary Shares are placed to the controlling shareholder only. Therefore, after due and careful consideration of all possible fund raising methods, the Company considers that the proposed Open Offer is the best option for the Company and in the best interest of the Ordinary Shareholders as a whole.

### MERITS OF THE PERPETUAL CONVERTIBLE SECURITIES

Apart from the Offered Shares offered under the Open Offer, the Company also provide Qualifying Shareholders the option to elect to take up all or part of their respective entitlements in the form of Offered Perpetual Convertible Securities. The Perpetual Convertible Securities are not a novel product and there have been a number of precedents in the market which involve an open offer of convertible securities. The Company believes that the Perpetual Convertible Securities have a number of merits over Offered Shares and are beneficial to the Ordinary Shareholders for the following reasons:

- (i) The Perpetual Convertible Securities offer a Distribution of 6% per annum payable semi-annually to the holders (subject to the optional cancellation by the Company) and such return will be higher than the dividend yield of the Company in the past three financial years. This allows Ordinary Shareholders to be rewarded while the Company is still in its initial growth phase. In particular, the Company would like to incentivize shareholders with a higher reward for investing in the Company, and therefore it is offering the Perpetual Convertible Securities as an alternative with the first two Distributions guaranteed.
- (ii) The first two guaranteed Distributions are additional benefits to the holders of Perpetual Convertible Securities and the subsequent Distributions **may** or **may not** be cancelled by the Company. The cancellation of subsequent Distributions is only a possibility which will depend on, among others, the financial condition of the Company, while there is no guarantee of any dividend payable to Ordinary Shareholders. Furthermore, there is sufficient safeguard to avoid the Company arbitrarily cancelling the subsequent Distributions or

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## LETTER FROM THE BOARD

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redeeming the Perpetual Convertible Securities, given all decisions to cancel Distributions or redeem the Perpetual Convertible Securities shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. Cancellation of Distributions or redemption of the Perpetual Convertible Securities will be done in a similar manner as with any other perpetual convertible securities in the Hong Kong market. Independent non-executive Directors will attend regular board meetings, at which they will be presented with the latest financial information. They will then decide on whether to approve any proposed cancellation of Distribution or proposed redemption of the Perpetual Convertible Securities based on the financial condition of the Company. The process is similar for the Directors to consider a proposed distribution of dividend.

- (iii) The Perpetual Convertible Securities can be freely converted into Ordinary Shares at any time after issuance at the sole discretion of their holders. Therefore, the Perpetual Convertible Securities give the holders an option and the flexibility to convert the Perpetual Convertible Securities into Ordinary Shares depending on the market situation and the holders' own preference. Such option and flexibility are one of the merits of the Perpetual Convertible Securities over Ordinary Shares.

A comparison of the key features of the Offered Shares and the Perpetual Convertible Securities are set out in the table below:

	<b>Offered Shares</b>	<b>Perpetual Securities</b>	<b>Convertible</b>
<b>Form of security</b>	equity	<ul style="list-style-type: none"> <li>• semi-debt, semi-equity</li> <li>• containing debt features but accounted for as equity</li> </ul>	
<b>Subscription price/ conversion price</b>	HK\$0.128	HK\$0.128	
<b>Distribution rate/interest/ dividend</b>	nil, or to be declared by the Company at its discretion	6% per annum payable semi-annually (first two Distributions guaranteed, subsequent Distributions to be paid at the Company's discretion)	

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## LETTER FROM THE BOARD

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	Offered Shares	Perpetual Securities	Convertible
<b>Priority of rights on liquidation</b>	ranked the same as Ordinary Shares	ranked prior to Ordinary Shares	
<b>Conversion right</b>	N/A	convertible into new Ordinary Shares at any time after the Issue Date	
<b>Voting rights</b>	carry the same voting rights as Ordinary Shares	<ul style="list-style-type: none"> <li>• no voting rights before conversion</li> <li>• same voting rights as Ordinary Shares after conversion into Ordinary Shares</li> </ul>	
<b>Dilution ratio</b> ( <i>Note</i> )	16.67%	<ul style="list-style-type: none"> <li>• no immediate dilution effect</li> <li>• 16.7% upon conversion</li> </ul>	

*Note:* “Dilution ratio” means the percentage of new Ordinary Shares issued under the fund raising exercise with reference to the total issued share capital of the Company as enlarged by such fund raising exercise.

The Company has voluntarily appointed an independent financial adviser to advise the Qualifying Shareholders of the Company on the terms of the Perpetual Convertible Securities and make recommendation as to the merits of the Offered Perpetual Convertible Securities and whether they should elect the Offered Perpetual Convertible Securities. A letter from the independent financial adviser is set out in Appendix I to this Prospectus.

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## LETTER FROM THE BOARD

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### **COSTS AND BENEFITS OF TAKING UP THE OFFERED PERPETUAL CONVERTIBLE SECURITIES INSTEAD OF ORDINARY SHARES**

The costs for the Company's shareholders to elect Ordinary Shares or Perpetual Convertible Securities under the Open Offer are effectively the same, i.e. subscription cost of HK\$0.128 per Offered Share/per unit of Perpetual Convertible Securities (or HK\$256 per board lot of Ordinary Shares held, which is calculated by 10,000 Ordinary Shares per board lot x 0.2 offer ratio x HK\$0.128 subscription price per Offered Share/per unit of Perpetual Convertible Securities) except that the only additional costs for electing Perpetual Convertible Securities are:

- (i) a fee of HK\$1.00 will be charged by CCASS for each withdrawal of Perpetual Convertible Securities (the “**Withdrawal Fee**”) if the shareholder elects to take up Perpetual Convertible Securities, after which, the shareholder could register the Perpetual Convertible Securities under their own names for future conversion and transfer of the Perpetual Convertible Securities at the Company's share registrar, which is a one-off cost to be incurred by holders of Perpetual Convertible Securities;
- (ii) a fee of HK\$20 per certificate (the “**Certificate Issue Fee**”) to be issued will be charged by the Company's share registrar in relation to the issue of a certificate representing the Conversion Shares into which its Perpetual Convertible Securities are converted. If a holder of Perpetual Convertible Securities has multiple certificates representing its entire holding of Perpetual Convertible Securities, the Company will bear the first HK\$20, being the Certificate Issue Fee for the issue of the first certificate, and the Certificate Issue Fees for the issue of the remaining certificates will be borne by the holder of Perpetual Convertible Securities;
- (iii) a fee of HK\$2.50 per certificate (the “**Certificate Cancellation Fee**”) will be charged by the Company's share registrar for conversion of the Perpetual Convertible Securities into Ordinary Shares, which is a one-off cost to be incurred by holders of Perpetual Convertible Securities; and
- (iv) handling fee and Certificate Issue Fee charged by the Company's share registrar in relation to the conversion of Perpetual Convertible Securities into Ordinary Shares which will be borne by the Company, subject to (ii) above.

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## LETTER FROM THE BOARD

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A cost-and-benefit analysis of the Company's shareholders electing to take up its entitlement as Offered Perpetual Convertible Securities over electing to take up its entitlement as Ordinary Shares is set out in the table below:

### Costs

- Holders of Perpetual Convertible Securities will bear the additional Withdrawal Fee of HK\$1.00 per withdrawal and the Certificate Cancellation Fee of HK\$2.50 per certificate (i.e. a total of HK\$3.50).
- Possible loss of dividend, if declared by the Company for Ordinary Shares before conversion of Perpetual Convertible Securities into Ordinary Shares. The Company will normally leave sufficient time for holders of Perpetual Convertible Securities to convert their Perpetual Convertible Securities into Ordinary Shares in the future if there is a proposed declaration of dividend.

### Benefits

- Receiving a guaranteed amount of HK\$15.36 per 2,000 units of Perpetual Convertible Securities held (each shareholder can subscribe up to 2,000 units of Perpetual Convertible Securities at HK\$0.128 each per board lot of Ordinary Shares held based on the offer ratio of 0.2) based on the Distribution of 6% per annum payable semi-annually, with the first two Distributions guaranteed.
- Receiving future possible Distributions, if any, perpetually unless the Company elects to cancel them, which is subject to the approval of the independent non-executive Directors.
- Enjoying absolute flexibility to unconditionally convert their Perpetual Convertible Securities into Ordinary Shares at any time after the Issue Date and hold such option perpetually.
- Enjoying the upside profit if the market price of the Ordinary Shares are higher than the subscription price of the Perpetual Convertible Securities of HK\$0.128.
- In the event of liquidation of the Company, the priority of rights of holders of Perpetual Convertible Securities is ranked higher than those of Ordinary Shareholders.



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## LETTER FROM THE BOARD

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### OTHER FACTORS CONSIDERED BY THE COMPANY WHEN PROPOSING TO OFFER PERPETUAL CONVERTIBLE SECURITIES AS AN ALTERNATIVE TO ORDINARY SHARES

If all the Qualifying Shareholders elect to receive Offered Perpetual Convertible Securities under the Open Offer, the aggregate guaranteed Distribution amount payable by the Company (i.e. the first two guaranteed Distributions) (the “**Distribution Sum**”) is between approximately HK\$18.07 million and HK\$19.75 million, which represents 6% of the Open Offer’s gross proceeds if all shareholders elect to subscribe Offered Perpetual Convertible Securities under the Open Offer.

The Company considers that the Distribution Sum is justifiable and that the offering of Perpetual Convertible Securities as an alternative is in the interests of the Company, as well as its shareholders, as a whole on the following grounds:

- The Company needs further funding to expand its business and operations. Given the financial condition of the Company, it has been very difficult to obtain bank loans at reasonable funding costs. The issuance of Perpetual Convertible Securities is an alternative source of financing for the Company and the rate of Distributions is likely to be lower than what the Company would otherwise have to pay for external financing.
- In terms of the Company’s capital structure, Perpetual Convertible Securities are accounted for as equity (and not debt) in the Company’s financial statements. Therefore, the offering of Perpetual Convertible Securities would result in a lower gearing ratio of the Company whereas other form of fund raising would increase the gearing ratio. Such improvement in the gearing ratio of the Company will strengthen future borrowing capability of the Company, lower the Company’s financing costs and improve the working capital of the Company.
- Unlike other forms of debt financing, the Company is able to preserve the flexibility to cancel the Distribution (other than the first two Distributions), when necessary, if the Company is not commercially or financially viable to pay the Distribution, enabling the Company to better control its financing costs. This ensures that the Company is not burdened with pressing needs for interest payments when it is not financially fit to make such payments.
- The Distribution in respect of the Perpetual Convertible Securities is analogous to the dividend payment in respect of Ordinary Shares, with minimal cost for the Company and maximum benefit for the shareholders.
- The offering of Perpetual Convertible Securities to shareholders gives them an opportunity to benefit from the development of the Company and to reap the rewards by being entitled to a Distribution of 6% per annum payable semi-annually, with the first two Distributions being guaranteed. In contrast to electing Ordinary Shares where holders are unlikely to receive any returns in the short term since the Company is still in its growth stage and is unlikely to pay a dividend in the near future.

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## LETTER FROM THE BOARD

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- The offering of Perpetual Convertible Securities will not have an immediate dilution effect on the shareholding of the Company's shareholders if they elect to hold Perpetual Convertible Securities.
- An investment in Perpetual Convertible Securities allows shareholders to benefit from any upside in the share price of the Company since the subscription price of Perpetual Convertible Securities is fixed at the time of issuance so shareholders would not be disadvantaged in this regard if it elected to subscribe for Offered Perpetual Convertible Securities. In the event that the share price of the Company falls, holders of Perpetual Convertible Securities would still be entitled to a claim for their full investment and potentially receive a Distribution of 6% per annum payable semi-annually.
- In the event of liquidation of the Company, the claim of holders of Perpetual Convertible Securities will rank higher than those of Ordinary Shareholders.
- The Company believes that the Perpetual Convertible Securities alternative will be beneficial to its shareholders, including the minority shareholders, since it is an equitable means for the shareholders to participate in the future development of the Company and provides holders with the absolute flexibility to convert Perpetual Convertible Securities into Ordinary Shares at any time depending on the market condition and the holders' own preference and the opportunity to maintain their respective shareholding interests.
- Although Perpetual Convertible Securities may seem to be lack of liquidity in trading or transfer, the merit of the Perpetual Convertible Securities that shareholders can freely convert such Perpetual Convertible Securities into Ordinary Shares any time after issue could in effect mitigate this issue.

## LETTER FROM THE BOARD

### FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

Set out below is a summary of the fund raising activities of the Company during the past 12 months before the date of this Prospectus (in chronological order in accordance with the date of announcement):

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of the proceeds
28 June 2015 (completed on 30 March 2016)	Issue of Existing Perpetual Convertible Securities	HK\$165,352,000	The Company intended to apply the net proceeds for (i) repayment of the Related Party Loan, which was used to settle part of the consideration for a previous acquisition by the Company, and (ii) for repayment of cost and fees in respect of such acquisition.	The proceeds have been utilised for the following activities:  (i) payment of legal costs for the acquisition of China Comfort Travel Group Company Limited as announced on 9 April 2015 and completed on 22 September 2015;  (ii) the first two Distributions to the holders of Existing Perpetual Convertible Securities;  (iii) partial repayment of a third party loan; and  (iv) partial repayment of the Related Party Loan ( <i>Note 1</i> ).
7 July 2015 (completed on 8 October 2015)	Issue of new Ordinary Shares under a specific mandate	HK\$265,775,000	The Company intended to apply the net proceeds for the general working capital of the Group and the development of new businesses of the Group.	All of the proceeds have been utilised for the following activities:  (i) partial repayment of a third party loan;  (ii) partial repayment of the Related Party Loan; ( <i>Note 1</i> )  (iii) payment of acquisition cost for Hanli Investments Ltd;  (iv) payment of operating expenses of the Company.

## LETTER FROM THE BOARD

Date of announcement	Fundraising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of the proceeds
5 April 2016 (completed on 4 May 2016)	Issue of the Bonus Warrants	HK\$305,852,970 (Note 2)	The Company intended to apply the net proceeds to first repay shareholders' loan if the Board thinks fit. Otherwise, such proceeds will be used to strengthen the Company's general working capital, pay professional fees, and acquire asset(s) with potential appreciation so as to enhance the asset value of the Group.	On 4 May 2016, a total of 1,568,476,768 Bonus Warrants were issued, out of which 784,259,285 units of Bonus Warrants have been converted into Ordinary Shares raising proceeds of approximately HK\$152,930,561. Among all the proceeds raised from the conversion:  (i) approximately HK\$152,926,800 has been used to repay part of the Related Party Loan; and  (ii) the balance has been kept by the Company for general working capital purpose.

As of the Latest Practicable Date, the 784,217,483 units of Bonus Warrants remains outstanding.

*Note 1:* As disclosed on page 16 of the Company's circular dated 26 April 2016, as the issue of new Ordinary Shares and the issue the Existing Perpetual Convertible Securities did not complete in time, as an intermediate arrangement, the Company obtained the Related Party Loan from a company controlled by Mr. Shi Baodong, the chairman and an executive Director, to settle the consideration for the acquisition of 49% equity interest in China Comfort Travel Group Company Limited. The proceeds from the issue of new Ordinary Shares and the Existing Perpetual Convertible Securities will be used for repayment of the Related Party Loan when due if not used for other purposes, depending on the cash position of the Group and its requirements.

*Note 2:* Assuming all the issued Bonus Warrants are exercised and the subscription price of the Ordinary Shares remains at HK\$0.195 (i.e. without any adjustment).

Save as disclosed above, the Company has not conducted any fund raising activities in the past 12 months before the date of this Prospectus.

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## LETTER FROM THE BOARD

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### CUMULATIVE DILUTION IMPACT OF EQUITY FUND RAISING IN THE PAST 24 MONTHS

This table set out below the accumulative dilution impact of the equity fund raising activities conducted by the Company in the past 24 months:

**Issue of perpetual convertible securities on 28 June 2015**

Price discount 9.40%

Dilution ratio<sup>(Note)</sup> 3.32%

**Issue of subscription shares on 7 July 2015**

Price discount 22.92%

Dilution ratio<sup>(Note)</sup> 16.49%

**Issue of Bonus Warrants on 5 April 2016**

Price discount 39.06%

Dilution ratio<sup>(Note)</sup> 12.50%

**Discount on Open Offer price** 2.29%

Dilution ratio<sup>(Note)</sup> 16.67%

**Accumulated dilution impact** **9.36%**

*(i.e. the summation of the subscription/issue price discount multiplied by the dilution ratio in each of the above fund raising exercises)*

*Note:* “Dilution ratio” means the percentage of new Ordinary Shares issued under the fund raising exercise with reference to the total issued share capital of the Company as enlarged by such fund raising exercise.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Prospectus.

Yours faithfully  
By Order of the Board  
**Orient Victory China Holdings Limited**  
**Ip Pui Sum**  
*Company Secretary*

*The following is the full text of a letter of advice from Yu Ming to the Qualifying Shareholders in relation to the Open Offer, which has been prepared for the purpose of inclusion in the prospectus.*



YU MING INVESTMENT MANAGEMENT LIMITED  
禹銘投資管理有限公司

To Qualifying Shareholders

Date: 29 September 2016

Dear Sir or Madam,

**OPEN OFFER OF OFFERED SHARES WITH AN ALTERNATIVE OF  
UNLISTED PERPETUAL CONVERTIBLE SECURITIES ON THE BASIS OF  
ONE (1) OFFERED SHARE FOR EVERY FIVE (5) ORDINARY SHARES  
HELD ON THE RECORD DATE**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 5 September 2016 in connection with the Open Offer with an alternative of Offered Perpetual Convertible Securities (“**2016 PCS**”), details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the prospectus of the Company dated 29 September 2016 (the “**Prospectus**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Prospectus unless the context requires otherwise.

On 5 September 2016, the Company proposed to conduct the Open Offer of Offered Shares at the Subscription Price of HK\$0.128 per Offered Share on the basis of one (1) Offered Share for every five (5) Ordinary Shares held by the Qualifying Shareholders as determined on the Record Date. Each Qualifying Shareholder is also entitled to elect to take up all or part of the entitlement as 2016 PCS on the basis of the 2016 PCS issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share in lieu of its/his/her corresponding entitlement of the Offered Shares under the Open Offer.

The Open Offer is neither subject to shareholders’ approval nor does it constitute a transaction which would require an opinion from an independent financial adviser. We, Yu Ming Investment Management Limited, have been appointed by the Company as the independent financial adviser to advise the Qualifying Shareholders on the terms of the 2016 PCS and make recommendation as to the merits of the 2016 PCS and whether they should elect the 2016 PCS.

We are not associated with the Company or their respective core connected persons, close associates or associates and accordingly are considered eligible to give independent advice on the above matter. Apart from normal professional fees payable to us in connection with this and similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company or their respective core connected persons, close associates or associates.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Qualifying Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Prospectus and the information and representations provided to us by the Company, the Directors and the management of the Company.

We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Prospectus, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Prospectus, Shareholders would be notified as soon as possible.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Prospectus 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 in the Prospectus 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, carried out any independent verification on the information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Company.

Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Ordinary Shares or any other securities of the Company.



**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our recommendation in relation to the terms of the 2016 PCS, we have taken into consideration the following principal factors and reasons:

**1. Information of the Company**

As stated in the Prospectus, as at the Latest Practicable Date, the Company is an investment holding company and the Group is principally engaged in sale of air tickets and other travel related services, trading and retail of jewellery products, and investment holding.

**2. Financial information of the Group**

Financial results of Group for the two years ended 31 December 2015 and 2014 as extracted from the Company's annual report for the year ended 31 December 2015 (the "**2015 Annual Report**") are summarised as follows:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	66,444	127,429
Gross Profit	32,644	85,908
Profit for the year attributed to equity owners of the Company	<u>1,369</u>	<u>1,029</u>

As at 31 December 2015, the Group had audited (i) non-current assets of approximately HK\$557.64 million; (ii) current assets of approximately HK\$385.75 million (mainly comprising cash and bank balances, prepayments, deposits and other receivables, inventories and trade receivables); (iii) current liabilities of approximately HK\$111.57 million (mainly comprising interest-bearing bank, short-term borrowings and trade payables); and (iv) net assets of approximately HK\$391.10 million.

As disclosed in the 2015 Annual Report, for the year ended 31 December 2015, the Company recorded a turnover of approximately HK\$66.44 million, representing a decrease of 47.9% from approximately HK\$127.43 million for the year ended 31 December 2014. The revenue of the Group was contributed as to 33.8% from travel related business and 66.2% from jewellery retailing business. It is noted that the decrease in the revenue for the financial year 2015 was resulted from (i) disposal of the Group's business on the sale of air tickets and other travel related services provided principally to travel agents on 4 September 2014, which reduced income stream; and (ii) poor performance in the remaining travel related business of the Group, provision of business travel services to corporate clients, which was heavily affected by the relatively weak global economic environment, terrorist attacks in various parts of the world, coupled with intense competition in the industry and the fiscal tightening by the PRC government.

The profit attributable to equity Shareholders was approximately HK\$1.37 million, representing a profit of approximately HK0.01 cent per Share. Compared to the profit of approximately HK\$1.03 million for corresponding year ended 31 December 2014, profit for the year 2015 was increased by 33.0% while the profit per Share remained the same, being approximately HK0.01 cent.

The weak global economic environment, slowdown in economic growth in the PRC from 2014 to 2015 and the decline in prices of gold as a raw material of jewellery led to a decline in overall sales of the gold and jewellery industry. The trading and retail of jewellery products business of the Company recorded a 16.7% decrease in revenue from the previous year.

### **3. Reasons and use of proceeds for the Open Offer**

As stated in the Letter, the offering of 2016 PCS as an alternative is not structured to undermine the pre-emptive rights of the Shareholders. The Company is offering Ordinary Shares under the Open Offer as the default position, and 2016 PCS are merely an option for Shareholders if they consider 2016 PCS a better investment in the Company and/or a more suitable for their investment profile. The Board considers the Open Offer with an alternative of 2016 PCS is in the interest of the Company and the Ordinary Shareholders as a whole.

For the Company, (i) it is very difficult for the Company to incur new indebtedness or borrow bank loans, which are needed to expand and grow its business, due to its high debt ratio (total liabilities divided by total tangible assets) of approximately 111%, and high debt to net worth ratio (total debt divided by tangible net worth) of approximately -945%, respectively at 31 December 2015. With the financial position of the Group referencing the above ratios, there is an imminent need for the Company to reduce its debt; (ii) any further increase to its gearing ratio will increase unnecessary financial burden and won't be able to obtain any debt financing at attractive rate; (iii) the fund raised from the Open Offer will help to reduce the gearing ratio and debt ratio of the Company as both the Offered Shares and the 2016 PCS will be accounted as equity (and not debt) in the financial statement of the Company; (iv) the 2016 PCS provides an alternative source of financing for the Company with the rate of Distribution, which is likely to be lower than the borrowing cost of external financing by the Group; and (v) provides the Company with greater flexibility to control its financing costs as the terms of 2016 PCS allow the Company to cancel future Distribution, save for the first two Distributions, in the event the Company is not commercially or financially viable to pay the Distributions.

For the Shareholders, the Open Offer will (i) strengthen the equity base of the Company and increase the Company's working capital; (ii) provide all Qualifying Shareholders the opportunity to participate in the fund raising activity and maintain their respective pro rata shareholding the Company; (iii) provide an opportunity to the Shareholders elect to take up the 2016 PCS and enjoy a fixed return of 6% Distribution (subject to deferral and cancellation after the first two Distribution) should they elect for the 2016 PCS, which is higher than the dividend yield of the Company in the past three financial years; (iv) the 2016 PCS will be freely convertible into Ordinary Shares at any time after issuance at the sole discretion of their holders, which gives the holders an option and the flexibility to convert depending on the market situation and the holders' own preference; (v) Shareholders can maintain their respective shareholdings upon conversion into the Ordinary Shares, while there is no immediate dilution impact; and (vi) convert such 2016 PCS into Ordinary Shares at the Conversion Price, which equals to the Subscription Price per Offered

Share at any time after issue, holders of 2016 PCS in effect enjoy the rights under the Open Offer while at the same time has the benefit of holding a debt security and therefore will rank higher in priority over equity holders of Ordinary Shares when the Company is in liquidation.

It is noted that the Company only declared and paid a special dividend of HK\$3.48 cents per Share on 1 September 2014 for the disposal of South China (BVI) and its subsidiaries and associated companies as part of a deal for the change in control of the Company and no other dividend was declared in the past three years.

As stated in the Letter, the estimated net proceeds from the Open Offer will be approximately HK\$291,622,554.

The Company intends to apply any subscription monies received to:

- (i) pay the subscription price for the 40% shares in a joint venture company in the amount of US\$1 million (equivalent to approximately HK\$7.8 million), representing approximately 2.67% of the net proceeds, and make initial capital injection to a fund to be established by the joint venture company of approximately HK\$200 million, representing approximately 68.58% of the net proceeds (further details of which are set in the Company's announcements dated 13 July 2016 and 19 July 2016, respectively);
- (ii) strengthen the Company's general working capital in the amount of HK\$31.62 million, representing approximately 10.84% of the net proceeds;
- (iii) set up a wholly-owned licensed corporation regulated by the Securities and Futures Commission with a minimum capital injection of approximately HK\$10 million, representing approximately 3.43% of the net proceeds;
- (iv) the 6% distribution reserve for the Offered Perpetual Convertible Securities in the amount of approximately HK\$10.2 million, representing approximately 3.5% of the net proceeds; and
- (v) if possible, acquire asset(s) with potential appreciation so as to enhance the asset value of the Group in the amount of approximately HK\$32 million, representing approximately 10.98% of the net proceeds. As at the Latest Practicable Date, the Company was still looking for suitable target(s) for acquisition.

Given the above, we consider the reasons cited by the Board for the Open Offer conform with the circumstance of the Company and the Open Offer or 2016 PCS could strengthen financial position of the Company while maintaining its flexibility in managing its financial cost.

#### 4. Principal Terms of the Open Offer

##### A. Open Offer

A summary of the terms of the Open Offer is set out as follows:

Basis of the Open Offer:	One (1) Offered Share for every five (5) Ordinary Shares held by Qualifying Shareholders on the Record Date.
	Each Qualifying Shareholder is entitled to elect to take up all or part of its his/her entitlement as 2016 PCS (on the basis of 2016 PCS issued at the principal amount of HK\$0.128 (being one unit) for every one Offered Share it/he/she is entitled to take up) in lieu of its/his/her corresponding entitlement to the Offered Shares under the Open Offer.
Subscription Price for each of Offered Shares or 2016 PCS:	HK\$0.128 per Offered Share or per unit of 2016 PCS
Number of Ordinary Shares in issue on the Record Date:	11,763,596,665 Ordinary Shares
Offered Securities proposed to be issued:	2,352,719,333 Offered Shares or units of 2016 PCS
Offered Securities Orient Victory Real Estate has undertaken to take up in respect of its assured entitlement:	1,378,266,004 units of 2016 PCS
Offered Securities underwritten by Orient Victory Real Estate:	All the Offered Securities other than those which have been undertaken to be subscribed by Orient Victory Real Estate, being 974,453,329 Offered Shares or units of 2016 PCS. Orient Victory Real Estate will take up all the underwritten Offered Securities in the form of 2016 PCS.
Status of Offered Shares:	The Offered Shares, when allotted and fully paid, will rank pari passu in all respects with the Ordinary Shares then issue. Holders of fully paid Offered Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Offered Shares.

The Open Offer is subject to the Underwriting Agreement having become unconditional and not being terminated by the Underwriter.

***2016 PCS***

A summary of principal terms and conditions of the 2016 PCS are set out below:

Denomination:	HK\$0.128 per unit of the 2016 PCS.
Issue Date:	On or around 24 October 2016 (the “ <b>Issue Date</b> ”)
Ranking:	The obligations of the Company under the 2016 PCS are direct, unconditional, unsecured and unsubordinated. The 2016 PCS shall at all times rank pari passu without any preference among themselves. In the event of the winding-up of the Company, the rights and claims of the holders of the 2016 PCS (the “ <b>Holders</b> ” and each a “ <b>Holder</b> ”) shall rank ahead all other present and future subordinated creditors of the Company, and rank at least equally with all other present and future unsecured and unsubordinated creditors of the Company, save for such exceptions as may be provided in applicable legislation.
Distributions:	Fixed distribution payable semi-annually (each a “ <b>Distribution</b> ”) at 6% per annum in arrears (the “ <b>Distribution Payment Date</b> ”), subject to the optional cancellation by the Company.

Optional cancellation of  
Distributions:

The Company may at its sole discretion elect to cancel any scheduled Distributions in full by giving notice to the Holders not more than 60 and not less than 30 business days prior to each relevant Distribution Payment Date. The number of times Distributions may be cancelled by the Company is not restricted. Distributions that are cancelled shall be non-cumulative and the Holders shall have no right to any cancelled Distribution. On redemption of the 2016 PCS by the Company, the Company may elect to cancel the accrued Distributions payable on the date of the redemption. For the avoidance of doubt, there will be no interest on any cancelled Distribution. All decisions to cancel any Distribution by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. In considering whether to approve the cancellation of any Distribution by the Company, the independent non-executive Directors will take into account the financial condition, prospects, results of operations, business and general affairs of the Company at the time and will consider factors including but not limited to the Company's ability to meet its current and non-current liabilities with its cash and other current assets, the Company's liquidity and adequacy of its cashflows and expected cashflows to meet its daily operation and working capital requirements, the Company's profit and working capital forecast, cash reserve and availability of financing for any on-going projects, major capital expenditure commitment and other business expansion plans, and market sentiment. No part of the Distributions shall be converted into Conversion Shares in lieu of payment, and the first two Distributions are not cancellable by the Company.

Conversion:

The Holders shall have the right to convert any of their 2016 PCS into new Ordinary Shares at any time after the Issue Date, subject to the terms of the 2016 PCS.

Conversion Price:	Initially HK\$0.128 per Conversion Share, subject to adjustment as provided for in the terms of the 2016 PCS, including but not limited to an alteration to the nominal amount of the Ordinary Shares as a result of consolidation, subdivision or reclassification, capitalization of profits or reserves, capital distributions, rights issues or issue of options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares. The Company undertakes that it will not take any corporate action which will result in an adjustment to the conversion price pursuant to the terms and conditions of the Perpetual Convertible Securities if such action would result in a breach of Rule 7.24(5) of the Listing Rules requiring shareholders' approval for the Open Offer.
Restrictions on Conversion:	No conversion right shall be exercised by the Holder (or when it is exercised by virtue of a conversion notice having been given, the Company shall not be obliged to issue any Conversion Shares but may treat that conversion notice as invalid) if the Company will be in breach of the Listing Rules or the Codes on Takeovers and Mergers and Share Buy-backs immediately following such conversion.
Voting:	The 2016 PCS do not carry any voting rights and the Holders are not entitled to receive notice of, attend or vote at general meetings of the Company by reason only of it being a Holder.
Transferability:	Subject to the terms of the 2016 PCS, the 2016 PCS may be transferred by delivery of the certificate issued in respect of those 2016 PCS, with the form of transfer in the agreed form as set out in the terms of the 2016 PCS duly completed, signed and duly stamped, to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. No transfer of the 2016 PCS will be valid unless and until such transfer has been entered on the register of Holders.

**Redemption:**

The 2016 PCS may be redeemed at the option of the Company in full at their principal amount (together with any Distribution accrued to the date fixed for redemption but subject to the Company's right to cancel such Distributions) on any Distribution Payment Date. All decisions to redeem the Perpetual Convertible Securities by the Company shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions. In considering whether to approve the redemption of the Perpetual Convertible Securities by the Company, the independent non-executive Directors will take into account the financial condition, prospects, results of operations, business and general affairs of the Company at the time and will consider factors including the Company's cash resources, liquidity, the level of and adequacy of the Company's cash and cash equivalents, current assets and available credit lines, the availability of cheaper alternative financing options, the financial ratios of the Company, profit and working capital forecast, and market sentiment.

The Subscription Price is HK\$0.128 per Offered Share or per unit of 2016 PCS, payable in full on application.

The Subscription Price was determined based on a discount of approximately 5.19% to the average closing price per Ordinary Share for the last five full trading days up to and including the Last Trading Day, being HK\$0.135, after arm's length negotiations between the Company and the Underwriter and taking into account the market environment and prevailing market prices of the Ordinary Shares.

The Subscription Price represents:

- (i) a discount of approximately 2.29% to the closing price of HK\$0.131 per Ordinary Share quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 5.19% to the closing price of HK\$0.135 per Ordinary Share quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 4.69% to the average closing price of HK\$0.134 per Ordinary Share for the last 10 full trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.80% to the average closing price of HK\$0.149 per Ordinary Share for the last 30 full trading days up to and including the Last Trading Day;



- (v) a discount of approximately 29.97% to the average closing price of HK\$0.183 per Ordinary Share for the last 90 full trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 49.90% to the average closing price of HK\$0.255 per Ordinary Share for the last 180 full trading days up to and including the Last Trading Day.

The Directors consider the terms of the Open Offer and the Subscription Price to be fair and reasonable and are in the interests of the Company and the Ordinary Shareholders as a whole.

Before we make recommendations to the Qualifying Shareholders on whether they should elect their entitled 2016 PCS, we have examined terms of the Open Offer as to whether the terms of Open Offer are fair and reasonable and in the interest of the Qualifying Shareholders and the Company as a whole.

### *I. Open Offer*

#### *a. Subscription price and the historical share price*

In order to assess the fairness and reasonableness of the terms of the Open Offer and the 2016 PCS, we have examined the daily closing prices of the Ordinary Shares (the “**Closing Prices**”) during the period from 5 September 2015 to 4 September 2016, being the date of the Announcement (“**Relevant Period**”), which we consider long enough to capture the recent price movements of the Ordinary Shares so that a reasonable comparison between the Closing Prices and the Subscription Price can be made.

The Closing Prices as quoted from the Stock Exchange is depicted in the following graph:

*Chart-1*



Source: Stock Exchange website.

As shown in the Chart-1 above, the lowest Closing Price and the highest Closing Price are HK\$0.130 on 19 August 2016 and HK\$0.460 on 24 November 2015 respectively. We note that the Subscription Price of HK\$0.128 per Share is lower than all of the Closing Prices during the Relevant Period and represents (i) a discount of approximately 1.54% over the lowest Closing Price of HK\$0.130; (ii) a discount of approximately 72.17% to the highest Closing Price of HK\$0.460; and (iii) a discount of approximately 55.09% to the average Closing Price of HK\$0.285 during the Relevant Period.

With reference to the Company's interim report for the period ended 30 June 2016, we note that the unaudited net asset value attributable to equity owners ("NAV") is approximately HK\$651.8 million as at 30 June 2016 and the unaudited net asset value attributable to equity owners of the Company per Share is approximately HK\$0.0554 based on the 11,763,595,237 Ordinary Shares in issue as at 30 June 2016. The Subscription Price represents a premium of approximately 131.05% over the aforesaid audited NAV per Share.

*b. Trading volume of the Ordinary Shares*

The trading volume of the Ordinary Shares per month during the Relevant Period is also extracted from the website of the Stock Exchange as follows:

*Table-1*

Month	Trading volume of the month	Trading days	Average daily trading volume	Issued share capital as at beginning of the month	Average daily trading volume
Sep-15	9,550,000	20	477,500	1,823,401,376	0.03%
Oct-15	21,115,000	20	1,055,750	1,823,401,376	0.06%
Nov-15	180,140,000	21	2,831,619 <sup>Note</sup>	2,195,867,476	0.13%
Dec-15	128,168,200	22	5,825,827	10,979,337,380	0.05%
Jan-16	169,390,000	20	8,469,500	10,979,337,380	0.08%
Feb-16	79,220,700	18	4,401,150	10,979,337,380	0.04%
Mar-16	124,095,270	21	5,909,299	10,979,337,380	0.05%
Apr-16	60,711,750	20	3,035,588	10,979,337,380	0.03%
May-16	82,170,000	21	3,912,857	10,979,337,380	0.04%
Jun-16	93,977,000	21	4,475,095	11,763,577,380	0.04%
Jul-16	155,400,250	20	7,770,013	11,763,595,237	0.07%
Aug-16	155,760,000	22	7,080,000	11,763,595,237	0.06%

*Note:* The average trading volume for November 2015 was adjusted in accordance with the shares subdivision of 1 share into 5 subdivided shares which became effective on 17 November 2015.

As illustrated in the Table-1 above, we noted that the average daily trading volume of the Ordinary Shares per month ranges of approximately 0.03% to 0.13% to the total number of Ordinary Shares issued at the beginning of each month. Given the low liquidity of the Ordinary Shares traded during the relevant period, it would be difficult to attract the Shareholders to participate in the Open Offer if the Subscription Price was set at a price equal to or at premium over the historical closing price of the Ordinary Shares.

c. *Subscription prices for open offer market comparable*

In order to assess the fairness and reasonableness of the terms of the Open Offer, we also examined open offers carried out by other issuers listed on main board of the Stock Exchange whose shares had not been suspended for trading for more than 1 month preceding the dates of the respective open offer announcements (“**Issuers**”). We have reviewed all the announced open offers by the Issuers on the Stock Exchange during the period from 1 January 2016 to 5 September 2016 (“**Open Offer Relevant Period**”) and identified an exhaustive list of 14 open offers which does not involve bonus issue of securities (the “**Open Offer Comparables**”). We consider that the Open Offer Relevant Period is appropriate because the comparables are considered as a general reference of recent market practice during the Open Offer Relevant Period, which is not too long or too short to reflect prevailing market conditions and sentiments and sufficient sample size and comparable open offers are identified. However, given the differences amongst other Issuers and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider that the Open Offer Comparables might not constitute an absolute close reference to the Open Offer.

Table-2

	Issuer	Principal business	Date of announcement	Offer basis	Premium/ (Discount) to the last closing price	Premium/ (Discount) to the net asset value	Market Capitalisation (million)	Commission rate	Maximum dilution
1	United Energy Group Limited (467)	Sales and production of crude oil, condensate, gas and liquified petroleum gas and provision of patented technology supporting services to oilfields	2-Jun-16	1 for 1	-52.38%	-61.75%	5,626.9	3.0%	50%
2	China Ruifeng Renewable Energy Holdings Limited (527)	Wind power generation and wind turbine blades manufacturing	28-Jan-16	1 for 5	-1.30%	29.30%	1,139.5	2.0%	17%
3	Imagi International Holdings Limited (585)	Computer graphic imaging, cultural and entertainment business, investment business and integrated financial services business	8-Jul-16	1 for 2	-21.61%	-33.33%	715.6	3.0%	33%

	Issuer	Principal business	Date of announcement	Offer basis	Premium/ (Discount) to the last closing price	Premium/ (Discount) to the net asset value	Market Capitalisation (million)	Commission rate	Maximum dilution
4	AMCO United Holding Limited (630)	Manufacture and sale of medical devices products and plastic moulding products; provision of public relations services; and provision of human resources management services	20-Jan-16	1 for 2	-67.50%	1.60%	496.7	2.5%	33%
5	Tesson Holdings Limited (1201)	Printing and manufacturing of packaging products	17-Jun-16	3 for 4	1.27%	81.82%	467.8	0%	43%
6	China Innovation Investment Limited (1217)	Investing in listed and unlisted companies mainly in Hong Kong and the PRC	3-May-16	1 for 2	-5.66%	-11.82%	452.3	3.0%	33%
7	Culture Landmark Investment Limited (674)	Licence fee collection and provision of intellectual property enforcement services business; exhibition-related business; property sub-leasing business; property development and investment; entertainment business; and food and beverages	16-May-16	1 for 2	-49.15%	87.50%	423.9	0%	33%
8	Newtree Group Holdings Limited (1323)	Manufacture and trading of hygienic disposables; trading of coals; sales of household consumables, jewelries and watches; digital technology applications development, and provision of educational technology solutions	17-May-16	3 for 2	-56.84%	-31.95%	356.1	4.0%	60%

	Issuer	Principal business	Date of announcement	Offer basis	Premium/ (Discount) to the last closing price	Premium/ (Discount) to the net asset value	Market Capitalisation (million)	Commission rate	Maximum dilution
9	China Culiangwang Beverages Holdings Limited (904)	Growing, processing and sales of agricultural products and production and sales of consumer food	19-Jan-16	2 for 1	-46.67%	-78.15%	325.7	2.5%	67%
10	Sunway International Holdings Limited (58)	Manufacturing and trading of pre-stressed steel bars, pre-stressed high strength concrete piles, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products	26-Feb-16	3 for 2	-55.56%	-43.54%	314.2	2.5%	60%
11	Neptune Group Limited (70)	Receipt of profit streams from gaming and entertainment related business	1-Apr-16	1 for 2	-32.30%	-89.30%	286.2	3.0%	33%
12	Rosan Resources Holdings Limited (578)	Production and sale of coal and trading of purchased coal in the PRC	6-May-16	1 for 2	-68.25%	-82.32%	224.5	0%	33%
13	QPL International Holdings Limited (243)	Manufacture and sale of integrated circuit leadframes, heatsinks and stiffeners, securities trading and investment holding	7-Jan-16	5 for 1	-65.96%	158.87%	216.4	1.5%	83%
14	Amax International Holdings Limited (959)	Investments in gaming and entertainment related business	24-Mar-16	1 for 2	-69.23%	-94.64%	213.2	5.0%	33%
	<b>The Company (265)</b>		<b>5-Sep-16</b>	<b>1 for 5</b>	<b>-5.19%</b>	<b>128.92%</b>	<b>1,719.6</b>	<b>0%</b>	<b>17%</b>
			<b>Highest</b>		<b>1.27%</b>	<b>312.04%</b>			
			<b>Lowest</b>		<b>-69.23%</b>	<b>-94.64%</b>			
			<b>Mean</b>		<b>-42.22%</b>	<b>-6.57%</b>			
			<b>Median</b>		<b>-50.77%</b>	<b>-45.86%</b>			

As shown in the Table-2 above, the premium or discounts represented by the subscription prices to the closing prices of shares of the Open Offer Comparables on the last trading days prior to the release of the respective announcements ranged from a premium of approximately 1.27% to a discount of approximately 69.23% (the “**Market Range**”) with mean and median discount of approximately 42.22% and approximately 50.77% respectively.

The discount of approximately 5.19% as represented by the Subscription Price to the closing price of the Ordinary Shares on the Last Trading Day falls within the Market Range and is less than the mean and median discount of the Open Offer Comparables.

Accordingly, we are of the view the Subscription Price is fair and reasonable and in the interest of Shareholders as a whole. It is also noted that the Underwriter does not charge any commission to the Company for the Open Offer. Only 3 out of 14 Open Offer Comparables had commission rate of 0%, while the highest commission rate was 5%.

*d. Other means of fund raising*

As stated in the Letter and discussed with the Directors, we note that the Board has also considered other alternative fund raising methods, such as placing of new Ordinary Shares, bank borrowings and rights issue.

*(i) Placing of new ordinary shares*

The Directors is of the view that placing of new Ordinary Shares is always a less desirable fund raising because it will only be available to certain specific investors, who were not necessarily the existing Shareholders and could cause more severe dilution impact to the shareholding of the existing Shareholders, and a steep discount might be required in light of the Group's financial performance and position. It also deprives existing shareholders the opportunity to participate in the future prospects of the Group on a prorata basis.

In addition, given the Company's shares are currently traded at a relatively low price, the Company believes that it is not fair for public Shareholders if the Shares are placed to the controlling Shareholder only.

*(ii) Bonds, convertible securities and bank loans*

The Directors considered bank borrowings and other debt financing such as bonds or convertible securities might place undue pressure over the already geared-up capital structure of the Company, and makes it very difficult for the Company to incur new indebtedness, particularly at commercially acceptable funding rates from the perspective of the Company. The Company believes that any further increase to its gearing ratio will increase unnecessary financial burden for the Company which makes it more difficult for the Company to develop its business operation. Given the Ordinary Shares and the 2016 PCS will be accounted for as equity in the financial statement of the Company and thus lower the gearing ratio of the Company, the Company believes the Open Offer is a more suitable way of fund raising for the Company.

*Our view*

Having taken into account that:

- (i) the Subscription Price represents a discount of approximately 5.19% to the closing price of HK\$0.135 per Ordinary Share, which fall within the range of that of the Open Offer Comparables ranging from a discount of 69.23% to a premium of 1.27% listed in Table-2 above;

- (ii) the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter and no underwriting commission is charged by the Underwriter, which is favourable to the Company and Shareholders;
- (iii) the Subscription Price represents a premium of approximately 265.30% over the audited NAV per Ordinary Share as at 31 December 2015, and 131.05% over the unaudited net asset value per Ordinary Share as at 30 June 2016;
- (iv) the thin trading liquidity of the Ordinary Shares as illustrated in Table-1 above, which affects the attractiveness of the Ordinary Shares for investors to trade; and
- (v) the Company has considered other alternative means of fund raising and the Open Offer has the lowest dilution effect to existing shareholders and will enable the Company more flexibility of managing its finance cost and no additional financial burden to be incurred.

we consider the Subscription Price and terms of the Open Offer are fair and reasonable.

## *II. 2016 PCS*

The Company believes that the 2016 PCS have a number of merits over Offered Shares and are beneficial to the Ordinary Shareholders.

The 2016 PCS is not a novel product, in order to offer Qualifying Shareholders analysis on whether the terms of the 2016 PCS are fair and reasonable and whether they should consider electing the 2016 PCS instead of entitlement under the Open Offer, we compared all the proposed issue of perpetual convertible securities (the “**PCS Comparables**”) announced by other companies listed on the Stock Exchange (“**PCS Comparables Issuers**”) from 1 January 2015 to 5 September 2016 (the “**PCS Relevant Period**”). According to the information published on the website of the Stock Exchange during the PCS Relevant Period, we have identified an exhaustive list of 10 PCS Comparables. We consider that the PCS Review Period ended on the date of the Underwriting Agreement is appropriate to capture relevant PCS Comparables and their features as a general reference for the market practices under the prevailing market conditions and sentiments. However, given the differences amongst the PCS Comparables Issuers and the Group in terms of business nature, financial performance, market capitalisation, financial position as well as the reasons for the issue of the respective perpetual convertible securities by the PCS Comparables Issuers and their respective funding requirements, we consider that the PCS Comparables might not constitute close and representative reference to the 2016 PCS, but a fair market reference on general character and terms of the 2016 PCS.

Table-3

	Issuer	Date of announcement	Initial conversion price	Premium/ (Discount) to the last closing price	Initial annual distribution rate	Distribution Terms/ Listing Status	PCS secured by assets	Redemption terms	Conversion terms
1	HSBC Holdings plc (5)	24-Mar-15	US\$4.03488 (equivalent to about HK\$31.5 based on US\$1 to HK\$7.8)	-53.20%	6.38%	Semi-annually, cancellable/ listed on the Global Exchange Market of the Irish Stock Exchange	No	Redemption in whole at sole discretion of the issuer on any reset date at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest	Perpetual convertible securities will be converted automatically upon occurrence of capital adequacy trigger event, where the ratio of the issuer's core equity capital to its total risk-weighted assets is less than 7%. Holders do not have rights to convert its perpetual convertible securities in its own discretion.
2	Standard Chartered plc (2888)	30-Mar-15	US\$11.424 (equivalent to about HK\$89.1 based on US\$1 to HK\$7.8)	-30%	6.50%	Semi-annually, cancellable/ listed on the Stock Exchange	No	Redemption at issuer's option in whole, on any reset date at 100% of their principal amount, together with any accrued but unpaid interest	Perpetual convertible securities will be converted automatically upon occurrence of capital adequacy trigger event, where the ratio of the issuer's core equity capital to its total risk-weighted assets is less than 7%. Holders do not have rights to convert its perpetual convertible securities in its own discretion.
3	Shui On Land Limited (272)	22-May-15	HK\$3.23	20%	7.50%	Annually, cancellable/ listed on the Singapore Exchange Securities Trading Limited	No	Redemption obliged on the relevant call day at their principal amount together with any distribution accrued to the date fixed for redemption (including any arrears of distribution and any additional distribution amount) in the case of any other call date.	Holders may convert at any time on or after 15 July 2015 or, if such perpetual convertible securities shall have been called for redemption by the Issuer, then up to and including the close of business.



	Issuer	Date of announcement	Initial conversion price	Premium/ (Discount) to the last closing price	Initial annual distribution rate	Distribution Terms/ Listing Status	PCS secured by assets	Redemption terms	Conversion terms
4	The Company	28-Jun-15 (amended on 8-Jan-16)	HK\$0.54	44.96%	6.00%	Semi-annually, cancellable/ not listed	Yes	Redemption at issuer's option at any time after the date falling one year after the issue date by giving not less than five business days' written notice to the holder, in whole or in part, at the optional redemption price together with all outstanding distributions and the distributions accrued to the date fixed for redemption.	Holder has the right to convert at any time after six months from the issue date.
5	HSBC Holdings plc (5)	28-Sep-15	EUR3.73559 (equivalent to approximately HK\$31.8 based on EUR1 to HK\$8.5)	-45.90%	6.00%	Semi-annually, cancellable/ listed on the Global Exchange Market of the Irish Stock Exchange	No	Redemption in whole at the option of the issuer on any resettable security reset date at a redemption price equal to 100% of the principal amount plus any accrued, unpaid and not cancelled interest.	Perpetual convertible securities will be converted automatically upon occurrence of capital adequacy trigger event, where the ratio of the issuer's core equity capital to its total risk-weighted assets is less than 7%. Holders do not have rights to convert its perpetual convertible securities in its own discretion.

	Issuer	Date of announcement	Initial conversion price	Premium/ (Discount) to the last closing price	Initial annual distribution rate	Distribution Terms/ Listing Status	PCS secured by assets	Redemption terms	Conversion terms
6	Landsea Green Properties Co., Ltd. (106)	4-Nov-15	HK\$0.75	4.30%	7.50%	Semi-annually, cancellable/ not listed	No	Redemption at the option of the issuer in whole, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the security holders at an amount equal to the sum of (i) 100% of the principal amount together with distributions (including any arrears of distribution and any additional distribution amount) accrued but unpaid; and (ii) such amount as would result in the internal rate of return on the securities to be redeemed to be equal to 12.0% per annum from the closing date to the relevant redemption date, provided that where the amount so determined under this paragraph (ii) is less than zero, such amount shall be deemed to be equal to zero.	Holder has the right to convert at any time after the completion date of the subscription agreement. If such perpetual convertible securities shall have been called for redemption by the issuer, up to and including the close of on a date no later than ten days prior to the date fixed for redemption.
7	Evergrande Real Estate Group Limited (3333)	23-Dec-15	HK\$8.06	27.30%	7.00%	Semi-annually, cancellable/ listed on the Singapore Stock Exchange	No	Redemption at its option, at any time, on giving not less than 15 nor more than 30 days' notice to the holders, in whole or in part only on a date specified for such redemption in such notice at their principal amount together with any distribution accrued to the date fixed for redemption.	Holder has the right to convert at any time on or after the issue date up to and including, if such perpetual convertible securities shall have been called for redemption by the issuer.
8	China Flavors and Fragrances Company Limited (3318)	26-Apr-16	HK\$3.00	17.60%	0.00%	No distribution/ not listed	No	The subordinate perpetual convertible securities may be redeemed at the option of the issuer, at 100% or 50% of the principal amount of the subordinate perpetual convertible securities each time by serving holder(s) 5 business day redemption notices.	Holder may convert after the issue date of perpetual convertible securities or if the perpetual convertible securities is requested to be redeemed by the issuer, any date before the seventh day of the date of redemption is determined.

	Issuer	Date of announcement	Initial conversion price	Premium/ (Discount) to the last closing price	Initial annual distribution rate	Distribution Terms/ Listing Status	PCS secured by assets	Redemption terms	Conversion terms
9	HSBC Holdings plc (5)	25-May-16	US\$3.9474 (equivalent to about HK\$30.79 based on US\$1 to HK\$7.8)	-36.52%	6.88%	Semi-annually, cancellable/listed on the Global Exchange Market of the Irish Stock Exchange	No	Redemption in whole at the option of the issuer in its sole discretion on any reset date at a redemption price equal to 100% of the principal amount plus any accrued and unpaid interest, subject to certain conditions described in the securities indenture.	Perpetual convertible securities will be converted automatically upon occurrence of capital adequacy trigger event, where the ratio of the issuer's core equity capital to its total risk-weighted assets is less than 7%. Holders do not have rights to convert its perpetual convertible securities in its own discretion.
10	Standard Chartered plc (2888)	12-Aug-16	US\$7.732 (equivalent to about HK\$60.31 based on US\$1 to HK\$7.8)	-9.10%	7.50%	Semi-annually, cancellable/listed on the Stock Exchange	No	Redemption at issuer's option in whole, on any reset date at 100% of their principal amount, together with any accrued but unpaid interest.	Perpetual convertible securities will be converted automatically upon occurrence of capital adequacy trigger event, where the ratio of the issuer's core equity capital to its total risk-weighted assets is less than 7%. Holders do not have rights to convert its perpetual convertible securities in its own discretion.
	The Company	5-Sep-16	HK\$0.128	-5.19%	6.00%	Semi-annually, cancellable after the first anniversary/not listed	No	Redemption at the option of the Company in full, on any Distribution Payment Date, at the face value.	Holdes shall have the right to convert any of their 2016 PCS into new Ordinary Shares at any time after the Issue Date.
			Maximum	44.96%	7.50%				
			Minimum	-53.20%	0.00%				
			Average	-6.06%	6.12%				

a. *Conversion price*

As shown in the Table-3 above, the conversion price of the PCS Comparables ranged from a discount of approximately 53.20% to a premium of approximately 44.96%, with an average discount of approximately 6.06%. The discount of the 2016 PCS at 5.19% represented by the Conversion Price to the closing price on the Last Trading Day is within the range of discount offered by other PCS Comparable Issuers and comparable to the average discount of the PCS Comparables.

*b.      Distribution Rate*

The 2016 PCS confer a right for the its holder to receive distribution from and including the date of issue of the 2016 PCS at the Distribution Rate of 6% per annum, subject to the optional cancellation by the Company after the first two Distribution.

The distribution rate of the PCS Comparables ranged from 0% to 7.50%, with an average distribution rate of 6.12%. The Distribution Rate is within the range of and close to the average distribution rate offered by all other PCS Comparables.

Orient Victory Real Estate, the controlling shareholder of the Company, has agreed to underwrite both the Offered Shares and the 2016 PCS not taken by Qualifying Shareholders and excess application is available to Qualifying Shareholders.

On the other hand, the Distribution rate of 6% will be higher than the dividend yield of the Company in the past three financial years as the Company did not declared any dividend save for a special dividend of HK\$3.48 cents per Share paid on 1 September 2014 due to disposal of business by the Company, as part of a deal for the change in control of the Company. The Distribution allows Ordinary Shareholders to be rewarded while the Company is still in its initial growth phase.

*c.      Discretionary Distribution*

The Distribution at 6% per annum payable semi-annually to holders, is subject to the optional cancellation by the Company after the first two Distributions.

As stated in the Letter, the first two guaranteed Distributions are additional benefits to the holders of 2016 PCS and the subsequent Distributions may or may not be cancelled by the Company. The cancellation of subsequent Distributions is only a possibility which will depend on, among others, the financial condition of the Company, while there is no guarantee of any dividend payable to Ordinary Shareholders. In addition, there is sufficient safeguard to avoid the Company arbitrarily cancelling the subsequent Distributions or redeeming the 2016 PCS, given all decisions to cancel or redeem the 2016 PCS shall be subject to the approval of the independent non-executive Directors, and the chairman of the Company and other Directors shall abstain from voting in respect of the resolutions to approve such decisions.

With reference to the terms of the PCS Comparables above, we noted that distribution of 9 out of 10 PCS Comparables announced by 5 out of 6 PCS Comparables Issuers are subject to optional cancellation by the issuer, while the remaining one do not offer any distribution. The discretionary features of the 2016 PCS is in line with and better than other PCS Comparables, in particular, the first two Distributions are not cancellable.

It is also noted that the Company has issued another perpetual convertible securities to two investors, namely Chance Talent Management Limited and Outstanding Global Holdings Limited, who are connected person of the Company in February 2016 (the “**Existing PCS**”), which terms is almost the same as the 2016 PCS, save for (i) the subscription price of the Existing PCS is at 44% premium to the then last closing price, while the subscription price of 2016 PCS is the same price as the subscription price of Open Offer, which offers a discount of 5.19% to the closing price of the Last Trading Date; (ii)

the distribution feature of the Existing PCS is cancellable at any time after the issuance date as compared to first two Distributions guaranteed under the 2016 PCS; (iii) the 2016 PCS is will not be (a) secured by any assets or equity pledge, (b) guaranteed by any third party, and (c) contain complicated features such as a dividend stopper or dividend pusher.

We are of the view that the discretionary distribution feature are the characterises of perpetual securities, which is common in the market and in line with the PCS Comparables, and it provides the Company greater flexibility to access its own financial status before declaring any Distributions.

*d. Conversion*

The 2016 PCS can be freely converted into Ordinary Shares at any time after issuance at the sole discretion of their holders and the cost for conversion is minimal (i.e. a total of HK\$3.5, including HK\$1 to be charged by CCASS for each withdrawal of the 2016 PCS from CCASS and a cancellation fee of HK\$2.50 per 2016 PCS certificate will be charged by the registrar of the Company for conversion of the PCS into Ordinary Shares. All other cost will be borne by the Company (except for further issue of certificates of the Ordinary Shares after the issue of first certificate at HK\$20 each, which is not necessary for a normal conversion of 2016 PCS)).

It gives the holders an option and the flexibility to convert the 2016 PCS into Ordinary Shares depending on the market situation and the holders' own preference. For instance, if the Ordinary Shares are traded at a price which is higher than the Conversion Price of HK\$0.128, holders of 2016 PCS can elect to convert their 2016 PCS into the Ordinary Shares and sell them on the market to realise a profit. Conversely, if the Ordinary Shares are traded at a price which is lower than the Conversion Price of HK\$0.128, holders of 2016 PCS could elect to hold their 2016 PCS for possible distribution in the future without exercising their conversion right. Such option and flexibility are one of the merits of the 2016 PCS Securities over Ordinary Shares.

With reference to the terms of the PCS Comparables above, we noted that 5 out of 10 PCS Comparables announced by 2 out of 6 PCS Comparables Issuers are not freely convertible by the holders. The free conversion features of the 2016 PCS is in line with other PCS Comparables.

*e. Redemption*

Since the Company has the option, but not obligation, to redeem in whole or in part of the principal amount of the 2016 PCS on any distribution payment date at the face value of the outstanding principle amount of such 2016 PCS, there is no instant material cash outflow impact on the Group as a result of repayment of the principal amount, we are of the view that the rights are in the interest of the Company.

We also note that the 2016 PCS has similar redemption rights as all other PCS Comparables.

*Our view:*

Having considered that:-

- (i) the Conversion Price is the same to Subscription Price and the 2016 PCS is priced within the of discount range of other PCS Comparables;

- (ii) the Distribution Rate of 2016 PCS, which is within the range of the PCS Comparables and will be higher than the dividend yield of the Company in the past three financial years as the Company, which offers a good return to the Shareholders as compared to subscription of Ordinary Shares under the Open Offer;
- (iii) the distribution feature of the 2016 PCS, with a guaranteed distribution of 6% for the first year semi-annually, whereas distribution of other PCS Comparables are cancellable since issuance, including the Existing PCS, is better than all of the PCS Comparables announced by PCS Comparables Issuers;
- (iv) Orient Victory Real Estate, the controlling shareholder of the Company, has agreed to underwrite both the Offered Shares and 2016 PCS not taken by Qualifying Shareholders and excess application is available to Qualifying Shareholders;
- (v) the 2016 PCS can be freely converted into Ordinary Shares at any time after issuance at the sole discretion of their holders with minimal conversion cost, and that holders of the 2016 PCS has an option and the flexibility to convert the 2016 PCS into Ordinary Shares depending on the market situation and the holders' own preference; and
- (vi) there is no instant material cash outflow impact on the Group as a result of repayment of the principal amount on redemption, and there is no immediate dilution effect to the Shareholders if holders of the 2016 PCS choose to receive the first year guaranteed rate of distribution;

we are of the view that the terms of the 2016 PCS including the Conversion Price are fair and reasonable and in the interest of the Shareholders as a whole.

### *III. Offered Shares or 2016 PCS*

As analysed above, given the terms of both the Open Offer and 2016 PCS are fair and reasonable, there comes a question as to whether Shareholders should elect to subscribe the Offered Shares or 2016 PCS. As set out in the Letter, comparison of the key features of the Offered Shares and the 2016 PCS are set out in the table below:

*Table-4*

	<b>Offered Shares</b>	<b>2016 PCS</b>
Form of security	Equity	<ul style="list-style-type: none"> <li>• Semi-debt, semi equity</li> <li>• Containing debt features but accounted for as equity</li> </ul>
Subscription price/ conversion Price	HK\$0.128	HK\$0.128

	Offered Shares	2016 PCS
Distribution rate/interest/dividend	nil or to be declared by the Company at its discretion	6% per annum payable semi-annually (first two Distributions guaranteed, subsequent Distributions to be paid at the Company's discretion)
Priority of rights on liquidation	Ranked same as Ordinary Shares	Ranked prior to Ordinary Shares
Dilution ratio	16.67%	<ul style="list-style-type: none"> <li>No immediate dilution effect;</li> <li>16.67%, upon conversion</li> </ul>
Conversion right	NA	Convertible into new Ordinary Shares at any time after the Issue Date
Voting rights	Carries the same voting rights as Ordinary Share	<ul style="list-style-type: none"> <li>No voting rights before conversion</li> <li>Same voting rights with Ordinary Shares after conversion into Ordinary Shares</li> </ul>
Handling cost	Nil	Withdrawal fee of HK\$1 per withdrawal and the certificate cancellation fee of HK\$2.50 per 2016 PCS certificate for conversion of the 2016 PCS (i.e. a total of HK\$3.50)

#### *Form of security*

Given the financial condition of the Company, it has been very difficult to obtain bank loans at reasonable funding costs. The issuance of 2016 PCS is an alternative source of financing for the Company and the rate of distributions is likely to be lower than what the Company would otherwise have to pay for external financing.

In terms of the Company's capital structure, 2016 PCS is accounted for as equity (and not debt) in the Company's financial statements. Therefore, the offering of 2016 PCS would result in a lower gearing ratio of the Company whereas other form of fund raising would increase the gearing ratio. This improvement in the gearing ratio of the Company will in strengthen future borrowing capability of the Company, lower its financing costs and improve the working capital of the Company.

*Subscription price/conversion price*

The subscription price and conversion price of the 2016 PCS are the same, whereby Shareholders have to pay the same monetary value for the Offer Shares or the 2016 PCS.

*Distribution rate/interest/dividend*

The offering of 2016 PCS to shareholders gives them an opportunity to benefit from the development of the Company and to reap the rewards by being entitled to receive a guaranteed amount of HK\$15.36 per 2,000 units of 2016 PCS held (each Shareholder can subscribe up to 2,000 units of 2016 PCS at HK\$0.128 each per board lot of Ordinary Shares held based on the Open Offer offer ratio of 0.2) based on the 6% Distribution, with the first two Distributions guarantee. As set out in the Letter, in contrast to electing Ordinary Shares where holders are unlikely to receive any returns in the short term since the Company is still in its growth stage and is unlikely to pay a dividend in the near future.

In event of any future dividend declared by the Company for Ordinary Shares. The Company will normally leave sufficient time for holders of Perpetual Convertible Securities to convert their Perpetual Convertible Securities into Ordinary Shares.

*Priority of rights on liquidation*

In the event of liquidation of the Company, the claim of 2016 PCS holders will rank higher than those of Ordinary Shareholders.

*Shareholding dilution effect*

The offering of 2016 PCS will not have an immediate dilution effect on the shareholding of the Company's shareholders if they elect to hold 2016 PCS.

*Conversion right*

The 2016 PCS alternative will be beneficial to its shareholders since it is an equitable means for the Shareholders to participate in the future development of the Company and provides holders with the absolute flexibility to convert the 2016 PCS into Ordinary Shares at any time depending on the market condition and the holders' own preference and the opportunity to maintain their respective shareholding interests.

An investment in 2016 PCS will allow shareholders to benefit from any increase in the share price of the Company since the subscription price of the 2016 PCS is fixed at time of the issuance, and shareholders would not be disadvantaged in this regard if it elected to subscribe for 2016 PCS. In the event that the share price of the Company falls, holders of 2016 PCS would still be entitled to a debt claim for their full investment and potentially receive a 6% distribution.

*Voting rights*

The 2016 PCS would carries no voting rights before conversion, but after conversion into Ordinary Shares, which is freely convertible at any time, the Conversion Shares would carry the same voting right as Offered Shares or Ordinary Shares.



In addition, the offering of Distribution of 2016 PCS is comparable to a dividend payment, with minimal cost for the Company (HK\$18.07 million to HK\$19.75 million) and maximise benefit for the Shareholder (as compared to a HK\$30 broker fee normally be charged by broker for any dividend payment, if a dividend of the same value as 2016 PCS distribution (HK\$15.36 per board lot of Shares assuming total amount of HK\$18.07 million to HK\$19.75 million were to be distributed in the form of dividend) are to be paid to Shareholders, the shareholders would in effect have zero benefit in dividend payment.)

#### *Cost*

The handling cost for taking up the 2016 PCS is minimal and set out as below:-

- i. a fee of HK\$1.00 will be charged by CCASS for each withdrawal of 2016 PCS, after which, the Shareholder could register the 2016 PCS under their own names for future conversion and transfer of the 2016 PCS at the Company's share registrar, which is a one-off cost to be incurred by holders of 2016 PCS; and
- ii. a cancellation fee of HK\$2.50 per 2016 PCS certificate will be charged by the Company's share registrar for conversion of 2016 PCS into Ordinary Shares, which is a one-off cost to be incurred by holders of 2016 PCS.

Shareholders who elect to take up 2016 PCS will receive a guaranteed amount of HK\$11.86 (being net amount to be received by deducting HK\$3.5 handling cost from the total amount receivable under the 2016 PCS at HK\$15.36 per 2,000 units of 2016 PCS held) for the first two Distributions.

Having considered the above, we recommend the Shareholders to elect 2016 PCS rather than the Offered Shares and hold on to the 2016 PCS until the first two Distributions to receive the guaranteed distribution of 6% and thereafter choose to convert their 2016 PCS should they wish to cash in the whole principal amount of the 2016 PCS by selling the Ordinary Shares converted from their 2016 PCS or choose to hold onto 2016 PCS if they wish to receive future possible distribution of 2016 PCS and enjoy the priority over Ordinary Shares.

#### **RECOMMENDATION**

Based on the abovementioned principal factors and reasons for the Open Offer and the 2016 PCS, in particular that:

- (i) the Company has immediate needs of funding, given that it is very difficult for the Company to incur new indebtedness or undertake acquisitions due to its high debt ratio of approximately 111% and high debt to net worth ratio of approximately -945%, as well as other reasons as cited in "3. Reasons and use of proceeds of the Open Offer" above;
- (ii) the Open Offer will strengthen the equity base of the Company and increase the Company's working capital and provide all Qualifying Shareholders the opportunity to participate in the fund raising activity and maintain their respective pro rata shareholding the Company;

- (iii) the Subscription Price, representing a discount of approximately 5.19% to the closing price of the Ordinary Share as quoted on the Stock Exchange on the Last Trading Day, are within market range of the comparables and terms of the Open Offer are fair and reasonable;
- (iv) the 2016 PCS provide an opportunity to the Shareholders elect to take up the 2016 PCS and enjoy a fixed return of 6% (subject to deferral and cancellation after the first two Distribution) should they elect for the 2016 PCS, which is higher than the dividend yield of the Company in the past three financial years and the Conversion Price equals to the Subscription Price per Offered Share;
- (v) the 2016 PCS can be converted into new Ordinary Shares at any time, which would allow Shareholders to maintain their respective shareholding and at the same time have no immediate shareholding dilution impact. It provides Shareholders the same right to participate in any future development of the Company;
- (vi) the 2016 PCS is freely convertible into Conversion Shares at any time which gives the holders an option and the flexibility to convert depending on the market situation and Shareholders can enjoy upside profit if the market price are higher than the subscription price of HK\$0.128;
- (vii) Handling cost of the 2016 PCS is minimal, Shareholders who elect to take up 2016 PCS will receive a guaranteed amount of HK\$11.86 (being net amount to be received by deducting HK\$3.5 handling cost from the total amount receivable under the 2016 PCS at HK\$15.36 per 2,000 units of 2016 PCS held) for the first two Distributions;
- (viii) holders of 2016 PCS in effect enjoy the rights under the Open Offer while at the same time has the benefit of holding a debt security and therefore will rank higher in priority over equity holders of Offered Shares when the Company is in liquidation;
- (ix) Orient Victory Real Estate, the controlling shareholder of the Company, has agreed to underwrite both the Offered Shares and 2016 PCS not taken by Qualifying Shareholders, and the Distribution Rate of 2016 PCS, which is below the range of that of the PCS Comparables, is considered to be fair and reasonable to the Shareholders with no favourable condition to connected parties; and
- (x) 2016 PCS has the similar characterises of other perpetual securities in the market, terms including the Distribution rate and other terms of the 2016 PCS are on normal commercial terms, in line with or better than the PCS Comparables and are fair and reasonable.

we consider that issue of 2016 PCS as alternative to Offered Shares is fair and reasonable and in the interest of the Company and Qualifying Shareholders as a whole.

Accordingly, we recommend the Qualifying Shareholders to elect for the 2016 PCS as an alternative to the Offered Share.

Yours faithfully,  
For and on behalf of  
**YU MING INVESTMENT MANAGEMENT LIMITED**  
**Warren Lee**  
*Managing Director*

*Mr Warren Lee is a licensed person registered with the Securities and Futures Commission of Hong Kong, he is the managing director and a responsible officer of Yu Ming Investment Management Limited, a licensed corporation permitted to carry out Types 1 (securities trading), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO. Mr Lee has over twenty years of experience in the corporate finance industry.*

**FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015, including the notes thereto, have been set out in the annual reports of the Company for the each of the three years ended 31 December 2013 (pages 26 to 104), 2014 (pages 80 to 202), and 2015 (pages 84 to 178), respectively. The published unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2016 are disclosed in the interim report of the Company for the six months ended 30 June 2016 (pages 26 to 64). The aforesaid financial information has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<http://www.orientvictorychina.com.hk>). The auditors of the Company have issued unqualified opinions on the audited consolidated financial statements of the Group for each of the three years ended 31 December 2013, 2014 and 2015.

**MATERIAL ADVERSE CHANGE**

As disclosed in the 2016 interim report of the Company, a net loss of approximately HK\$19.80 million attributable to equity owners was recorded as compared with a net profit attributable to the equity owners of approximately HK\$0.73 million in the interim period of 2015. The change is primarily due to (i) a gain of approximately HK\$17.62 million for the disposal of the available-for-sale financial assets was recorded during the interim period of last year but no such transaction was recorded during the interim period this year; and (ii) an amortised finance charge of HK\$9.26 million in connection with an interest free loan from a related party was recorded during this interim period but no such transaction was recorded during the interim period of last year.

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

**STATEMENT OF INDEBTEDNESS****Borrowings**

At the close of business on 31 August 2016, being the most recent practicable date for this indebtedness statement prior to the printing of this Prospectus, the Group had borrowings of approximately HK\$85,855,000, including secured bank borrowings of approximately HK\$4,634,000 and unsecured other borrowings of approximately HK\$81,221,000. None of these borrowings is guaranteed except that the secured bank borrowings of approximately HK\$4,634,000 were guaranteed by Nanjing Minxing Credit Guarantee Co., Ltd, and the guarantees of which were secured by certain inventories of the Group.

**Contingent liabilities**

As at 31 August 2016, being the most recent practicable date prior to the printing of this Prospectus for the purpose of this indebtedness statement, the Group had contingent liabilities in respect of guarantees for bank borrowings of an associate in the aggregate amount of HK\$33.48 million.

The bank borrowings are secured by a letter of credit issued by Donghui Hong Kong Holdings Limited in favour of China Comfort Travel Group Company Limited\* (中國康輝旅行社集團有限責任公司), an associate company of the Group owned as to 49% by the Group and 51% by Beijing Tourism Group Company Limited\* (北京首都旅遊集團有限責任公司) (the “BTG”). As the Group and BTG have agreed to subscribe for shares in a joint venture company and the joint venture company will become a subsidiary of the Group, BTG will then become a substantial shareholder of the joint venture company and a connected person of the Group upon completion of the subscription of shares in the joint venture company and thus, this security transaction will become a continuing connected transaction.

Except for the above mentioned and part from intra-group liabilities and normal accounts payables in the ordinary course of business, the Group did not, as at the close of business on 31 August 2016, have any:

- (i) debt securities, whether issued and outstanding, authorized or otherwise created but unissued, or term loans;
- (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits or hire purchase commitments;
- (iii) other mortgages or charges; or
- (iv) other guarantees or contingent liabilities.

**WORKING CAPITAL**

The Directors are of the opinion that cash flow from operations taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities, loans from the shareholders of the Company, other financial resources available to the Group and the proceeds from the proposed Open Offer, and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months following the date of this Prospectus.

**FINANCIAL AND TRADING PROSPECTS**

The Company is an investment holding company. The Group is principally engaged in sale of air tickets and other travel related services, trading and retail of jewellery products, and investment holding.

**Travel Related and Other Services**

During the first half of this year, the global economy has slowed down. The relatively weak global economic environment, terrorist attacks in various parts of the world, coupled with intense competition in the travel industry and the fiscal tightening by the Central People's Government of the PRC lead to reduction in corporate clients' demand for business travel services and hence reduction in their business travel spendings. Such factors have affected the travel industry negatively and led to the decline in the profitability of the Group.

This segment recorded a 9.6% decrease in revenue from approximately HK\$11.72 million for the six months ended 30 June 2015 to approximately HK\$10.59 million for the six months ended 30 June 2016 and revert to operating loss of approximately HK\$0.93 million for the six months ended 30 June 2016 from operating profit of approximately HK\$0.04 million as compared to the corresponding period in 2015.

The Group took the strategy of looking for more suppliers and business partners in order to control purchase costs effectively and maintain a longer term of payment. The Group also sought to develop highly profitable tourism products, including MICE (Meetings, Incentives, Conferences and Exhibitions) business, cruise business and hotel booking business.

For the marketing of this segment, the Group cooperated with domestic and coalition partners around the world to attract more multi-national corporate customers, and continued to devote resources to the marketing, promotion and publicity exposure, to enhance the image of the Group and its influence in the market.

The Group will provide comprehensive training and allowances for the study of tourism-related courses to its staff in order to improve their knowledge, service quality and service standards in the area of tourism and travel related business.

**Trading and Retail of Jewellery**

The Group's business in trading and retail of Jewellery includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. The prolonged slowdown in PRC's economic growth from 2015 to 2016 and the decline in prices of gold as raw material of jewellery had led to decline in overall sales of the gold and jewellery industry.

For the first half of this year, the segment recorded a 22.8% decrease in revenue to approximately HK\$19.28 million (six months ended 30 June 2015: approximately HK\$24.98 million) and a loss from operation of approximately HK\$0.38 million was recorded for the six months ended 30 June 2016 as compared to operating profit of approximately HK\$0.58 million in the corresponding period of in 2015.

The Group will make every effort to improve sales in its trading and retail of jewellery business amid the sluggish economic environment. The Group will monitor the gross margin, fine-tune the related product categories and seek different sources of supply so as to promote sales and accelerate turnover. The Group will also seek and develop new markets with potential of large demand.

For the marketing of this segment, the Group will promote its brand as a strong and popular proprietary brand and increase the number of franchisees to strengthen its influence in the market such that the profitability of the Group can be increased and the competitiveness can be enhanced for a bigger market share.

The principal assets for this segment are inventories, which mainly comprise of gold ornaments, gold materials, inlaid ornament and diamond materials. During the course of business, the Group has well-established systems for sourcing, warehousing, storage, payment, delivery, sales and payment collection for better inventory and credit control. The Group's internal control system is generally in normal operation and being effectively executed.

Looking ahead, the Company will continue to focus on the development of its travel related business while seeking further opportunities to further expand the financial services business with the aim to increase shareholder value and benefit the Company and its shareholders as a whole.

*The unaudited pro forma financial information should be read in conjunction with Appendix II headed “Financial Information of the Group” in this Prospectus, and the interim report of the Company for the six months ended 30 June 2016.*

**(I) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company (the “**Unaudited Pro Forma Financial Information**”) prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2016 as if the Open Offer had taken place on 30 June 2016.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer been completed as at 30 June 2016 or at any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the published unaudited consolidated statement of financial position of the Group as at 30 June 2016, as extracted from the interim financial report of the Group for the six months ended 30 June 2016, with adjustments described below.



Consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2016	Estimated net proceeds from the Open Offer	The effect of the first two Distributions guaranteed	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company immediately after the completion of the Open Offer
HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000 (Note 3)	HK\$'000 (Note 4)
651,839	291,623	(10,585)	932,877

HK cents

Consolidated net tangible assets of the Group attributable to the equity owners of the Company per Ordinary Share as at 30 June 2016 (Note 5)

5.54

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company per Ordinary Share immediately after the completion of the Open Offer (assuming none of the Offered Perpetual Convertible Securities were converted into Ordinary Shares) (Note 6)

7.32

1. The consolidated net tangible assets of the Group attributable to the equity owners of the Company (including holders of Ordinary Shares and holders of the Existing Perpetual Convertible Securities of the Company) as at 30 June 2016 is based on the consolidated total equity attributable to equity owners of the Company as at 30 June 2016 as extracted from the published interim financial report of the Group for the year ended 30 June 2016.

2. The estimated net proceeds from the Open Offer of HK\$291.6 million are based on 2,352,719,333 Offered Securities to be issued (based on 11,763,596,665 Ordinary Shares in issue on the Record Date) at the Subscription Price of HK\$0.128 per Offered Securities and after deduction of the estimated related professional expenses, which are directly attributable to the Open Offer of HK\$9.5 million. Both the Offered Shares and the Offered Perpetual Convertible Securities are classified as an equity instrument of the Company.
3. According to the terms of the Offered Perpetual Convertible Securities, the first two Distributions of the Offered Perpetual Convertible Securities are guaranteed (the “**Guaranteed Distributions**”). The Guaranteed Distributions should be recognised as financial liabilities of the Company according to Hong Kong Accounting Standard 32, *Financial Instruments: Presentation*. Orient Victory Real Estate has irrevocably undertaken to the Company that it will elect to subscribe in full its entitlement under the Open Offer in form of Offered Perpetual Convertible Securities. Accordingly, the Guaranteed Distributions in respect of 1,378,266,004 units of Offered Perpetual Convertible to be subscribed by Orient Victory Real Estate would be recognised as financial liabilities amounting to approximately HK\$10.6 million upon the completion of the Open Offer.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company (including holders of Ordinary Shares and holders of the perpetual convertible securities of the Company) immediately after the completion of the Open Offer represents the consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 June 2016 plus the estimated net proceeds from the Open Offer as set out in Note 2 above minus the estimated carrying amount of the Guaranteed Distributions as set out in Note 3 above.
5. The calculation of the consolidated net tangible assets of the Group attributable to the equity owners of the Company per Ordinary Share as at 30 June 2016 is based on the consolidated net tangible assets of the Group attributable to the equity owners of the Company (including holders of Ordinary Shares and holders of the Existing Perpetual Convertible Securities of the Company) as at 30 June 2016 of HK\$651.8 million divided by the 11,763,595,237 Ordinary Shares in issue as at 30 June 2016.
6. Assuming all Qualifying Shareholders apply for their Assured Entitlement and elect to take up all of their entitlement in the form of Offered Shares other than Orient Victory Real Estate who has undertaken to take up its entitlement in form of Offered Perpetual Convertible Securities, 974,453,329 Offered Shares would be issued under the Open Offer. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company per Ordinary Share immediately after the completion of the Open Offer, assuming none of the Offered Perpetual Convertible Securities were converted into Ordinary Shares, is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company (including holders of Ordinary Shares and holders of the perpetual convertible securities of the Company) of HK\$932.9 million divided by 12,738,048,566 Ordinary Shares expected to be in issue immediately after the completion of the Open Offer, comprising 11,763,595,237 Ordinary Shares in issue as at 30 June 2016 and 974,453,329 Offered Shares.

Had all of the Qualifying Shareholders elect to take up their entitlement in the form of Offered Perpetual Convertible Securities, and all such 2,352,719,333 Offered Perpetual Convertible Securities issued been converted into Ordinary Shares of the Company immediately after completion of the Open Offer, 2,352,719,333 Conversion Shares would be allotted and issued and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity owners of the Company per Ordinary Share would have been HK6.68 cents, based on the consolidated net tangible assets of the Group attributable to the equity owners of the Company (including holders of Ordinary Shares and holders of the Existing Perpetual Convertible Securities of the Company) as at 30 June 2016 of HK\$651.8 million as set out in Note 1 above plus the estimated net proceeds from the Open Offer of HK\$291.6 million as set out in Note 2 above divided by 14,116,314,570 Ordinary Shares, comprising 11,763,595,237 Ordinary Shares in issue as at 30 June 2016 and 2,352,719,333 Conversion Shares.

7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

**(II) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.*



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Hong Kong

29 September 2016

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON  
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF ORIENT VICTORY CHINA HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Orient Victory China Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2016 and related notes as set out in Part I of Appendix III to the prospectus dated 29 September 2016 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part I of Appendix III to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the open offer of offered shares with an alternative of unlisted perpetual convertible securities on the basis of one offered share for every five ordinary shares held on the record date (the "**Open Offer**") on the Group's financial position as at 30 June 2016 as if the Open Offer had taken place at 30 June 2016. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the Directors from the interim financial report of the Company for the six months ended 30 June 2016, on which no review report has been published.

**DIRECTORS' RESPONSIBILITIES FOR THE PRO FORMA FINANCIAL INFORMATION**

The Directors are responsible for compiling the 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 ("**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.

The firm applies Hong Kong Standard on Quality Control 1 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 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 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 (“**HKSAE**”) 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 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the 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 events or transactions at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares or securities, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Use of Proceeds" in the Prospectus.

#### **OPINION**

In our opinion:

- a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX IV      ADJUSTMENTS TO THE CONVERSION PRICE OF THE PERPETUAL CONVERTIBLE SECURITIES

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The conversion price will be subject to adjustment in the following events:

- (a) *Consolidation, Subdivision, Re-denomination or Reclassification:* If and whenever there shall be an alteration to the nominal value of the Ordinary Shares as a result of consolidation, subdivision, re-denomination or reclassification, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such alteration by the following fraction:

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

where:

A    is the nominal amount of one Ordinary Share immediately after such alteration; and

B    is the nominal amount of one Ordinary Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (b) *Capitalisation of Profits or Reserves:*

- (i) If and whenever the Company shall issue any Ordinary Shares credited as fully paid to the Ordinary Shareholders by way of capitalisation of profits or reserves including, Ordinary Shares paid up out of distributable profits or reserves and/or share premium account issued (except any Scrip Dividend) and which would not have constituted an All Distribution, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

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

where:

A    is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue; and

B    is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

- (ii) In the case of an issue of Ordinary Shares by way of a Scrip Dividend where the Current Market Price of such Ordinary Shares on the date of the first public announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted an All

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Distribution, the conversion price shall be adjusted by multiplying the conversion price in force immediately before the issue of such Ordinary Shares by the following fraction:

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

where:

- A is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue;
- B is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend multiplied by a fraction of which: (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend; and (ii) the denominator is the Current Market Price of the Ordinary Shares issued by way of Scrip Dividend in respect of each existing Ordinary Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Ordinary Shares issued by way of such Scrip Dividend;

or by making such other adjustment as an Independent Adviser shall certify to the Holders is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or if a record date is fixed therefor, immediately after such record date.

- (c) *All Distribution*: If and whenever the Company shall pay or make any All Distribution to the Ordinary Shareholders (except where the conversion price falls to be adjusted under condition (b) above), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such All Distribution by the following fraction:

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

where:

- A is the Current Market Price of one Ordinary Share on the date on which the All Distribution is publicly announced; and
- B is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Adviser of the portion of the All Distribution attributable to one Ordinary Share.



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Such adjustment shall become effective on the date that such All Distribution is made or if a record date is fixed therefor, immediately after such record date. In making any calculation pursuant to this condition (c), such adjustments (if any) shall be made as an Independent Adviser may consider appropriate to reflect (a) any consolidation or subdivision of the Ordinary Shares, (b) issues of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Ordinary Shares or (d) any change in the fiscal year of the Company.

- (d) *Rights Issues of Ordinary Shares or Options over Ordinary Shares:* If and whenever the Company shall issue Ordinary Shares to all or substantially all Ordinary Shareholders as a class by way of rights, or issue or grant to all or substantially all Ordinary Shareholders as a class, by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares, in each case at less than 90 per cent. of the Current Market Price per Ordinary Share on the last Trading Day preceding the date of the announcement of the terms of such issue or grant, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

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

where:

- A    is the number of Ordinary Shares in issue immediately before such announcement;
- B    is the number of Ordinary Shares which the aggregate amount (if any) payable for the Ordinary Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Ordinary Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Ordinary Share; and
- C    is the aggregate number of Ordinary Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Ordinary Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (e) *Rights Issues of Other Securities:* If and whenever the Company shall issue any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares) to all or substantially all Ordinary Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Ordinary Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or

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otherwise acquire, any securities (other than Ordinary Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Ordinary Shares), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

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

where:

- A    is the Current Market Price of one Ordinary Share on the date on which such issue or grant is publicly announced; and
- B    is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Adviser, of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

- (f) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in condition (d) above) any Ordinary Shares (other than Ordinary Shares issued on the exercise of conversion rights or the Share Scheme Options (provided that such grant or issue of Share Scheme Options would result in the total number of Ordinary Shares issued or which may be issued upon exercise of all such Share Scheme Options granted, during any 12-month period up to and including the date of such grant representing, in aggregate, no more than one per cent. of the average number of issued and outstanding Ordinary Shares during such 12-month period), or any other rights of conversion into, or exchange or subscription for, Ordinary Shares) or the issue or grant of (otherwise than as mentioned in condition (d) above) options, warrants or other rights to subscribe or purchase or otherwise acquire Ordinary Shares in each case at a price per Ordinary Share which is less than 90 per cent. of the Current Market Price on the date of announcement of the terms of such issue, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue or grant by the following fraction:

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

where:

- A    is the number of Ordinary Shares in issue immediately before the issue of such additional Ordinary Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Ordinary Shares;

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B      is the number of Ordinary Shares which the aggregate consideration (if any) receivable by the Company for such additional Ordinary Shares to be issued or otherwise made available or, as the case may be, for such additional Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C      is the maximum number of additional Ordinary Shares issued or the maximum number of Ordinary Shares that may be issued upon exercise of such options, warrants or rights.

References to additional Ordinary Shares in the above formula shall, in the case of an issue or grant by the Company of options, warrants or other rights to subscribe for or purchase Ordinary Shares, mean such Ordinary Shares to be issued, or otherwise made available, assuming that such options, warrants or other rights are exercised in full at the initial exercise price (if applicable) on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the issuer or grant of such options, warrants or other rights.

(g) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other existing securities in accordance with the terms applicable to such existing securities themselves falling within the provisions of this condition (g), if and whenever the Company or any Subsidiary of the Company (otherwise than as mentioned in conditions (d), (e) or (f) above) or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity shall issue any securities (other than the Perpetual Convertible Securities) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for or purchase of, or to otherwise acquire, Ordinary Shares issued or to be issued by the Company or securities which by their terms may be redesignated Ordinary Shares receivable upon conversion, exchange, subscription or redesignation at a consideration per Ordinary Share which is less than 90 per cent. of the Current Market Price on the date of announcement of the terms of issue of such securities, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue by the following fraction:

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

where:

A      is the number of Ordinary Shares in issue immediately before such issue or grant;

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- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable by the Company for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or on exercise of the right of subscription or purchase or acquisition attached to such securities or, as the case may be, the Ordinary Shares would purchase at such Current Market Price per Ordinary Share; and
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such securities or on the exercise of such rights of subscription or purchase or acquisition attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares to be issued or to arise or to be made available from any such redesignation.

Such adjustment shall become effective on the date of issue of such securities.

- (h) *Modification of Rights of Conversion etc:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in condition (g) (other than in accordance with the terms of such securities) so that the consideration per Ordinary Share (for the number of Ordinary Shares available on conversion, exchange or subscription following the modification) is less than 90 per cent. of the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification, the conversion price shall be adjusted by multiplying the conversion price in force immediately before such modification by the following fraction:

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

where:

- A is the Current Market Price of one Ordinary Share on the last Trading Day preceding the date on which such modification is announced; and
- B is the difference between the Fair Market Value of the modification on a per Ordinary Share basis on the date of such announcement and the consideration received for the modification on a per Ordinary Share basis of such modification.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

- (i) *Other Offers to Ordinary Shareholders:* If and whenever there is an issue, sale or distribution by or on behalf of the Company or any Subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any Subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any Subsidiary or such other company, person or entity pursuant to which offer the Ordinary Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the conversion price falls to be adjusted

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under conditions (d), (e), (f) or (g) above), the conversion price shall be adjusted by multiplying the conversion price in force immediately before such issue, sale or distribution by the following fraction:

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

where:

- A    is the Current Market Price of one Ordinary Share on the date on which such issue is publicly announced; and
- B    is the Fair Market Value on the date of such announcement, as determined in good faith by an Independent Adviser, of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the date of issue, sale or distribution of the securities.

- (j) *Other Events:* If either: (i) the rights of conversion, exchange, purchase or subscription attaching to any options, rights or warrants to subscribe for or purchase Ordinary Shares or any securities convertible into or exchangeable for Ordinary Shares or the rights carried by such securities to subscribe for or purchase Ordinary Shares are modified (other than pursuant to, and as provided in, the existing terms and conditions of such options, rights, warrants or securities); or (ii) the Company determines that an adjustment should be made to the conversion price as a result of one or more events or circumstances not referred to in any other provisions of this condition which in either case have or would have an effect on the position of the Holders as a class compared with the position of the holders of all the securities (and options, rights and warrants relating thereto) of the Company, taken as a class, which is analogous to any of the events referred to in this condition (including any demerger, spin-off or similar arrangement in respect of any business of the Company and its Subsidiaries), then, in any such case, the Company shall at its own expense request an Independent Adviser, to determine as soon as practicable what adjustment (if any) to the conversion price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the conversion price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination *provided that* where the circumstances giving rise to any adjustment pursuant to this condition have already resulted or will result in an adjustment to the conversion price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the conversion price, such modification (if any) shall be made to the operation of the provisions of this condition as may be advised by an Independent Adviser, to be in their opinion appropriate to give the intended result. Notwithstanding the foregoing, the per Ordinary Share value of any such adjustment shall not exceed the per Ordinary Share value of the dilution in the Ordinary Shareholders' interest in the Company's equity caused by such events or circumstances.

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For the purposes of this section:

**“All Distribution”** means, on a per Ordinary Share basis, (i) any distribution of assets in specie by the Company for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Ordinary Shares or other securities credited as fully or partly paid (other than Ordinary Shares credited as fully paid) by way of capitalisation of reserves, but exclude a Scrip Dividend adjusted for under (ii)); and (ii) any cash dividend or distribution (including without limitation, a Scrip Dividend) of any kind of the Company for any financial period (whenever paid and however described) unless it comprises a purchase or redemption of Ordinary Shares by or on behalf of the Company (or a purchase of Ordinary Shares by or on behalf of a Subsidiary of the Company) where the average purchase or redemption price (before expenses) on any one day in respect of such purchases or redemptions does not exceed 105 per cent. of the Current Market Price (provided that for this purpose, references to “Volume Weighted Average Price” in the definition of “Current Market Price” shall become “Closing Price”) of the Ordinary Shares on that day;

**“Current Market Price”** means, in respect of an Ordinary Share on a particular date, the average of the daily Volume Weighted Average Price of one Ordinary Share on each of the five consecutive Trading Days ending on and including the Trading Day immediately preceding such date; provided that if at any time during the said five Trading Day period the Volume Weighted Average Price shall have been quoted ex-Dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) then:

- (a) if the Ordinary Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the Fair Market Value thereof reduced by an amount equal to the amount of that Dividend or entitlement per Ordinary Share; or
- (b) if the Ordinary Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall, for the purpose of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of that Dividend or entitlement per Ordinary Share,

and provided further that if the Ordinary Shares on each of the said five Trading Days the Volume Weighted Average Price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend or entitlement per Ordinary Share;

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**“Dividend”** means any dividend or distribution, whether of cash, assets or other property, and whenever paid or made and however described (and for these purposes a distribution of assets includes, without limitation, an issue of Ordinary Shares or other securities credited as fully or partly paid-up) provided that:

- (a) where a cash Dividend is announced which is to be, or may at the election of a holder or holders of Ordinary Shares be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, then, the Dividend in question shall be treated as a Dividend of: (a) the cash Dividend so announced; or (b) the Current Market Price on the date of announcement of such Dividend, of such Ordinary Shares or the Fair Market Value of other property or assets to be issued or delivered in satisfaction of such Dividend (or which would be issued if all holders of Ordinary Shares elected therefor, regardless of whether any such election is made) if the Current Market Price of such Ordinary Shares or the Fair Market Value of other property or assets is greater than the cash Dividend so announced; and
- (b) any issue of Ordinary Shares falling within adjustment condition (b) shall be disregarded;

**“Fair Market Value”** means, with respect to any assets, security, option, warrants or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Adviser; provided that: (i) the fair market value of a cash Dividend paid or to be paid per Ordinary Share shall be the amount of such cash Dividend per Ordinary Share determined as at the date of announcement of such Dividend; and (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Adviser) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five Trading Days on the relevant market commencing on the first such Trading Day on which such options, warrants or other rights are publicly traded;

**“Holder”** means the person in whose name the Perpetual Convertible Securities is registered

**“Independent Adviser”** means an independent adviser (including a valuer) of international repute (acting as an expert) selected by the Company;

**“Majority Holders”** means, at any time, any one or more holders holding the Perpetual Convertible Securities or being proxies or representatives in respect of the Perpetual Convertible Securities and representing, in the aggregate, more than 70 per cent. of the aggregate principal amount of all Perpetual Convertible Securities then outstanding;

**“Relevant Cash Dividend”** means any cash dividend specifically declared by the Issuer;

**“Scrip Dividend”** means any Ordinary Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Ordinary Shareholders concerned would or could otherwise have received (and for the avoidance of doubt, to the extent that an adjustment is made under adjustment condition (c) in respect of the Relevant Cash Dividend, no adjustment is to be made for the amount by which the Current Market Price of the Ordinary Shares exceeds the Relevant Cash Dividend or part thereof for which an adjustment is already made under adjustment condition (b)(ii);



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“**Subsidiary**” includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) not more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other Subsidiaries) the management or the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law, regulations or the Hong Kong Financial Reporting Standards or such other applicable generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person;

“**Trading Day**” means a day when the Stock Exchange is open for dealing business, provided that if no Closing Price, as the case may be, is reported in respect of the relevant Ordinary Shares on the Stock Exchange for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days;

“**Volume Weighted Average Price**” means, in respect of a Ordinary Share on any Trading Day, the order book volume-weighted average price of a Ordinary Share published by or derived from Bloomberg (or any successor service) page HK Equity VAP (Ticker: 265) or such other source as shall be determined to be appropriate by a Holder (failing which an Independent Adviser) on such Trading Day, provided that on any such Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Ordinary Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined; and

On any adjustment, the relevant conversion price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the conversion price where such adjustment (rounded down if applicable) would be less than one per cent. of the conversion price then in effect. Any adjustment not required to be made, and any amount by which the conversion price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Holders as soon as practicable after the determination thereof.

Where more than one event which gives or may give rise to an adjustment to the conversion price occurs within such a short period of time that in the opinion of an Independent Adviser, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Adviser to be in its opinion appropriate in order to give such intended result.



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No adjustment will be made to the conversion price where Ordinary Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, employees or former employees (including directors or former directors) of the Company or any Subsidiary pursuant to any employees' share scheme or plan now or from time to time in effect (and which employee share scheme is in compliance with the Listing Rules) ("**Share Scheme Options**"), provided that such grant or issue of Share Scheme Options would result in the total number of Ordinary Shares issued or which may be issued upon exercise of all such Share Scheme Options granted, during any 12-month period up to and including the date of such grant representing, in aggregate, no more than one per cent. of the average number of issued and outstanding Ordinary Shares during such 12-month period.

No adjustment involving an increase in the conversion price will be made, except in the case of a consolidation of the Ordinary Shares as referred to in condition (a) above or where there has been a manifest error in the calculation of the conversion price.

The Issuer will undertake that it will not take any corporate action which will result in an adjustment to the conversion price pursuant to the terms of the Perpetual Convertible Securities if such action would result in a breach of Rule 7.24(5) of the Listing Rules requiring shareholders' approval for the Open Offer.

## RESPONSIBILITY STATEMENT

This Prospectus, 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 Prospectus 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 Prospectus misleading.

## SHARE CAPITAL

The share capital of the Company as at the Record Date is as follows:

	Number of Ordinary Shares '000	Share capital HK\$'000
<b>Authorised:</b>		
At 1 January 2015		
– Ordinary shares of HK\$0.025 each	4,000,000	100,000
Share subdivision ( <i>Note (i)</i> )	16,000,000	–
At 31 December 2015, 1 January 2016 and 30 June 2016		
– Ordinary shares of HK\$0.005 each	20,000,000	100,000
<b>Issued and fully paid</b>		
At 1 January 2015		
– Ordinary shares of HK\$0.025 each	1,823,401	45,584
Issuance of new shares	372,466	9,313
Share subdivision ( <i>Note (i)</i> )	8,783,470	–
At 31 December 2015 and 1 January 2016		
– Ordinary shares of HK\$0.005 each	10,979,337	54,897
Issuance of new shares upon exercise of Bonus Warrants ( <i>Note (ii)</i> )	784,259	3,921
At Record Date – Ordinary shares of HK\$0.005 each	11,763,596	58,818

## Notes:

- (i) On 16 November 2015, the shareholders of the Company approved to subdivide each existing issued and unissued shares of HK\$0.025 each in the share capital of the Company into five subdivided shares of HK\$0.005 each.
- (ii) On 5 April 2016, the Board announced the proposed issue of Bonus Warrants to the shareholders of the Company on the basis of one Bonus Warrant for every seven existing ordinary shares of the Company held on 22 April 2016. 1,568,476,768 units of Bonus Warrants were issued on 4 May 2016.

Each Bonus Warrant entitles the holder to subscribe in cash for one new ordinary share of the Company at an initial subscription price of HK\$0.195, subject to adjustments. It is exercisable at any time during the period of twelve (12) months commencing from 4 May 2016 and ending on 3 May 2017 (if that day is not a business day, the business day immediately preceding such day, both day inclusive). As at the Record Date, 784,259,285 units of Bonus Warrants had been exercised by the holders thereof and 784,259,285 ordinary shares were issued and allotted by the Company to the holders of the Bonus Warrants. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. As at the Record Date, 784,217,483 units of Bonus Warrants remained outstanding.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company (the “**Chief Executive**”) in the Ordinary Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 of the Listing Rules were as follows:

### (i) Long positions in Shares

Name of Director	Capacity	Number of ordinary shares and underlying shares of the Company held	Approximate percentage of shareholding in the Company
Mr. Shi Baodong	Interest in a controlled corporation	6,980,272,880 (L) (Note 1)	59.34%
	Beneficial owner	312,729,948 (L) (Note 2)	2.66%
Mr. Dong Xiaojie (Note 3)	Beneficial owner	1,500,000 (L)	0.013%
Mr. Law Wang Chak, Waltery (Note 3)	Beneficial owner	350,000 (L)	0.003%

*Note:* (L) refers to long position.

*Note 1:* Mr. Shi Baodong hold 100% equity interest in Orient Victory Real Estate, which in turn holds 6,980,272,880 ordinary shares in the Company. The interests include the holding of (i) 6,891,330,020 ordinary shares and (ii) 88,942,860 units of Bonus Warrants giving rise to an interest in 88,942,860 underlying shares of the Company. The Bonus Warrants entitle the holders thereof to subscribe at any time during the period from 4 May 2016 to 3 May 2017 (if that day is not a business day, the business day immediately preceding such day, both dates inclusive) for fully paid shares of the Company at an initial subscription price of HK\$0.195 per share (subject to adjustment).

*Note 2:* Reference is made to the Company's announcement dated 30 March 2016 and also the Company's circular dated 29 January 2016 in relation to the issue of the Existing Perpetual Convertible Securities, the investment agreement of the Company dated 27 June 2015 as amended by a supplemental agreement dated 8 January 2016 (the "**Investment Agreement**") and Mr. Shi's personal guarantee in relation to the obligations of the Company, among other things, relating to the Existing Perpetual Convertible Securities. Mr. Shi Baodong would be interested in 312,729,948 Shares upon the exercise of the two put options in full as contemplated under the Investment Agreement by Outstanding Global Holdings Limited and Chance Talent Management Limited respectively.

*Note 3:* Mr. Dong Xiaojie and Mr. Law Wang Chak, Waltery are independent non-executive Directors.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Chief Executive 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 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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SHARE OPTIONS

As at the Latest Practicable Date, the Group does not have any outstanding share options, whether agreed conditional or unconditionally.

**SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

As at the Latest Practicable Date, to the best knowledge of the Directors, the following persons (not being a Director or Chief Executive) had interests or short positions in the Shares or underlying shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

**Long and short positions in shares**

Name of substantial shareholder	Capacity	Number of ordinary shares and underlying shares held		Approximate percentage of shareholding in the Company
		(L): Long Position	(S): Short Position	
Orient Victory Real Estate Group Holdings Limited <sup>(1)</sup>	Beneficial owner	6,980,272,880 (L)		59.34%
Outstanding Global Holdings Limited <sup>(2)</sup>	Beneficial owner	620,333,793 (L)		5.27%
	Person having a security interest in shares of the Company	5,926,054,470 (L)		50.38%
Chance Talent Management Limited <sup>(3)</sup>	Beneficial owner	361,121,155 (L)		3.07%
		128,771,155 (S)		1.09%
	Person having a security interest in shares of the Company	5,926,054,470 (L)		50.38%
CCB International Securities Limited <sup>(4)</sup>	Person having a security interest in shares of the Company	5,926,054,470 (L)		50.38%

*Notes:*

- (1) Mr. Shi Baodong, an executive Director, holds 100% equity interest in Orient Victory Real Estate.
- (2) Outstanding Global Holdings Limited (“**OGH**”) is wholly owned by China Huarong International Holdings Limited, 88.10% of which is in turn owned by Huarong Real Estate Co., Ltd., which is in turn wholly owned by China Huarong Asset Management Co., Ltd. The aggregate interests in 6,546,388,263 ordinary shares represent (i) 5,926,054,470 ordinary shares were registered in the name of Orient Victory Real Estate and pledged to OGH as security, (ii) 436,375,000 ordinary shares held by OGH and (iii) 183,958,793 ordinary shares convertible from the Existing Perpetual Convertible Securities at the initial conversion price as described in the Company’s circular dated 29 January 2016 held by OGH adjusted accordingly subsequent to share subdivision on 16 November 2015.
- (3) Chance Talent Management (“**CTM**”) is wholly owned by CCBI Investments Limited, which is in turn wholly owned by CCB International (Holdings) Limited (“**CCBIH**”). CCB International Securities Limited (“**CCBIS**”) is wholly owned by CCBIH. CCBIH is wholly owned by CCB Financial Holdings Limited, which is in turn wholly owned by CCB International Group Holdings Limited, which is in turn wholly owned by China Construction Bank Corporation, which is in turn owned as to 57.31% by Central Huijin Investment Ltd.  
  
The aggregate 6,287,175,625 ordinary shares of long position represent (i) 5,926,054,470 ordinary shares were registered in the name of Orient Victory Real Estate and pledged to CTM as security, (ii) 232,350,000 ordinary shares held by CTM and (iii) 128,771,155 ordinary shares convertible from the Existing Perpetual Convertible Securities held by CTM at the initial conversion price as described in the Company’s circular dated 29 January 2016 adjusted accordingly subsequent to share subdivision on 16 November 2015. The short position of 128,771,155 ordinary shares represent a put option from the Existing Perpetual Convertible Securities held by CTM at the initial conversion price as described in the Company’s circular dated 29 January 2016 adjusted accordingly subsequent to share subdivision on 16 November 2015.
- (4) The 5,926,054,470 ordinary shares of long position held by CCBIS represent the ordinary shares registered in the name of Orient Victory Real Estate and pledged to CCBIS as security.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors nor Chief Executive) who had an interest or short position in the ordinary shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

## INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

The Board comprised three executive Directors, being Mr. Shi Baodong, Mr. Wang Jianhua and Ms. Xu Yongmei, one non-executive Director, being Mr. Li Yankuan, and three independent non-executive Directors, being Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wang Chak, Waltery.

The business address of all Directors and members of senior management is Room 2603, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong and their brief biographies are set out below:

**Executive Directors**

**Mr. Shi Baodong**, aged 48, Mr. Shi is the chairman of the nomination committee of the Company (the “**Nomination Committee**”) and a member of the remuneration committee of the Company (the “**Remuneration Committee**”) of the Company. Mr. Shi graduated from the Hebei University of Architecture in 1989. He has over 15 years of experience in property development and he is a qualified engineer in the PRC. Mr. Shi is the director of Orient Victory Group HK Holdings Limited\* (東勝集團香港控股有限公司) and the founder, shareholder and chairman of Shijiazhuang Orient Victory Investment Group Limited\* (石家莊市東勝投資集團有限公司), which is principally engaged in property development, including the development of residential properties, commercial properties, properties and ancillary facilities for the elderly, as well as an ecological park and a culture park in the PRC. In October 2015, Mr. Shi was appointed as president of China Comfort, an associate of the Group, and is responsible for the overall management of China Comfort.

Mr. Shi is the vice chairman of China Association of Travel Services, the vice chairman of the China Real Estate Industry Association and a consultant of its Special Committee for China Urban Development, Special Committee for Elderly Residential Area and Special Committee for China Small Town Development. Mr. Shi is the standing vice president of Hebei Chamber of Commerce in Hong Kong and the director of its Ecological Industry Committee. At the same time, he is the vice president of Shijiazhuang General Chamber of Commerce and a member of the 11th Hebei Committee of the Chinese People’s Political Consultative Conference.

Mr. Shi is the sole director and sole beneficial owner of Orient Victory Real Estate Group Holdings Limited, which holds 6,891,330,020 Shares, representing approximately 58.58% of the total issued capital of the Company.

**Mr. Wang Jianhua**, aged 53, Mr. Wang holds a master’s degree in business administration from the Pacific States University and is a qualified accountant in the PRC. He is currently a vice president in Shijiazhuang Orient Victory Investment Group Limited\* (石家莊市東勝投資集團有限公司) and has substantial working experience in the finance and investment field in the PRC.

**Ms. Xu Yongmei**, aged 44, Ms. Xu graduated from the Hebei Radio and TV University, majoring in financial accounting, in 1996. She completed a course in private equity investment and listed companies advanced research in the School of Continuing Education of Peking University in 2012. Ms. Xu is a qualified accountant in the PRC. She is currently a vice president in Shijiazhuang Orient Victory Investment Group Limited\* (石家莊市東勝投資集團有限公司). She also has substantial working experience as finance manager and financial controller in the property development industry.

**Non-executive Director**

**Mr. Li Yankuan**, aged 43, Mr. Li is a member of audit committee of the Company (“**Audit Committee**”). Mr. Li graduated from the Civil Engineering Department of Hebei Engineering and Technical College in 1996, majoring in Building Decoration Engineering. He received his Intermediate Professional Title in 2007. Mr. Li served in different positions in Shijiazhuang Orient Victory Investment Group Limited\* (石家莊市東勝投資集團有限公司), including cost control manager, deputy general manager of its project company, general manager of its subsidiary and vice president. He has enormous theoretical knowledge of and practical experience in real estate operation and management, and is an expert in the field of cost control, project management, planning and design, etc. He is currently an executive president of Shijiazhuang Orient Victory Investment Group Limited\* (石家莊市東勝投資集團有限公司).

**Independent non-executive directors**

**Mr. Dong Xiaojie**, aged 54, Mr. Dong is the chairman of Remuneration Committee. Mr. Dong graduated from the Hebei Normal University, majoring in mathematics in 1984. He was a principal partner of Shengyuan Investment Risk Consulting Management Co., Limited for the period from 2011 to 2014. Mr. Dong is currently a director of Han De Capital Group.

**Mr. He Qu**, aged 60, Mr. He is a member both of Audit Committee and Nomination Committee of the Company. Mr. He has been an independent non-executive director of China Merchants Land Limited, a company listed on the Stock Exchange (stock code: 00978), since 2013. He has also been an independent non-executive director of Evergrande Real Estate Group Limited, a company listed on the Stock Exchange (stock code: 03333), since 2009. Mr. He has been the deputy secretary of the China Real Estate Association since 2006.

**Mr. Law Wang Chak Waltery**, aged 53, Mr. Law is the chairman of the Audit Committee, and a member both of the Remuneration Committee and the Nomination Committee. Mr. Law is now working as an executive partner in a private PRC equity and investment advisory firm. Mr. Law had been the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited, a company listed on the Stock Exchange (stock code: 02689), from June 2004 to October 2008 and from August 2008 to October 2008, respectively. Mr. Law also served in different key roles such as chief financial officer and vice president of the financial department in four other Hong Kong listed companies for over the past 12 years. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand, now PricewaterhouseCoopers, for more than 5 years. Mr. Law is a fellow member of both the Chartered Association of Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Law is also an associated member of the Institute of Chartered Accountants in England and Wales. Mr. Law has over 27 years of experience in financial audit, financial due diligence reviews, mergers and acquisitions, corporate restructuring, accounting and corporate financing. Mr. Law graduated from the London School of Economics and Political Science, the University of London with a bachelor’s degree in economics in 1991 and a master’s degree in financial economics in 1995.



**Senior management**

**Mr. Wong Chi Kin**, aged 42, Mr. Wong was appointed as Chief Financial Officer of the Company in October 2014. He has around 20 years of banking, corporate finance and accounting experience with leading international banks and companies listed on the Main Board of the Stock Exchange. Mr. Wong graduated with a Bachelor of Science (Honours) degree in Finance from the City University of Hong Kong, a Master's degree in Practicing Accounting from Monash University, Australia and awarded an Executive MBA degree offered by The Chinese University of Hong Kong. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of CPA Australia. Prior to joining the Group in October 2014, Mr. Wong worked for a company listed on the Main Board of the Stock Exchange as the Chief Financial Officer and Company Secretary. Mr. Wong was appointed as an independent non-executive director of Tsui Wah Holdings Limited ("**Tsui Wah**") on 5 November 2012. Tsui Wah was listed on the Main Board of the Stock Exchange on 26 November 2012.

**Ms. Ho Lai Kuen** was appointed as Senior Finance Manager in December 2014 and was promoted to Financial Controller in July 2016. Ms. Ho has over 15 years of auditing and accounting experience with international audit firm and companies listed on the Main Board of the Stock Exchange. Ms. Ho holds a Bachelor Degree of Business from Monash University, Australia and a master's degree in Accounting from 中國東北財經大學, PRC. Ms. Ho is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

*\* denotes an English translation of the Chinese name for identification purpose only.*

**COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Company's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Company's business and there is no contract or arrangement subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant in relation to the Group's business.

**DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

**DIRECTORS' INTEREST IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is significant to the business of the Group.

**SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors has entered into any existing or proposed service contracts with the Company, or any other member of the Group, save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

**LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

**QUALIFICATION AND CONSENT OF EXPERTS**

The following are the qualifications of the experts (the “**Experts**”) who have given their letters for the inclusion in this Prospectus:

<b>Name</b>	<b>Qualification</b>
KPMG	Certified Public Accountants
Yu Ming	a licensed corporation permitted to carry out Types 1 (securities trading), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, each of KPMG and Yu Ming has given and has not withdrawn their written consent to the issue of this Prospectus, with the inclusion herein of its letter or references to its name and/or its opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of KPMG and Yu Ming had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of KPMG and Yu Ming had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## MATERIAL CONTRACTS

The following contracts are all the material contracts (not being entered into in the ordinary course of business of the Group) entered into by members of the Group, within the two years preceding the Latest Practicable Date:

- (i) a framework agreement dated 26 March 2015, entered into among Li Jilie\* (李繼烈) (on behalf of 36 natural persons who were Independent Third Parties and in aggregate held 49% equity interest) (“**the Vendors**”), Shenzhen Dongsheng Huamei Cultural Travel Company Limited (an indirect subsidiary of the Company) (“**the Purchaser**”), Beijing Tourism Group and China Comfort Travel Group Company Limited\* (中國康輝旅行社集團有限責任公司) (“**the Target Company**”); the equity transfer agreement dated 26 March 2015, entered into among the Vendors, the Purchaser and the Target Company; and the subscription agreement dated 7 July 2015, entered into between the Company and the 18 Vendors as set out in the agreement and Hwabao Trust in relation to the Subscription (please refer to the circular of the Company dated 21 August 2015 for details of these agreements);
- (ii) a placing agreement dated 11 June 2015, entered into between the Company and South China Securities Limited as a placing agent in respect of the placing of 64,128,416 ordinary shares with par value of HK\$0.02 each in the share capital of South China (China) Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Stock Exchange (stock code: 00413) (please refer to the announcement of the Company dated 11 June 2015 for details of this agreement);
- (iii) an investment agreement dated 27 June 2015, entered into among the Company as issuer, Mr. Shi Baodong and Longtrade Genesis Limited as guarantors, and Outstanding Global Holdings Limited (“**OGH**”) and Chance Talent Management Limited (“**CTM**”) as investors, in relation to, among other things, the proposed issue of the Perpetual Convertible Securities under a specific mandate in an aggregate principal amount of (i) HK\$70,000,000 having a denomination of HK\$1,000,000 each to be subscribed by CTM; and (ii) HK\$100,000,000 having a denomination of HK\$1,000,000 each to be subscribed by OGH; and a supplemental agreement to the above investment agreement dated 8 January 2016, entered into by OGH, CTM, Mr. Shi Baodong and Longtrade (please refer to the circular of the Company dated 29 January 2016 for details of this agreement);
- (iv) a share purchase agreement dated 14 January 2016, entered into between Triple King International Limited (“**Triple King**”), an indirect wholly-owned subsidiary of the Company two sellers (collectively, the “**Sellers**”), pursuant to which Triple King conditionally agreed to purchase, and the Sellers conditionally agreed to sell, the entire issued share capital of Hanli Investments Limited, which directly holds the entire issued share capital of Afanti Asset Management Limited and MAAM Limited respectively;

- (v) a shareholders agreement dated 19 July 2016, entered into between Broad Vantage Limited (a direct wholly-owned subsidiary of the Company) (“**OVC Subscriber**”), Chance Talent Management Limited (an indirect wholly-owned subsidiary of CCBI) and Charter Century Limited (an indirect wholly-owned subsidiary of BTG) (collectively, the “**JV Subscribers**”), pursuant to which each of the JV Subscribers shall unconditionally subscribe for shares of the JV Company respectively at a total subscription price of US\$1,000,000 (representing 40% equity interest in it), US\$750,000 (representing 30% equity interest in it) and US\$750,000 (representing 30% equity interest in it) respectively (please refer to the announcements of the Company dated 13 July 2016 and 19 July 2016 for details of this agreement); and
- (vi) the Underwriting Agreement.

## EXPENSES

The estimated expenses in connection with the Open Offer (including but not limited to the printing, registration, legal, professional and accounting charges) are approximately HK\$9,525,520 and are payable by the Company.

## GENERAL

- (i) The registered office of the Company is situated at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands.
- (ii) The Company’s head office and principal place of business in Hong Kong is situated at Room 2603, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.
- (iii) The company secretary of the Company was Ip Pui Sum. Mr. Ip is a certified public accountant (practicing) in Hong Kong, a fellow member of the Chartered Association of Certified Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. The correspondence address of Mr. Ip is Flat 91, 12/F, Block C, Imperial Court, No.79 Waterloo Road, Homantin, Kowloon, Hong Kong.
- (iv) The authorised representatives of the Company are Mr. Ip Pui Sum and Mr. Wang Jianhua.
- (v) The Company’s share registrar and transfer office in Hong Kong, Union Registrars Limited, is situated at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong.
- (vi) The principal bankers of the Company are Industrial and Commercial Bank of China (Asia) situated at 34/F, ICBC Tower, 3 Garden Road, Central, Hong Kong and Bank of Nanjing Company Limited, Daxinggong Sub-branch situated in Nanjing City, Jiangsu Province, the PRC.
- (vii) The legal adviser of the Company as to Hong Kong law, Linklaters, is situated at 10th Floor, Alexandra House, Chater Road, Hong Kong.

(viii) The auditor of the Company, KPMG, is situated at 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong.

(ix) The English text of this Prospectus shall prevail over the Chinese text.

#### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of each of the Open Offer Documents and the written consents referred to in the paragraph headed "Qualification and Consent of Experts" in this appendix have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance.

#### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours (9 a.m. to 5 p.m.) on any weekday (public holidays excepted) at the Company's head office and principal place of business in Hong Kong, Room 2603, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, from the date of this Prospectus up to and including 14 October 2016:

- (i) the memorandum and articles of association of the Company;
- (ii) the material contracts referred to in the section headed "Material Contracts" of this appendix;
- (iii) the annual reports of the Company for each of the three financial years ended 31 December 2013, 2014 and 2015;
- (iv) the letter from Yu Ming to the Qualifying Shareholders, the text of which is set out in Appendix I to this Prospectus;
- (v) the accountants' report from KPMG relating to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III to this Prospectus;
- (vi) the written consent from KPMG referred to in the section headed "Qualification and Consent of Experts" in this appendix; and
- (vii) the written consent from Yu Ming referred to in the section headed "Qualification and Consent of Experts" in this appendix.